Fondo Interbancario di Tutela dei Depositi

Interbank Deposit Protection Fund

Annual Report 2013

Interbank Deposit Protection Fund

Composition of Statutory Bodies

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Vice Chairman: Bruno Picca

Statutory Member: Chairman ABI Antonio Patuelli

Executive Committee

Giovanni Berneschi
Stefano Lado
Antonio Marino
Bruno Picca
Samuele Sorato
Camillo Venesio

Board of Auditors

Maurizio Comoli (*Chairman*)
Francesco Passadore
Norbert Plattner

Board

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Adolfo Bizzocchi
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Samuele Sorato*
Flavio Trinca
Gianpietro Val
Camillo Venesio*
Emilio Zanetti

Note: awaiting the appointment of the Board member from Banca MPS and Banca Popolare di Milano

<u>Members of the Executive Committee</u>

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Abstract

Abstract

In 2013 the activity of the Interbank Deposit Protection Fund ("the Fund") was structured around three key areas: Member banks' risk assessment, Research and the Management of interventions.

Following the review carried out in 2012, a new system for measuring risk was introduced, based on a model structured around five balance sheet ratios, where the individual risk is linked with that of the group. Once introduced, this new system was subjected to continuous monitoring, whose aim was to verify its constant adequacy and to find out if any adjustments or adaptations might be required. The handbook for the Member Banks "*The monitoring system for bank riskiness and risk-based contribution*" was updated, and made available also in English.

In addition, work is continuing on the project for the definition of a synthetic indicator for banks' derivatives risk to add to the present indicators of the Fund. The project began in October 2012, under the supervision of the Executive Committee of FITD and coordinated by a Scientific Committee of academics and experts in the field.

During 2013, a number of empirical investigations were conducted into banks' balance sheet ratios, augmented by talks from experts and an ad hoc in-depth analysis of the subject. A number of meetings were organized to further research, of which two consisted of international consultation on the theme of Derivatives: 1) "New Dimensions on Measuring and Managing Banks' Derivatives Risks" with contributions from from academics and experts in international finance, and 2) "Observations on Derivatives, Market Efficiency and Financial Crises". Both events were open to all member Banks.

For the first six-months of 2013, it was planned to provide Banks adhering to the Fund with a return flow of new information based on information contained in their individual and consolidated ratios and on the basis of contributions. For the second six months, activity was concentrated on making the new flow operational and data based. The first results were issued in January 2014 with reference to data as of 30 June 2013.

New legislation on deposit insurance has to be seen in the wider context of the more general reform of bank crisis management at EU level, particularly in the *Bank Recovery and Resolution Directive* (BRRD) and in the *Single Resolution Mechanism (SRM).* The Fund, and through its membership of EFDI, is closely following the progress of these initiatives in EU Institutions.

Avv. Roberto Moretti, the serving Secretary General, completed his term of office in January 2014. The Board expressed its thanks to Avv. Moretti for the long service he had given to the Fund.

Dr Giuseppe Boccuzzi, formerly Bank of Italy, was appointed to succeed him.

Developments in EU legislative framework induced the Fund to examine specific areas, especially those relating to depositor preference among different European Systems and to aspects of bank crises in recent years. These analyses were the basis for Working Paper Number 11 on the theme of : "DGS and Depositor Preference : Implications in light of the upcoming reforms at EU level" and for Working Paper Number 12 entitled "State support to European Banks during the crisis: What implications for regulations?"

This latter paper included a further test on the validity of the Fund's risk indicators.

The research also considered the impact of bail-in on the Deposit Guarantee Systems, given the upcoming EU legislation on Bank Recovery and Resolution. Finally, towards the end of the year, an analysis was carried out on support interventions made by the Deposit Guarantee Schemes in the management of bank crises in Europe.

In 2013, in light of new legislation, further work was done into issues relating to reimbursing depositors. A working group was set up with the participation of the member banks and the Italian Banking Association for the purposes of standardizing the procedure for payout to depositors. By the end of the year, a first version of a guidance paper was released for consultation.

Throughout 2013, the Interbank Deposit Protection Fund continued its International activity by attending and participating in the *European Forum of Deposit Insurers* (EFDI) with particular reference to the development of the EU Directives and with the *International Association of Deposit Insurers* (IADI) for rapport building with the rest of the world.

On 28 October 2013 the FITD Committee considered a support intervention for Banca Tercas in (AS) in the light of a merger with Banca Popolare of Bari. The intervention was ratified by the Fund's Board on 29 October and authorized by the Bank of Italy on 4 November. The final figure for the Consortium's contribution, already estimated at the maximum possible, will be decided after the completion of the due diligence which is still ongoing into Banca Tercas in (AS).

Throughout the year, the Fund continued its management of interventions carried out in previous years

Consortium statistics as of 31 December 2013 are as follows:

226 banks were associated. This was down 15 compared with December 2012 largely due to mergers. 5 banks were under Special Administration. Reimbursable funds, as of June 2013, stood at 500.7 billion euro. Total funds for interventions in 2014 are about 2 billion euro, equivalent to 0.4% of total reimbursable funds.

To further enhance efficiency and efficacy of the Fund, a number of initiatives are ongoing, aimed at improving the organization chart and the system for internal controls for operational procedures. A code of behaviour has been drawn up, the application of which will be overseen by the newly created compliance function.

On 1 February 2014, the Fund appointed Dr Giuseppe Boccuzzi to head up the institution. Dr Boccuzzi was Managing Director of the Bank of Italy's Main Branch Office in Naples. Previously he had been Central Co-director of the Banking and Supervisory Department at the Bank of Italy. With amendments of the Fund's Statutes, approved on the same day, Dr Boccuzzi was appointed General Director, as part of the redefinition of the Fund's governance.

Dr Boccuzzi takes over from Avv. Roberto Moretti, who previously had been Secretary General. The Board expressed its warm gratitude to Avv. Moretti for his years of service to the Fund.

1. Statistical analysis

1.1 The Consortium in 2013

As at 31 December 2013 there were 226 member banks of the Interbank Deposit Protection Fund (the "Fund"). The Consortium also includes 9 subsidiaries in Italy of non EU banks, joining the Fund on a mandatory basis and 1 branch of an EU bank, participating voluntarily in the Fund to top up their home country guarantee[1].

In 2013, 13 mergers, 1 new adhesion, 2 withdrawals of membership and one compulsory administrative liquidation were recorded (Table 1).

As at the end of 2013, of the 226 member banks, 5 are in Special Administration.

Table 1
Changes in the composition of the consortium
(December 2012 - December 2013)

Event	Banks
Member banks as of 31 December 2012	241
Mergers (-)	13
Administrative compulsory liquidation (-)	1
Withdrawal of membership (-)	2
New member banks (+)	1
Member banks as of 31 December 2013	226
of which in Special Administration	5

Source: FITD data.

[1] Directive 2009/19/EC was ammended by Directive 2009/14/EC of 11 March 2009. This brought the level of insurance to 100,000 euros. In Italy, Legislative Decree 49 of 24 March 2011 implemented the Directive to come into force from 7 May 2011. This eliminated the need for topping-up the guarantee level. Topping-up, however, remains in place for the item of guarantee due to have further harmonization with the new proposed Directive sent to the European Commission in 2010 and at the moment awaiting final approval.

1.2 Reimbursable funds of member banks

This following table shows the evolution over the past ten years of the three aggregates used to define the amount of protected deposits: *eligible deposits*, *reimbursable funds* and *deposits up to the limit of coverage*[2] (see Table 2 and Graph 1).

Table 2

Evolution of eligible deposits and reimbursable funds

Date	Eligible deposits	RF up to 100,000 Euros	Deposits up to 100,000 Euros
	data in billion Euros		
Dec/03	465.32	353.21	303.48
Jun/04	470.12	353.54	280.48
Dec/04	496.49	371.62	302.42
Jun/05	513.59	377.57	319.15
Dec/05	525.67	390.25	315.20
Jun/06	541.99	394.52	331.40
Dec/06	566.25	401.49	341.01
Jun/07	560.48	401.54	335.36
Dec/07	574.33	402.32	334.05
Jun/08	581.05	400.55	330.60
Dec/08	615.51	422.90	348.34
Jun/09	652.00	447.65	363.65
Dec/09	694.64	468.03	376.93
Jun/10	693.58	470.36	377.89
Dec/10	691.99	469.99	380.51
Jun/11	674.51	459.78	366.26
Dec/11	669.74	468.27	376.95
Jun/12	692.68	476.11	377.06
Dec/12	724.82	490.50	385.74
Jun/13	736.54	500.70	392.16

Note: Data as at the end of December 2010 are based on the coverage limit equal to 103,291.38 Euros in force since 7 May 2011.

Source: elaborations on FITD data.

[2] "Eligible deposits" is the amount of deposits repayable by the Fund held by protected depositors, net of all the exclusions, as provided for by Article 27, paragraphs 1 and 2 of the Statutes (current accounts, deposits, bank drafts and nominative certificates of deposit), before the level of coverage is applied.

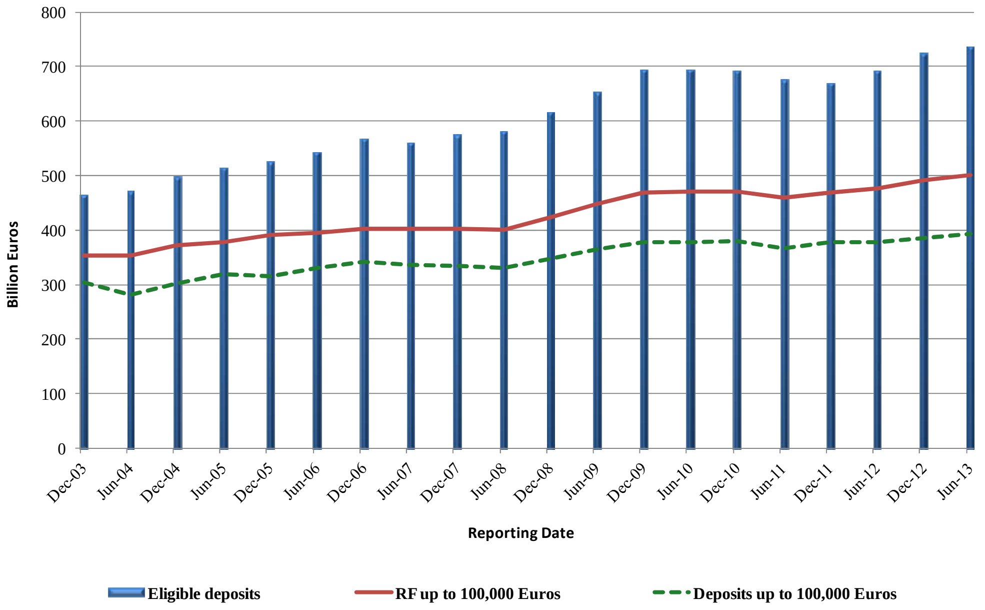
"Reimbursable funds" is the amount of deposits obtained from eligible deposits when applying the level of coverage provided for in the legislation, i.e. the amount reimbursed by the Fund in the case of liquidation of a member bank.

"Deposits up to the coverage level" is a smaller amount than reimbursable funds, since it does not include the part of reimbursable deposits with a balance above the coverage limit.

With reference to the data for 30 June 2013, total Reimbursable Funds (RF) by the Fund amounted to 500.7 billion Euros. This amount, showing an increase of 5.2% compared to the previous year, is the highest level reached in the past ten years.

Graph 1

Evolution of eligible deposits and reimbursable funds



Note: Data as at the end of December 2010 are based on the coverage limit equal to 103,291.38 Euros in force since 7 May 2011.

Source: FITD data.

In June 2013, RF[3] constituted nearly 68% of eligible deposits, while deposits up to the coverage level were 78.3% of RF.

[3] Among FITD members there are some 18 with a contribution base equal to zero. A derogation of FITD Statutes is applied to them for balance-sheet ratios (specifically, asset quality and profitability profiles and, from June 2012, liquidity profile). This derogation is provided because these banks do not represent any risk to the Fund.

1.3 The balance-sheet ratios

Table 3 shows the median values[4] of the balance sheet ratios as of June 2012, December 2012 and June 2013 for each reporting bank.

Comparing median values for the three reporting, we find that: ratio A1 *(Bad debts / Supervisory Capital)* increased from 18.01% (June 2012) to 21.18% (June 2013), indicating a deterioration in the quality of credit during the year; the profitability ratio D1 *(Operating expenses/Gross income)* decreased slightly from 68.17% to 66.53% in the same period. D2 *(Loan losses, net of recoveries/Profit before tax)* highlighted an increase in the weight of loan losses over profit before tax (from 37.22% to 50.67%).

Ratio P *(Supervisory capital, including Tier 3-Total capital requirements/RWA)* slightly increased passing from 9.41% to 9.98% . whereas L *(Receivables from clients/Payables to clients + circulating bonds + structured payables to clients and bonds at fair value)* exhibited a decrease from 91.73% to 84.18%.

Table 3

Ratios median values

Ratios		Jun-12	Dec-12	Jun-13
A1	Bad loans / Supervisory capital	18.01%	18.75%	21.18%
D1	Operating expenses / Gross income	68.17%	67.50%	66.53%
D2	Loan losses, net of recoveries / profit before tax	37.22%	57.09%	50.67%
P	(Supervisory capital, including tier 3 - Tot. Capital requirements) / RWA	9.41%	9.60%	9.98%
L	Receivables from clients / Payables to clients + circulating bonds + structured payables to clients and bonds at fair value	91.73%	90.82%	84.18%

Source: elaborations on FITD - Bank of Italy data.

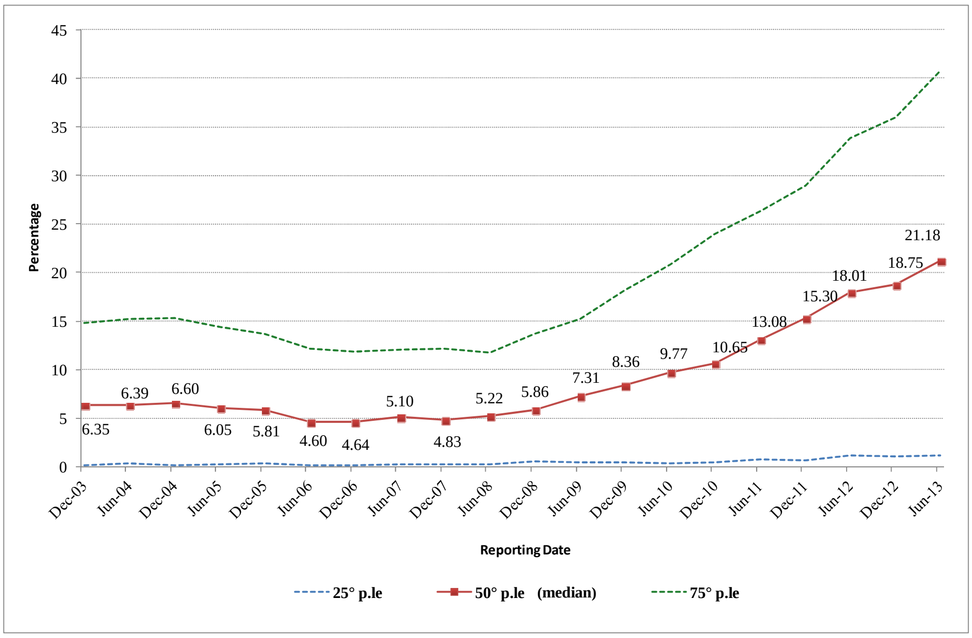
[4] In a distribution, the median is the value given by the 50° percentile (p.le).

Asset quality

The median value of the A1 indicator *(Bad debts/Supervisory Capital)* was 21.18% as of June 2013, confirming the upward trend recorded since the first half of 2008 (Graph 2).

Graph 2

A1 performance from December 2003 to June 2013



Source: FITD - Bank of Italy data.

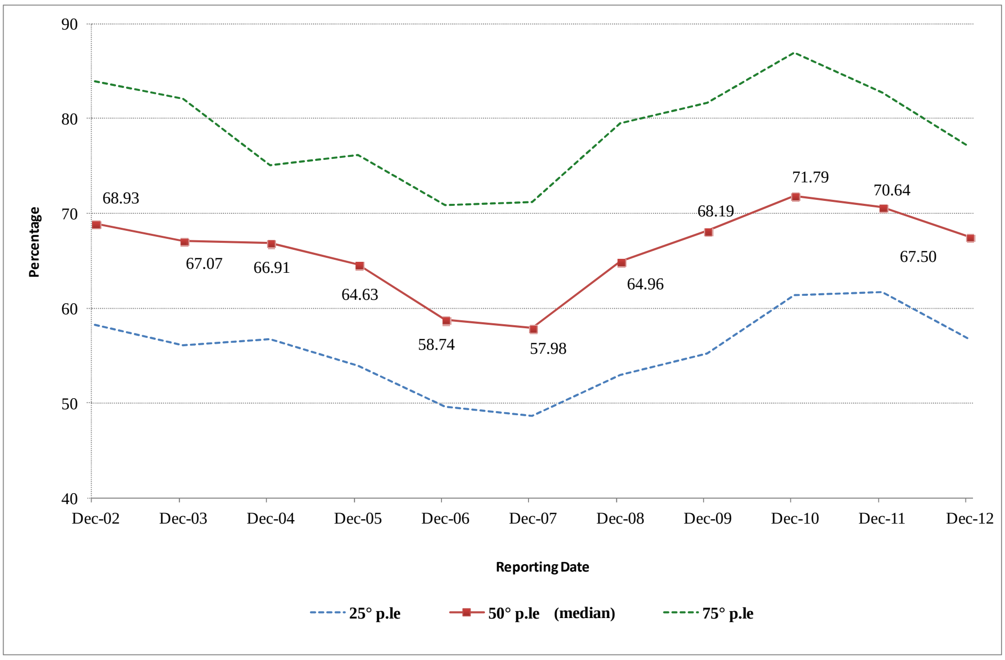
Profitabilty

Graphs 3 and 4 show the median values for the two ratios of the profitability profile D1 *(Operating expenses/Gross income)* and D2 *(Loan losses, net of recoveries/Profit before tax)* on an annual basis (from December 2002 to December 2012)[5].

[5] End year data only are shown because some items in the financial statements are recorded fully as at end December only.

Graph 3

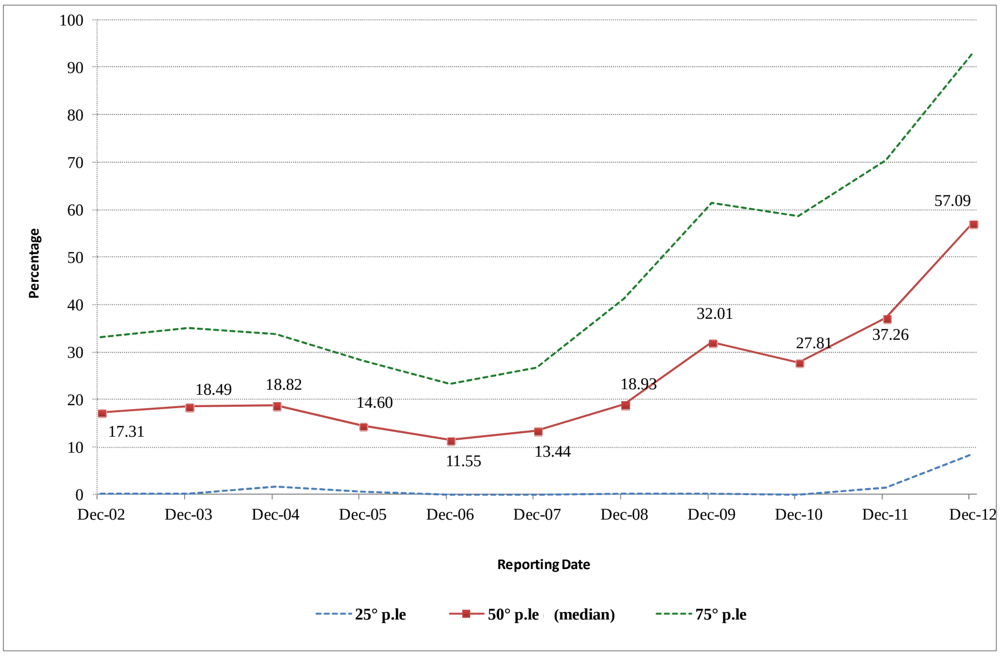
D1 performance from December2002 to December 2012



Source: FITD - Bank of Italy data.

Graph 4

D2 performance from December2002 to December 2012



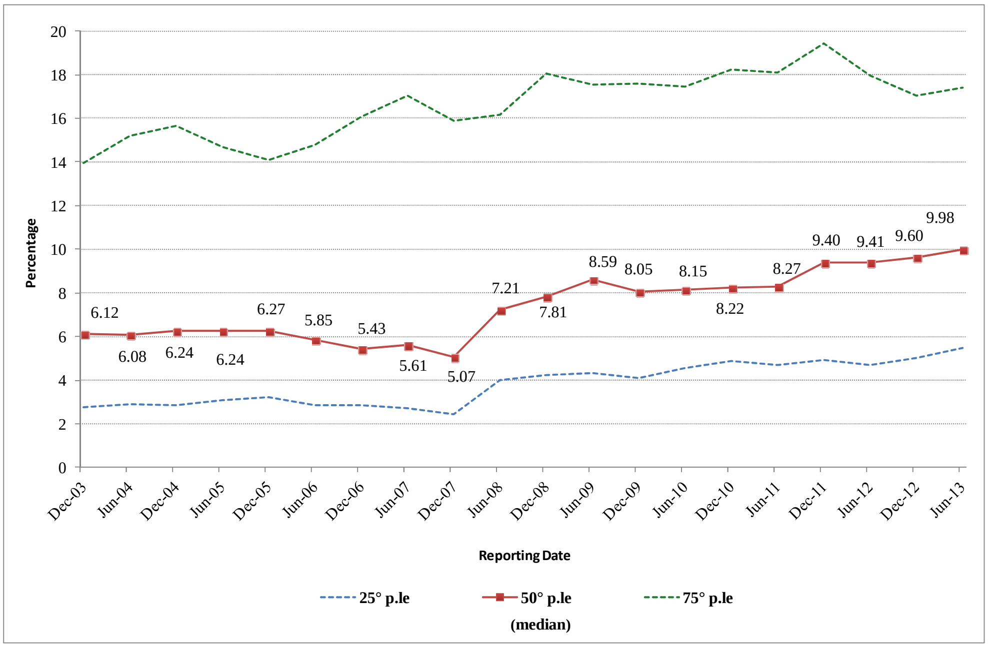
Source: FITD - Bank of Italy data.

Solvency

Graph 5 shows Ratio P series *(Supervisory capital, including Tier 3-Total Supervisory capital requirements/RWA)*, from December 2003 to June 2013.

Graph 5

P performance from December 2003 to December 2013



Source: FITD - Bank of Italy data.

1.4 Geographical analysis

Median values of the financial indicators, divided by economic area, reflect the different economic conditions in the three Italian macro areas: North, Centre and South (Table 4)[6].

In June 2013, banks in the North represented 60.8% of the Consortium, while banks in the Centre and the South were 25% and 14.2% respectively. The RF distributions were 72.07% in the North, 19.04% in the Centre and 8.89% in the South.

The median value of the A1 indicator was 14.90% for the banks in the North, 29.56% for the banks in the Centre and 28.78% for those in the South.

As regards ratio P, banks in the North were more capitalised (10.47%) than those in the Centre (10.11%) and in the South (8.52%).

D1 Profitability was greater in the North, with a median value of 65.42%, compared to the Centre (67.36%) and to the South (69.07%). D2 values were 44.35% in the North, 56.33% in the Centre and 65.45% in the South. For the L ratio, a median value of 83.81% was recorded for banks in the North, a value of 88.29% in the Centre and 81.43% in the South.

Table 4

Values by geographical area (June 2013)

AREA	BANKS	RF	A1	P	D1	D2	L
NORTH	141	360,851,118,761	14.90	10.47	65.42	44.35	83.81
CENTRE	58	95,345,094,985	29.56	10.11	67.36	56.33	88.29
SOUTH	33	44,501,647,073	28.78	8.52	69.07	65.45	81.43
ITALY	**232**	**500,697,860,819**	**21.18**	**9.98**	**66.53**	**50.67**	**84.18**

Source: FITD - Bank of Italy data.

[6] The distribution of banks in macro areas is based on where a bank's headquarters is located

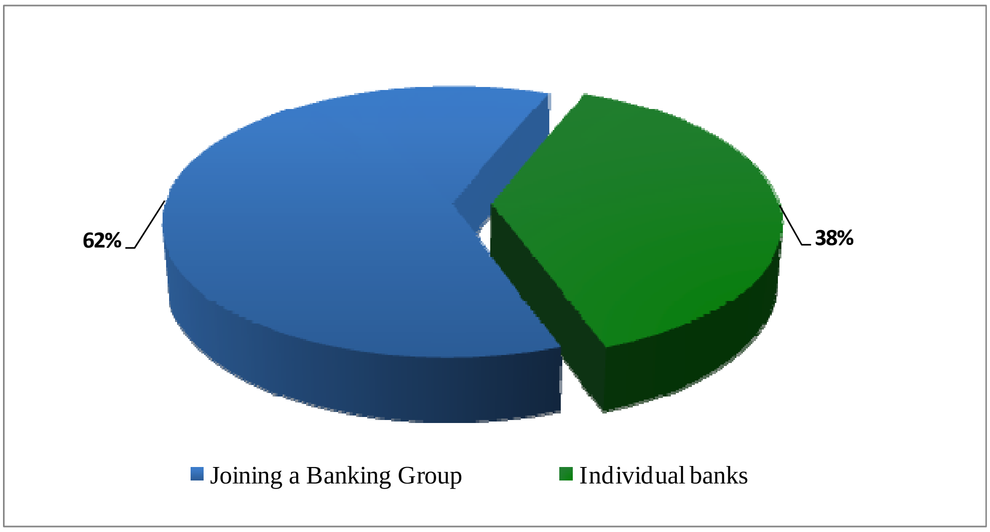
1.5 Analysis by banking groups

For group analysis, the 232 reporting member banks as at June 2013 are divided into two main groups, depending on whether they are part or not of the 67 banking groups listed currently in the Official Register managed by the Bank of Italy[7]. Specifically, 143 member banks belong to banking groups; the other 89 are single banks.

As shown in Graphs 6 and 7, banks joining a banking group make up around 62% of the total number of FITD members and they account for about 96% of the total RF. Individual banks make up around 38% of the consortium and their RF represent slightly less than 4% of the total amount.

Graph 6

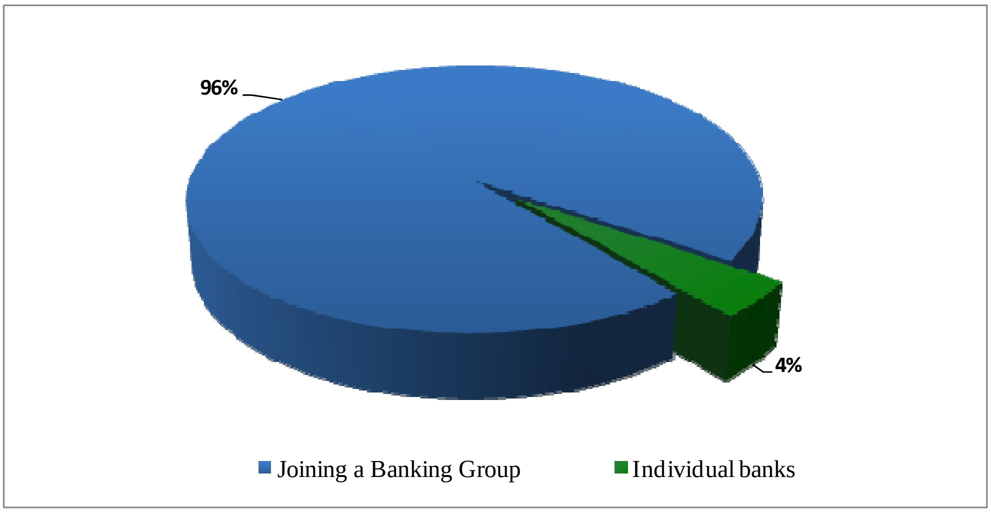
Composition of the Consortium



Source: FITD data.

[7] According to the latest update (30 June 2013), 77 banking groups recorded in the official Register. including 10 groups composed of credit cooperative banks which are not included in this paragraph.

Graph 7
RF Distribution



Source: FITD data.

Table 5 compares the last three reports. Intra-group mergers caused a decrease (-24) in the number of member banks joining a banking group. The percentage over the total shifted from 65.75% to 61.64%. RF fell by 0.48 percentage points but increased by more than 21 billion Euros in absolute terms. Over the same period, the percentage of single banks rose from 34.25% (June 2012) to 38.36% (June 2013), while related RF increased by 0.48 p.p. to around 4.44% of the total amount.

Table 5
Composition of the Consortium

Date		Total	Joining a Banking Group		Individual banks	
			absolute value	%	absolute value	%
Jun-12	**Banks**	254	167	65.75%	87	34.25%
	RF	476,105,467,627	457,272,302,127	96.04%	18,833,165,500	3.96%
Dec-12	**Banks**	239	149	62.34%	90	37.66%
	RF	490,471,182,749	467,945,048,014	95.41%	22,526,134,735	4.59%
Jun-13	**Banks**	232	143	61.64%	89	38.36%
	RF	500,697,860,819	478,491,433,853	95.56%	22,206,426,966	4.44%

Source: FITD data.

2. FITD activities

2.1 The actitities of the Fund in 2013

Revisione indicatori

On 20 June 2012, the General Board meeting of the Fund approved the revision of the managed indicators. This was then incorporated into the Statutes. Throughout the year the Fund continued its work of further analysis into the ratios to arrive at a more precise measure of bank risk. For this purpose, the Fund organized encounters with the technical offices of a group of consortium banks. A number of valid points for consideration were exchanged.

In October 2012 a study programme was initiated to define a synthetic indicator of banks' derivative risk to be added to the indicators already used by the Fund. The work is coordinated by a Research committee which includes both academic and finance experts.

Throughout 2013 empirical studies continued into indicators of bank risk. Experts were consulted and indepth analysis done. Two international study sessions on derivatives were organized: 1) "*New Dimensions on Measuring and Managing Banks Derivatives Risks*", held on 2 May 2013 and conducted by academic and international finance experts, and 2) "*Observations on Derivatives, Market Efficiency and Financial Crises*" on 10 May 2013 in the central Rome offices Banco Popolare. All consortium banks were invited to both events.

Documenti e progetti di ricerca

Continuous updating was ongoing throughout the year on the documentation available to the consortium banks, particularly with reference to the manual ""*Il sistema di monitoraggio della rischiosità delle banche e la contribuzione basata sul rischio*". The Fund considers the manual of great importance for enabling banks to comply easily and appropriately with their statuary obligations. It also provides a helpful instrument for their relationships with international banks. The manual is available on the Fund's website. An English translation is provide: "*The FITD's monitoring system of bank riskiness and risk-based contribution*".

The Fund published two numbers in its *Working Papers* series. These pertained to research work begun in the second half of 2012: *Working*

Paper No.11 "DGS and depositor preference: implications in light of the upcoming reforms at an EU level" and *Working Paper* No. 12 "*Explaining state support to European banks during the crisis: Which* *implications for regulation?*".

No. 11 examines the theme of criteria for admission to depositor liabilities in the case of bank liquidation in an EU country, and particularly in the light of the legislative reforms being enacted at Community level in terms of crisis resolution and recovery. The study also includes a statistical analysis based on information about privileged regimes applied to EU countries and which was collected through the network of deposit insurers who are members of the European Forum of Deposit Insurers (EFDI). This is the first such study at international level based on a collection of data from a wide range of countries, namely all members countries of the EU and a significant number of countries from the European area.

Working Paper No. 11 "*Explaining state support to European banks during the crisis: Which implications for regulation?*" is the result of research carried out by the Fund into creating a model to measure the riskiness of European banks that had been given State aid. It provided a further test on the robustness of the Fund's risk ratios.

Working Paper 12 continues the research done by the Fund to estimate a model for forecasting the riskiness of European banks that have received state support. The Paper became a further test for the validity of the Fund's risk ratios.

A further research project was begun in April 2013 into aspects of prompt payout to depositors in the light of EU regulation on Deposit Guarantee Schemes.

The Fund devoted particular attention to the problem of Single Customer View (SCV) to ensure that the relevant information is made readily available to the DGS for payout to depositors and in this way to minimize risk to the Fund from rules relating to speedy payout (20 working days from the date the member bank goes into special administration).

On 5 May 2013, the Fund together with EFDI organized a full day seminar on the solutions adopted in Germany on the question of SCV. I was attended by representatives of the German Banking Association (*Bundesverband Deutscher Banken*) members of the DGS managed by them and by a number of German banks and from the Fund's consortium banks.

A study group was organized in the following June for in-depth research into SCV. It was made up of representatives from the Fund's associated banks and from the Italian Banking Association. Its target was to reach a standardization of the procedures related to identification and transmission of SCV with the participation of all stakeholders (Fund, member banks, Fund's Treasury, procedural bodies, Bank of Italy). After a number of meetings, towards the end of the year a final draft of an guideline document was completed and which would serve as a basis for further discussion.

Also well advanced is the analysis into and the implementation of technical aspects linked to the transmission of information between the Fund and the treasury bank and related to the structure of the flow of data on the aggregate positions of depositors.

Towards the end of the year yet another research project was initiated. Its purpose is to investigate the methodology for interventions in support or resolution of banks in different EU countries, through the study of Italian legislation and the EU one which at this moment is awaiting final approval. At the same time, the study group is collecting precise information on legal practices in some major EU countries. The project is scheduled to be completed in early 2014.

In completion of this set of research projects, in the course of the year a study was begun in collaboration with ABI into the impact of the bail-in instrument on DGS against the upcoming EU legislation understudy at the moment matters of bank recovery and crisis resolution . In prospect, some major aspects of EU regulation will be examined in depth, especially those with possible implications for deposit protection schemes.

The reform of the statutes implemented in June 2012 directly led to a new plan for a return flow of data, both single and consolidated, on individual management indicators. The creation of the data flow made necessary an updating of the Fund's IT processes, with new graphic outlay and a new structuring of information.

For example, one data flow is targeted at single banks and another specific one for the head bank in bank groups which has consolidated data. The first release of the end product was in January 2014, based on 30 June data.

In the international context the Fund attended the meetings organised for study groups by EFDI. These were on stress testing for DGS, depositor privilege, resolution of bank crises. Work was also done on producing an agreed glossary and a single information data base for deposit insurance.

Work was done on changes to the apportioning of contribution risk quotas. To enhance efficiency of the Funds' activities, working is being done to adjust the Fund's organization chart and its system of internal controls on all operational processes. A new 'code of conduct' has been adopted and compliance with it will be overseen by new internal function.

Revisione Direttiva Comunitaria 94/19/CE

Directive EC 94/19 is undergoing revision on deposit insurance. Adjustments have already been made to coverage level and payout time in Directive EC/14/2009. The text of a proposed legislation was circulated on 7 May 2011 and in under consideration in Community Institutions. These were made law in Italy by Legislative Decree 49 on 24 March 2014; this amended Article 96 bis of Bank Law (Legislative Decree 385/93.

The changes had already impacted the Fund's activities from 7 May 2011 and were formally incorporated into the Statute. Coverage level is now 100,000 euro and payout happens within twenty working days from the liquidation of a bank.

The revision of Directive 94/19/EC is still ongoing. The legislative proposal distributed for discussion on 12 July 2010 is being debated at Community institutions.

The publication on 6 June 2012 of the EU proposed legislation on *Bank Recovery and Resolution Directive* (BRRD), on the *Single Supervisory Mechanism* (SSM) on 12 September 2012 and on the *Single Resolution Mechanism* (SRM) on 12 July 2013 delayed the above work, though now work has resumed. Final approval is expected by early 2014.

The *Single Supervisory Mechanism* (SSM) came into force on 4 November 2013. In December meetings with the European Council and the Trilogue (Parliament, Commission and Council) brought a compromise on resolution and at the same time political agreement was reached on DGS. Some final touches have still to be done before definitive approval is given.

Once the SSM is approved and entered into internal byelaws, the Fund will assess the impact of the changes to be made to the Statutes in the wake of the decisions taken. It will then set out its proposals for amendments.

The new rules and regulations that affect the DGS form part of the wider reforms for the management of bank crises at EU level, namely the BRRD Directive for Recovery and Resolution and the SRM and the

SRM, Single Resolution Mechanism The Fund, also as a member of EFDI, is closely following their progress through the EU institutions.

Rapporti Internazionali

Throughout the year Fund continued its international collaboration on a numbers of items. A propos of this, it hosted, organized and lent support to various initiatives.

Among the many, three events organized by EFDI deserve special mention: One in London of the question of the stress tests in anticipation of EBA decisions; a second in Paris on Crisis Resolution to contribute to the ongoing debate surrounding the new directive, and; the third was the conference held to coincide with the EFDI Annual Meeting which was held in the Bank of Italy's central office in Rome on 18-20 of September.

The event was attended by senior representatives of both banking and academia. 68 delegations were present from among European Area DGS from 44 EA countries and from 13 other areas. The Conference highlighted how some main European countries had already anticipated the application of amendments to the Directive still under discussion, setting up a Bank Resolution Fund and the means for financing it, either as part of the DGS or separate, but aiming to achieve a synergy of action.

It was particularly noticeable that the majority of European countries used an ex-ante contribution system for collecting resources. Italy, on the other hand, maintains an ex-post system, pulling in the funds as a crisis occurs.

The Fund's office was host to a number of visiting delegations from foreign DGS. Items of common interest were discussed as well as in depth information sharing and comparisons of experience in the field of deposit insurance.

2.2 Interventions

New interventions 2013

Banca Tercas: was placed under special administration by Ministerial Decree of 30 April 2012. At the request of the extraordinary commissioner on 25 October, the Executive Committee of the Fund decided, at their meeting of 28 October 2013, to intervene to support the bank in accordance with Article 96 ter, par. 1, letter d of Bank Law, for an amount up to 280 million euro. The intervention was ratified on 29 October by the Fund Board and authorized by the Bank of Italy on 4 November 2013.

The intervention envisages a recovery intervention for Tercas on the following lines:

1. 71.1 million to cover the net capital loss on the balance sheet on 30 September 2013, plus a devaluation of 44 million euro for the holding in its subsidiary Banca Caripe for the total amount of 115 million.
2. cover for an eventual increase in the capital loss that could emerge from due diligence on Tercas’s and Caripe’s assets; this should be for a maximum equal to the difference between 280 million and the capital shortfall mentioned above. The due diligence, now nearing conclusion, is being carried out by the Banca Popolare of Bari, the acquiring bank.

2010-2012 interventions

Banca Network Investimenti: the bank was placed in compulsory administrative liquidation by Ministry of Finance Decree of 16 July 2012. This intervention is the first application of the reduced payout timeframe (from 3 months to 20 working days) provided for by the Legislative Decree 49 of 24 March 2011, implementing Directive 2009/14/EC. The chronology detailed below was applied, given the absence of any mandatory procedure.

Liquidators took office on 19 July 2012. On 26 July 2012 they communicated the final sum of the payout in the amount of 73,887,244 euros. To comply with the payout timeframe (20 working days), the Fund acted on the decision taken by the Executive Committee on 20 June 2012, which had given the Chairman an open mandate. In the meanwhile, new technical procedures of payout were identified and applied. The overall amount of the intervention was 73,970,213 euros.

Close collaboration between a major Italian banking group, the liquidators and the Fund allowed the latter to identify and apply a payout procedure based on communication to depositors, which in legal terms was comparable to a “commitment to pay and recognition of debt” as per Article 1988 of the Italian Civil Code. Through this method the risk of fraudulent bank drafts was minimized.

Banca Valle d’Itria e Magna Grecia: on 21 October 2010 the Executive Committee discussed the intervention of the Fund. The bank, which was in Special Administration, was put into Compulsory Administrative Liquidation. The intervention of the Fund in the transfer of assets and liabilities amounted to 5.5 million euros. The amount paid to the acquiring bank was 5 million. Further documentation is needed to pay the remaining amount (€ 500,000.00).

The liquidator is taking legal action to recover the amount paid. Part of that action (claw-back action) is against those persons responsible for the crisis.

On 21/09/2012 a deed of assignment was stipulated to transfer claims and actions for responsibility and for recovery against past managers, auditors and the chief executive of Banca Popolare Valle d’Itria e Magna Grecia in compulsory administrative liquidation.

Briefly, the deed of assignment provides for the transfer of the actions for responsibility and for recovery to an Italian banking group, which immediately undertakes to step in the trials concerning the transferred claims and obtain (also as per Article 1381 of the Italian Civil Code) the exclusion of the liquidation procedure from the same trials, at its care and expenses as per Article 92, paragraph 9 of the Banking Law. Due to FITD support intervention, transferee bank undertook to give back to the Fund any possible amount recovered from the liquidation procedure, up to the total amount paid by the Fund.

In implementing this provision and on the opinions express by the legal person charged with following these proceedings and by the Fund, an agreement was signed with the auditing firm for 200,000 euros, limited to a part of the overall consolidated debt.

On the other hand, the proposal made by the administrators and the auditors was not accepted in that it is still far from the levels held to be acceptable by the Fund.

Banco Emiliano Romagnolo (BER Banca): on 15 December 2010 the Executive Committee deliberated an intervention of the Fund, authorised by the Bank of Italy on 21 February 2011. The amount was paid by the Fund according to Article 4, paragraphs 1, letter b), 3, and Article 29, paragraphs 1 and 2 letter a) of the Statutes and was 16 million Euros.

The intervention of the Fund was part of a recovery plan promoted by a major Italian bank, aimed at definitively solving BER serious crisis.

It is worth noting that the total amount of the intervention was 16,131,760 Euros.

Banca MB: on 16 March 2011 the Executive Committee of the Fund considered an intervention pursuant to Article 28 of the Statutes (transfer of assets and liabilities). The intervention was decided to protect the depositors of Banca MB in compulsory administrative liquidation and the amount of 40 million Euros was paid in support of the liquidation proceedings. On 13 May 2011 the Bank of Italy authorised the intervention, as decided by the Executive Committee of the Fund, in accordance with Article 4, paragraph 3 of FITD Statutes and Article 96 ter, letter d) of the Italian Banking law.

The aim was a reorganisation plan for the bank's overall debt exposure and the orderly liquidation of assets, so as to fully and promptly satisfy depositors' rights.

The total amount of the intervention was 40,189,852 euros.

Past interventions

In the year, the Fund continued its management of the following ongoing interventions as they reached closure, in accordance with liquidation preocedures.

Banco di Tricesimo: the Compulsory Administrative Liquidation of the bank, as provided by the Decree of the Treasury Minister on 4/10/1990, was closed on 27/6/200 the7. Two outstanding controversies were settled, leaving only a claim against IVA for 27,000 euros is still to be met. The Fund has appointed the former liquidator to collect this residual claim, empowering and binding him to transfer to the Fund, as the only remaining creditor of the procedure, the amount collected once the tax offices had paid it.

Banca di Girgenti: to help resolve the crisis of the bank, the Fund accepted to tackle the deficit resulting from the assets and liabilities transfer to a major Italian bank; the final assessment is subject to the outcome of legal cases and to the payment date of the costs of proceedings.

During the year, a comprehensive examination was made of the above unsettled legal cases and of the risks pending for the parties.

In the first stage of the legal proceedings, two legal disputes with the liquidation procedure were settled. The outcome was positive for the procedure.

Specifically, actions were taken to recover the amounts paid at the time by the procedure, being the losing party, in execution of the first sentence of the Cassation Court No. 2464/2004 to draw down the guarantees, originally given by the Banca di Girgenti for the amount of 9 billion lire.

At the present moment, given that Sentence 1915/2004 by the Court of Cassation declared the debt of the Commercial Company originating the commercial paper to be non-existent, possibilities have arisen for a negotiated solution with the said Company. The aim is to get a partial restitution of the amounts paid at the time by liquidation procedure.

The outcome of the meetings were not positive and actions were taken to recover the amounts paid at the time of the intervention.

The unusual length of the procedure was largely due to a complex and detailed contention between Credito Emiliano S.p.A. (the acquiring bank of the assets and the liabilities of Banca di Girgenti), the Società Acqua Pia Antica Marcia S.p.A. (SAPAM) and the Banca del Sempione.

Cassa di Risparmio di Prato: the legal proceeding in the ordinary courts to recover damages for some former administrators of the bank at that time, preventing the closure of the Fund's intervention, was substantially settled. Legal expenses still remain to be settled.

On the commitment for intervention for the 2013 financial year, according to Article 21 of the Statutes and the resolution of the General Meeting, the resources for interventions were 0.4% of reimbursable funds as of the total reimbursable funds as of 30 June 2012 and equal to 1,904,423,274 Euros.

On the commitment for intervention for the 2014 financial year, the resources for interventions, calculated on the basis of 0.4% the total reimbursable funds as of 30 September 2013 (498,020,107,376 Euros), are 1,992,080,429.50 Euros.

3. Supplement to the 2013 Financial Statements

This Supplement illustrates and comments on the items and amounts listed in the Balance Sheet and Income Statement, and in so doing, it illustrates the evaluation criteria adopted in preparing the financial statements.

Further qualitative and quantitative information is also provided pursuant to Article 2427 of the Italian Civil Code.

In accordance with the accounting principle of continuity, the evaluation criteria have not changed with respect to previous financial years.

In compliance with transparency principles, the amounts in the financial statements of 31 December 2013 are compared with those of 31 December 2012.

In both financial statements, amounts are in Euro unit, with no decimals, as per Article 2423, paragraph five of the Civil Code.

The Income Statement for the year 2013 shows a balance before tax but after tax it shows a loss of € 77,906.00, corresponding to the exact amount due for taxes. The results are in keeping with the Consortium and non-profit nature of the Interbank Deposit Protection Fund.

Balance Sheet

Fixed assets are listed in the Balance Sheet at their net accounting values, which are calculated as the difference between the purchase costs, plus accessory charges, and the total depreciation or amortisation effected. The total as of 31 December 2013 is €142,509.00, with an increase of €96,355.00 compared to the previous financial year.

Intangible assets includes expenses for purchase of Concession and software licenses and for restructuring the Fund's Offices (Improvements to third party goods)

Concessions and software licenses: the accounting value was calculated on the difference between historic cost and amortisation amounts calculated on the hypothesis of two year life. Net value as of 1 January 2013 was 14,910.00. Throughout the year increases were recorded for 4,734.00 and usual amortisations were calculated at 17,277.oo for a net value at 31 December 2013 of 2,367.00, a drop of 12,543.00 compared with 2012.

Improvements to third party goods contain costs for ordinary works of restructuring the Fund's offices. The amount is carried in the balance sheet net of estimated amortisations calculated at constant amounts in relation to their economically useful life and their residual possible utilisation. The parameter is the remaining time to maturity of the rental contract (2020), renewed in 2013 for seven years. Costs up to 31 December were 108,090.00 and were accounted as ordinary amortisations for 15,446.00, equal to 1/7 of the accounting value. The net worth at 31 December 2013 was 92,644.00.

The tangible fixed assets is entered in the financial statements' assets in the overall amount of €47,497.00, with an increase of €16,252.00 compared to the 2012 financial year.

In particular:

- Equipment and plant: the net accounting value as of 1 January 2013 was €256,635.00, unchanged from the previous year. Ordinary amortisation quota amounting to €941.00 was recorded during the year, to increase the relevant fund, recording the overall amount of €255,034.00 and a net value as of 31 December 2013 of €1,601.00, with a decrease of €941.00 compared to 2012;

- Furniture and furnishing (other goods): the overall net amount as of 1 January 2013 was €0.00. Goods on the assets' book (€507,653.00) are totally amortised. During the year there were no increases recorded and therefore the net accounting value as of 31 December 2013 is €0,00;

- Electronic and electro mechanic machines (other goods): the net accounting value as of 1 January 2013 was €644,621.00. Increases during the year in the amount of €28,919.00 and ordinary amortisation quotas of €11,725.00, to increase the relevant fund totaling €627,644.00, were recorded. The net amount as of 31 December 2013 is €45,896.00, showing an increase of €17,194.00 compared to 2012;

- Assets with a value less than 516.46 Euros (other goods): it includes items purchased during the year for an overall amount of €2,997.00, totally capitalised and 100% amortised through the relevant amortisation fund. The net value at the end of 2013 is €0.00.

Investments amounts to €0.00 as in past financial years.

Advances to suppliers, recorded among **Inventories**, are €15,975.00, with a decrease of €31,243.00 compared to the 2012 financial statements.

The **Receivables** are listed under Balance Sheet - assets at nominal value, which matches their presumed value.

Receivables from clients, considered recoverable within 12 months, amounts to €70,000.00 and correspond to the balance of the contributions by Members for operating expenses in 2013 which are still to be paid.

Receivables from clients, payable over 12 months, amounts to €365,615.00. The item is composed as follows: (i) €24,480.00 for legal invoices issued in the name and on behalf of the Interbank Deposit Protection Fund for the intervention regarding Banca di Girgenti; (ii) €9,224.00 linked to Banco di Tricesimo to activate the guarantee given by the Interbank Deposit Protection Fund as a result of a legal dispute against the liquidation proceedings; (iii) €66,000.00 for professional services of KPMG Advisory S.p.A. to the Interbank Deposit Protection Fund with respect to the intervention in favour of Banca Popolare Valle d'Itria e Magna Grecia; (iv) €5,065.00 for professional services of Studio Merusi with respect to the intervention in favour of Banca Network Investimenti; (v) €3,146.00 for professional services of Studio Merusi with respect to Banca Popolare di Garanzia in liquidation procedure; (vi) 257,700.00 for invoices for the Interbank Deposit Protection Fund from KPMG Advisory S.p.A. following the beginning of the due diligence on Banca Tercas S.p.A. is AS.

The total amount of Receivables is €435,615.00, showing an increase of €154,263.00 compared to the previous financial year.

The Receivables from the Tax Authorities considered recoverable within 12 months show an amount of €64,813.00. The item is composed as follows: (i) advances from IRAP amounting to €61,741.00 and advances from IRES in the amount of €2,796.00 paid in 2013; (ii) advances from substitute tax on TFR revaluation amounting to €5.00 and, (iii) advance withholdings on bank interest income in the amount of €271.00.

Total receivables for advance taxes is €492.00 (IRES).

Receivables from other parties, considered recoverable within 12 months, amounts to €22,921.00 and consists of a claim from FMR - Art'è S.p.A. following a request of refund of expenses for the seat management paid in advance on their behalf in 2013 to ACEA Energia S.p.A.

Total receivables is €523,841.00, with an increase of €161,830.00 compared to the 2012 financial statements.

Cash and equivalent, listed at nominal value, is equal to €1,045,975.00, showing an increase of €288,790.00 compared to the previous year.

The total amount consists of (i) bank deposits having a credit balance of €1,030,976.00 and cash in the amount of €14,999.00.

Current assets presents a total of €1,585,791.00 with an increase of €419,377.00 compared to the amount recorded in 2012, which was €1,166,414.00.

In compliance with the principle of accrual basis accounting, **Prepaid expenses** is recorded in the amount of €39,972.00, showing a decrease of €3,391.00 compared to 2012.

Total Assets is equal to €1,768,272.00, recording an increase of €512,341.00 compared to the previous financial year.

Under the **Net asset value**, the Consortium fund amounts to €439,917.00 and the loss for the 2013 financial year is €77.906.00. The overall amount is therefore €362,011.00, recording a decrease of €12,113.00 compared to the previous year, as a result of a decrease in the loss for the 2013 financial year.

As provided for by the last General Assembly, held on 4 April 2013, the loss for the 2012 financial year in the amount of €65,793.00, has been settled writing off both a surplus of contributions for operating expenses recorded in 2012 (€185,807.00).

Provisions for Risk and Charges amounts to €120,000.00 and are recorded in the item Other as a result of a precautionary depreciation made for a labour case brought by a former employee. Compared to the previous financial statement, the item doesn’t show any variation.

The **Staff Severance Fund** is listed under the Balance Sheet - Liabilities in the amount of €50.00. It is worth noting that the amounts for social contributions matured for employees have been paid yearly into an Open Pension Fund since 2000; the amount showed in the financial statements reflects the sum of the single ISTAT appreciations since 31 December 1999 for FITD employees.

Payables are recorded in the balance sheet liabilities at their nominal value, which corresponds to their assumed financial display.

Payables to suppliers within 12 months are €361,166.00, showing an increase of €157,332.00 compared to 2012.

Tax Payables within 12 months amounts to €148,516.00 and is composed as follows: (i) €53,406.00 for advance withholdings approved for third parties; (ii) €16,223.00 refer to fiscal withholdings on employees' salaries and wages; (iii) taxes for overtime 489.00 (iii) substitute tax on overtime € 489,00; (iv) €23,423.00 for tax payables referred to IRES; and, (v) €54,975.00 for tax payables referred to IRAP. Compared to 2012, a decrease of €362.00 is recorded.

Payables to social security institutions within 12 months demonstrates a total of €77,843.00, with a decrease of €3,778.00 compared to 2012. The item consists of: (i) €28,791.00 is for INPS contributions to be paid for salaries and wages paid in December 2013; (ii) €2,943.00 is for INPS contributions pursuant to legislation n. 335/95 for payment to third parties in December 2013; (iii) €212.00 is for INAIL contributions to be paid for payments to third parties during the year; (iv) €45,897.00 concerns the voluntary and corporate reserves for the Open Pension Fund calculated on salaries and wages paid in November and December 2013.

Other Payables considered recoverable within 12 months, amounts to €644,047.00, with an increase of €373,248.00 compared to the previous year financial statements.

This item is composed as follows: (i) €254,859.00, is the balance of contributions for 2013 operating expenses, withheld by the Fund to partially settle the loss for the financial year; (ii) 344,576.00 as advance on contribution, requested in 2013, for a research project on derivatives risk ratios; (iii) €23,574.00 is for bonuses and December extraordinary wages to be paid to employees; (iv) €16,861.00 is for wages paid in the fourth quarter of 2013 to employees of Unicredit S.p.A., who have been working at the Fund; (v) 753.00 for expenses incurred in the 4° quarter 2013 by Consortium bodies; (vi) €3,424.00 is for credit cards statement of account in December.

Other Payables considered recoverable over 12 months amounts to €54,639.00 and relates to bills to cover legal expenses of cases that are still under way and regard the intervention carried out for Cassa di Risparmio di Prato.

Total payables is €1,286,211.00, with an increase of €525,963.00 compared to the 2012 financial year.

There are no **accrued expenses and deferred income.**

Total liabilities is equal to €1,768,272.00, recording an increase of €512,341.00 compared to 2012.

Interim Accounts

The members' commitment to the contribution obligations of resources for interventions is listed in the interim accounts.

The descriptive form adopted for these amounts shows not only their sums but also their composition, purpose and eventual payment.

In the interim accounts is highlighted the commitment of the consortium in respect of the obligations of contribution to resources for interventions.

Presented in the format used for these amounts tend to highlight not only their size, but also the phases of the constitution, resolution and ventuale delivery.

As provided by the Statutes (art.4 comma 2, art.21 comma 2, art.30 comma 1):

- *The Fund carries out interventions on behalf of and in the interests of consortium banks;*
- *The money required for interventions constitutes advances to the Fund as principal and must be paid to the Fund according to the procedures and the schedule determined by the Executive Committee.*
- *Assets and goods of whatever nature, acquired or recovered through interventions, shall be likewise attributed to the consortium banks, in accordance with their respective contribution basis for the intervention;*
- *In accordance with the Statutes, for the management of interventions the Fund shall use a current account which shall be cleared everyday: inflows from consortium banks will be offset, on the same date and in the same currency for the execution of interventions.*

For further information on the management of interventions, refer to the Management Report that accompanies the Financial Statements.

Income Statement

The graduated form adopted shows the progressive formation of the economic results:

A) Production value	€	3,280,090.00
B) Production costs	€	3,298,425.00
A-B) Difference between production value and costs	€	- 18,335.00
C) Financial management	€	976.00
D) Value adjustments to financial assets	€	0.00
E) Extraordinary management	€	17,359.00
Net profit before taxes	€	0,00
22) Taxes for the period	€	77,906.00
23) Profit (loss) for the period	€	(77,906.00)

Production value, equal to €3,280,090.00, consists of members' contributions of €3,225,564.00 and other revenue and income in the amount of €54,526.00. An increase of €89,123.00 is recorded compared to the production value in 2012.

Production costs amounts to €3,298,425.00; the item shows an increase of €86,329.00 compared to the previous year and is composed as follows: costs for primary, subsidiary and convenience products; costs for services; costs for goods referred to third parties; costs for personnel; amortisation; reserve for risks and charges; and various management charges.

Costs for primary, subsidiary and convenience products (item 6) amounts to €17,737.00, showing a decrease compared to the amount of €3,988.00 recorded in 2011. The item consists of: (i) cleaning products (€1,431.00); (ii) stationery articles (€9,356.00); (iii) fuel and oil expenses (€6,950.00).

Costs for services (item 7) demonstrates a balance of €1,703,444.00, with an increase of €214,799.00 compared to 2012.

The item includes the following charges:

Maintenance of furniture, machines and equipment	€	6,879.00
Maintenance and updating of the computer system	€	5,340.00
Electrical energy expenses	€	42,498.00
Telephone expenses	€	18,027.00
Mobile phones expenses	€	31,641.00
Packing and transport		
Porterage and transport	€	2,857.00

Postal expenses	€	2,863.00
Meal vouchers for employees	€	10,280.00
Compensation for consultants	€	165,763.00
Professional loans (technical advice)	€	36,697.00
Contributions to INPS L. 335/95	€	44,070.00
Business Travel	€	11.593.00
Foreign representation	€	41,216.00
Training expenses for employees	€	4,112.00
Refunds to employees	€	1,365.00
Foreign and institutional relations	€	41,686.00
Expenses for/on behalf of OO.CC.	€	27,892.00
Legal and notarial expenses	€	24,597.00
Insurance expenses	€	13,899.00
National and international associative fees	€	23,260.00
Entertainment expenses	€	17,495.00
Refunds to consultants	€	1,900.00
Research projects	€	63,635.00
Expenses for bank charges	€	3,656.00
Compensation to managers	€	563,928.00
Compensation to Auditors	€	77,945.00
INAIL contributions (contract work)	€	97.00
Collaboration projetcs	€	281,000.00
Management of motor vehicles	€	2,571.00
Consultancy study projects	€	31,443.00
Expenses for extra-condominal cleaning services	€	4,644.00
Transports and taxies	€	19,288.00
Transfers *co.co.pro.* out municipality	€	4,224.00
Refunds transfers deductible	€	12,680.00
Refunds transfers not deductible	€	1,258.00
Charges seconded by third parties	€	61,145.00

The item <u>Compensation to managers</u> shows a total amount of €563,928.00 and consists of: (i) €401,047.00 relates to compensation to the Committee members; and, (ii) €162,881.00 is for compensation to the Board members.

Item (8), <u>costs for goods referred to third parties</u> demonstrates an overall amount of €625,149.00, with a decrease of €32,346.00 compared to the amount recorded in 2012:

Rent of premises	€	439,586.00
Leasing for tangible assets and plants	€	11,723.00
Leasing for the computer system	€	76,454.00
Expenses for managing seat	€	76,452.00
Car leasing	€	20,934.00

Costs for personnel (item 9) amounts to charges of €801,658.00, with a decrease of €154,232.00 compared to 2012. The item includes the following charges:

Wages and salaries	€	582,897.00
Social security contributions (INPS)	€	109,299.00
Staff severance fund	€	41,303.00
Contributions to the Open Pension Fund	€	21,781.00
Insurance policies	€	39,146.00
INAIL contributions	€	3,310.00
Transfer employees out municipality	€	2,151.00
Charges for contractual agreements	€	1,771.00

As of 31 December 2013 there were 10 employees at FITD: four were office and clerical workers and six were managers.

Amortisations are listed in item 10 in the total amount of €48,387.00. An increase of €18,715.00 is recorded, compared to the 2012 financial year. The item is composed as follows:

- Letter a) Amortisation of intangible assets for a total of 32,723.00, an increase of 12,537.00 compared with 2012. The item is composed as follows: ordinary amortisation quota for software licenses for 17,277.00; ordinary amortisation quota for restructuring the Fund's offices in the financial year for 15,446.00;
- Letter b) Amortisation of tangible assets, for a total of 15,664.00, and increase of 6,178.00 compared with 2012. Included in this are amortisation quotas for: Equipment and plant (941.00), Electronic machines for the office (11,726.00) and Goods with a value less than 516.46 euro (2,997.00).

In Item 12, Provisions for Risk is 58,975.00 recorded in the balance sheet for the year following a labour contention brought by an ex-employee and concluded with an agreement between the parties in the same year.

Various Management charges in item 14 shows a total amount of €43,075.00 as at 31 December 2013, with a decrease of €15,594.00 compared to the 2012 financial year. The item includes the following charges:

Books, magazine and newspapers	€	8,908.00
Stamp duties	€	287,00
Register tax	€	1,959.00
Garbage collection tax	€	13,636.00

City council licenses	€	1,885.00
Other taxes	€	2,397.00
Fine and pecuniary sanctions	€	159.00
General expenses	€	10,340.00
Publications and press	€	3,497.00
Rounding up	€	7.00

The **difference between production value and costs** is a negative sum of €18,335.00, showing a decrease of €2,794.00 compared to 2012.

Financial income and charges in item 16 letter d) of the financial statements includes: Other financial income consisting of interest accrued on bank accounts; (ii) Item 17 letter d) Interest and other financial charges to third parties for a total of 327.00 as passive interests on current bank accounts and to suppliers; (iii) Item 17-bis, Income and charges on exchange rates showed a positive sum of 17.00 for purchases and sales of currencies for cash-in-hand for employees on missions abroad. The overall amount was 976.00 which was 18,721.00 less for the same period for the year before.

Extraordinary Income and charges consists of: Contingent assets for €23,428.00 recorded in item 20, Contingent liabilities in the amount of €6,069.00 listed in item 21. The overall amount of Extraordinary Income and charges shows a positive figure of €17,359.00, with an increase of €15,927.00 compared to 2012.

In accordance with the nature and the non-profit aims of the Interbank Deposit Protection Fund, **Net profit before taxes** demonstrates that the positive and negative elements are equal.

The income taxes for the period, recorded in item 22 of the Income Statement, were calculated according to the fiscal laws in force for IRES (tax on company's income) and IRAP (regional tax on productive activities), in particular in compliance with Article 2, paragraph 1 of the Legislative Decree n. 201/2011, transposed into law n. 214 of 22/12/2011 concerning the deducibility from IRES of the IRAP amount referred to the costs for personnel.

By applying these regulations, total charges for taxes is registered in the amount of €77,906.00:

a) Current taxes (IRES)	€	23,423.00
a) Current taxes (IRAP)	€	54,975.00
Total current taxes	€	78,398.00
b) Deferred taxes (IRES)	€	- 492.00
Total deferred taxes	€	- 492.00

Item (23), **Income (loss) for the period**, shows a loss for the period amounting to €77,906.00 , which corresponds to the tax charge. The loss for the 2013 financial year shall be covered, after writing off the amount of deferred and advanced tax for the period, with the surplus balance of contributions paid by the Members for operating expenses in 2012 (€254,859.00).

4. Board of Auditors' Report

With this report, the Board of Auditors informs the General Meeting of the Interbank Deposit Protection Fund, pursuant to Article 2429 - paragraph 2 of the Italian Civil Code, about the activities carried out during the 2013 financial year to comply with its own duties of audit, according to both Article 2403 - first paragraph of the Civil Code and the provisions regulating board of auditors' activities.

At least one member of the Board of Auditors attended all the meetings of the Board of Directors and Executive Committee. This attendance, along with the periodic accounting verifications and information sharing with the administrators of the Fund, allows to point out:

- all activities and deliberations of the governing bodies have complied with laws and the Statutes;
- principles of fair administration have been applied and the administrators have carried out their tasks observing due diligence;
- adequacy and functioning of the organisation, finding division of tasks and responsibilities, as well as a clear definition of proxies and powers;
- adequacy and functioning of the administrative-accounting system, which allows: (i) full, prompt and reliable accounting data and description of the management activities, and (ii) production of good and useful information to address management choices, to safeguard capital and to prepare the balance sheet for the financial year.

The 2013 financial statement was examined, verifying that:

– the financial statements formats have been drafted in accordance with the extended form provided for by Article 2424 and the following ones of the Italian Civil Code;

– the comparison to the past financial year has been confirmed by the presentation of data contained in the financial statements for the financial year ending on 31 December 2012;

– the positive and negative income components have been determined by applying transparency principles for financing statements;

– the Supplement has been made according to completeness and clarity principles. In the Report on the management of the Fund the Board informs the General Meeting of its own observations on the operation trends, giving special attention to institutional activities carried out by the offices of the Fund.

The financial statements as of 31 December 2013 is as follows:

BALANCE SHEET

Total Assets			€	1,768,271
Consortium Fund	€	439,917		
Loss for the period	€	-77,906		
Total Net Asset Value			€	362,010
Total Liabilities			€	1,406,261
Total liabilities and Total Net Asset Value			€	1,768,271

INTERIM ACCOUNTS

I - Management of interventions		
A) Commitments for interventions	€	1,904,423,274
B.1) *Commitments for deliberated interventions not paid out*	€	*-280,500, 000*
B.2) *Commitments for deliberated interventions paid out*	€	*0*
C) Commitments for interventions to be deliberated	€	1,623,923,274

FINANCIAL STATEMENT

Value of production	€	3,280,090
Total costs of production	€	-3,298,425
Difference between production value and costs	€	-18,335
Total financial income and charges	€	976
Total extraordinary items	€	17,359
Net profit before taxes	€	0
Income taxes for the period	€	77,906
Profit (loss) for the period	€	(77,906)

With regards to the activities of the Board of Auditors, a careful verification of both the assets and liabilities and the economic components contained in the financial statements have been carried out and we certify the following:

- in preparing the Balance Sheet and the Income Statement, the principles and provisions pursuant to Articles from 2423 to 2425-bis of the Italian Civil Code were respected;

- the items of the financial statements have been evaluated observing the criteria set forth in Article 2426 of the Italian Civil Code, explained and described in the Supplement and fully shared by this Board;
- in the Balance Sheet, all the liability items relating to matured payables of the period were recorded;
- the evaluation criteria adopted have not changed with respect to the previous financial year and the amortisation coefficients do not differ from those provided for by the relevant fiscal provisions;
- the principle of accrual basis accounting was followed for the accounting of expenses relating to intangible assets pursuant to Article 2426, paragraph 5 of the Italian Civil Code;
- the annual quotas of amortisation applied to both tangible and intangible assets, whose potential use is limited in time, have been calculated according to the regularity principle, with reference to the residual possibility of using such properties;
- the amount shown in the financial statements as regards to the staff severance fund results from the sum of any ISTAT reassessment calculated yearly in favour of employees since 31 December 1999;
- the fiscal charge of the Income statement was calculated observing the fiscal provisions in force. Furthermore, calculation and separate highlighting of advance taxes were carried out; no deferred taxes are recorded;
- there was no appeal made to derogations provided for by Article 2423, paragraph 4 of the Italian Civil Code, and no monetary revaluation of property was carried out;
- the amounts reported in the financial statements are confirmed in the documents and general accounting prepared in accordance with the law.

The analysis of the Income Statement presents a result before tax, which after the tax obligation, amounts to a loss of € 77,906.00 that is equal to said taxes (IRAP, IRES, advance taxes and deferred taxes). Such result is consistent with the consortium nature and non-profit aims of the Interbank Deposit Protection Fund.

The loss pursuant to the Italian Civil Code (€ 77,906.00) coincides with the taxes on the income for the 2013 financial year;

Payables to the Tax Authorities amounts to € 148,516.00, as duly shown in the Liabilities of the Balance Sheet as item D) 12.

With full respect for the decision taken at the General Meeting on 4 April 2013, the loss shown in the financial statements, equal to € 66,793.00, was settled with the surplus balance of members' contributions for operative expenses as of the end of the previous year.

In relation to the 2013 estimate, the contributions to the operating expenses still apply to the consortium amounted to € 70,000.00, while the results in excess, corresponding to € 254,859.00, were recorded as a debit to the member banks as prepayment of the contributions for the following year (Article 22 of the Statute).

The calculation of interventions resources for 2013, was attained according to the provision of Article 21 of FITD Statutes and the Board's decisions regarding the matter at hand. The overall resources for interventions totaled € 1,904,423.274.00, corresponding to 0.4% of total reimbursable funds. Given the amount of the current commitments, which amount is equal to € 280,500,000.00, as at 31 December 2013, the remaining amount of commitments for interventions to be deliberated is € 1,623,923,274.00.

As a result of what is stated above, the Board of Auditors expresses its favourable opinion on the approval of the 2013 financial statements and the deferment of the loss for the financial year, that, as proposed by the Board in the Notes, will be recapitalised to rely on contributions in excess of operating results in the year 2013.

In concluding the present Report, the Board of Auditors would like to express its appreciation to the members of the Board of Directors and the Executive Committee for the effective and professional activities that were carried out.

A special thanks, finally, to the Secretary General and all the employees of the Fund, for the diligence and collaboration given in their respective roles during the financial year.

The Chairman	The Auditors	
Prof. M. Comoli	Dr. F. Passadore	Dr. N. Plattner

5. Balance-sheet

Balance sheet as at 31/12/2013

Balance Sheet - Assets	31/12/2013	31/12/2012
A) Receivables due from shareholders for unpaid capital		
B) Fixed Assets		
I. Intangible assets		
1) Start-up and expansion costs		
2) Research, development and advertising costs		
3) Industrial patent and intellectual property rights		
4) Concessions, licenses, trademarks and similar rights	2,367	14,910
5) Goodwill		
6) Fixed assets under development and advances		
7) Others	92,644	
	95,011	14,910
II. Tangible Assets		
1) Land and buildings		
2) Plant and equipment	1,601	2,543
3) Industrial and commercial equipment		
4) Others	45,896	28,702
5) Fixed assets under construction and advances		
	47,497	31,245
III. Investments		
1) Equity investments in:		
a) Subsidiary companies		
b) Affiliated companies		
c) Parent companies		
d) Other companies		
2) Receivables from:		
a) Subsidiary companies		
- within 12 months		
- over 12 months		
b) Affiliated companies		
- within 12 months		
- over 12 months		
c) Parent companies		
- within 12 months		
- over 12 months		

d) Other companies			
- within 12 months			
- over 12 months			
3) Other securities			
4) Own shares			
Total fixed assets		**142,508**	**46,155**

C) Current Assets

I. Inventories			
1) Raw materials, secondary materials and consumables			
2) Work in progress and semi-finished goods			
3) Work underway on request			
4) Finished goods and goods			
5) Advances to suppliers		15,975	47,218
		15,975	47,218
II. Receivables			
1) From clients			
- within 12 months	70,000		92,846
- over 12 months	365,615		188,506
		435,615	218,352
2) From subsidiary companies			
- within 12 months			
- over 12 months			
3) From affiliated companies			
- within 12 months			
- over 12 months			
4) From parent companies			
- within 12 months			
- over 12 months			
4-bis) Tax assets			
- within 12 months	64,813		67,953
- over 12 months			
		64,813	67,953
4-ter) Advance taxes			
- within 12 months	492		939
- over 12 months			
		492	939
5) Due from others			
- within 12 months	22,921		11,768
- over 12 months			
		22,921	11,768
		523,841	362,012

III.	*Current financial assets*			
	1) Equity investments in subsidiary companies			
	2) Equity investments in affiliated companies			
	3) Equity investments in parent companies			
	4) Other equity investments			
	5) Own shares (total nominal value)			
	6) Other securities			
IV.	*Cash and Equivalent*			
	1) Banking and postal deposits		1,030,976	746,879
	2) Checks			
	3) Cash on-hand and valuables		14,999	10,305
			1,045,975	757,184
Total Current Assets			**1,585,791**	**1,166,414**
D) Accrued income and prepaid expenses				
	- Discount on loans			
	- others	39,972		43,363
			39,972	43,363
Total assets			**1,768,271**	**1,255,932**

Balance Sheet - liabilities				31/12/2013	31/12/2012
A)	**Shareholders' Equity**				
	I.	*Capital*		439,917	439,917
	II.	*Share capital*			
	III.	*Revaluation reserve*			
	IV.	*Legal reserve*			
	V.	*Statutory reserve*			
	VI.	*Reserve for own shares*			
	VII.	*Other reserves*			
		Difference in rounding up to Euro unit	(1)		1
				(1)	1
	VIII.	*Profit (loss) carried over*			
	IX.	*Profit for the period*			
	IX.	*Loss for the period*		(77,906)	(65,793)
		Interim dividends			
		Partial cover of losses for the financial year			
Total Equity				**362,010**	**374,125**
B)	**Provisions for risks and charges**				
	1)	Pension and similar costs			
	2)	Provision for taxes and for deferred taxes			
	3)	Other provisions		120,000	120,000
Total provisions for risks and charges				**120,000**	**120,000**
C)	**Staff Severance Fund**			**50**	**1,559**
D)	**Payables**				
	1)	Bonds			
		- within 12 months			
		- over 12 months			
	2)	Convertible bonds			
		- within 12 months			
		- over 12 months			
	3)	Payables to members for financing			
		- within 12 months			
		- over 12 months			
	4)	Payables to banks			
		- within 12 months			59
		- over 12 months			
					59
	5)	Payables to other lenders			
		- within 12 months			
		- over 12 months			

6)	Advances			
	- within 12 months			
	- over 12 months			
7)	Payables to suppliers			
	- within 12 months	361,166		203,834
	- over 12 months			
			361,166	203,834
8)	Debt instruments			
	- within 12 months			
	- over 12 months			
9)	Payables to subsidiaries			
	- within 12 months			
	- over 12 months			
10)	Payables to affiliated companies			
	- within 12 months			
	- over 12 months			
11)	Payables to parent companies			
	- within 12 months			
	- over 12 months			
12)	Taxes payable			
	- within 12 months	148,516		148,878
	- over 12 months			
			148,516	148,878
13)	Payables to social security institutions			
	- within 12 months	77,843		81,621
	- over 12 months			
			77,843	81,621
14)	Other payables			
	- within 12 months	644,047		270,799
	- over 12 months	54,639		55,057
			698,686	325,856
Total payables			**1,286,211**	**760,248**
E)	**Accrued expenses and deferred income**			
	- Premium on loans			
	- Others			
Total liabilities			**1,768,271**	**1,255,932**

Interim accounts	31/12/2013	31/12/2012
1) Risks taken by the firm		
Guarantees		
to subsidiary companies		
to affiliated companies		
to parent companies		
to subsidiary companies of parent companies		
Endorsements		
to subsidiary companies		
to affiliated companies		
to parent companies		
to subsidiary companies of parent companies		
Other personal guarantees		
to subsidiary companies		
to affiliated companies		
to parent companies		
to subsidiary companies of parent companies		
Real guarantees		
to subsidiary companies		
to affiliated companies		
to parent companies		
to subsidiary companies of parent companies		
Other risks		
Credits made *pro solvendo*		
other		
2) Commitments of the members as per Art. 21 of the Statutes	1,904,423,274	1,839,113,707
Commitments for interventions (0.4% Reimbursable Funds)	- 280,500,000	- 956,000
- Commitment for interventions already deliberated	0	- 73,970,213
- Commitment for interventions already paid		
Commitment for interventions to be deliberated	1,623,923,274	1,764,187,494
3) Firm's holdings of third party goods		
4) Other interim accounts		
Total interim accounts	**1,904,423,274**	**1,839,113,707**

Income Statement		31/12/2013	31/12/2012
A) Value of production			
1) Member quotas		3,225,564	3,179,193
2) Changes in inventory of works in progress, semi- finished goods and finished goods			
3) Difference in work underway on request			
4) Increases in fixed assets for internal works			
5) Other proceeds			
- Other	54,525		11,774
- contributions to the operating account			
- contributions to the capital account			
		54,525	11,774
Total value of production		**3,280,090**	**3,190,967**
B) Costs of production			
6) Raw materials, secondary materials and consumables		17,737	21,725
7) Services		1,703,444	1,488,645
8) Use of un-owned property		625,149	657,495
9) Personnel			
a) Wages	582,897		612,865
b) Social security contributions	151,755		180,086
c) Staff Severance Fund	41,303		40,750
d) Pension and Similar costs	21,781		22,367
e) Other personnel charges	3,922		99,822
		801,658	955,890
10) Amortisations and devaluations			
a) Amortisation of intangible assets	32,723		20,186
b) Amortisation of tangible assets	15,664		9,486
c) Other Amortisations and devaluations			
d) Write-downs of assets in the current assets and cash equivalent			
		48,387	29,672
11) Changes in inventory of raw materials, secondary materials and consumables			
12) Reserve for risks		58,975	
13) Other reserves			
14) Management charges		43,075	58,669
Total costs of production		**3,298,425**	**3,212,096**
Difference among costs and value of production (A-B)		**(18,335)**	**(21,129)**

C) Financial Income and charges			
15) Financial income from:			
- Subsidiary companies			
- Affiliated companies			
16) Other financial income:			
a) from receivables listed in fixed assets			
- from subsidiary companies			
- from affiliated companies			
- from parent companies			
b) from securities listed as tied up			
c) from securities listed in the current assets			
d) income differing from preceding items			
- from subsidiary companies			
- from affiliated companies			
- from parent companies			
- from other companies	1,356		19,766
		1,356	19,766
		1,356	19,766
17) Interest and other financial charges			
- from subsidiary companies			
- from affiliated companies			
- from parent companies			
- from other companies	397		3
		397	3
17-bis) Foreign exchange gains and losses		17	(65)
Total financial income and charges		**976**	**19,698**
D) Value adjustments to financial assets			
18) Revaluations:			
a) of equity investments			
b) of financial fixed assets			
c) of securities listed in the current assets			
19) Write-downs:			
a) of equity investments			
b) of financial fixed assets			
c) of securities listed in the current assets			
Total adjustments to financial assets			
E) Extraordinary income and charges			
20) Income:			
- Capital gains from asset disposals			
- Other income	23,428		2,200
- Differences due to rounding up to Euro unit	0		0
		23,428	2,200

21) Charges:				
- Capital losses from asset disposals				
- Taxes relating to previous financial years				
- Other charges	6,069			768
- Differences due to rounding up to Euro unit	0			1
		6,069		769
Total extraordinary income and charges		**17,359**		**1,431**
Result before taxes		**0**		**0**
22) Income taxes for the financial year				
a) Current taxes	78,398			66,731
b) Deferred taxes (advanced)				
c) Advance Taxes	(492)			(939)
d) income (charges) from compliance with consolidated tax regime/tax transparency				
		77,906		65,793
23) Profit (loss) for the financial year		**(77,906)**		**(65, 793)**

6. Appendix

Tables

This Appendix contains Tables to support the content of the Annual Report.

It is composed of:

- time series of median values of financial ratios from June 2003 to June 2013;
- thresholds for the various classes of financial ratios’ profiles;
- determination of the Statutory Position.

Median values time series

DATE	Ratios (*Median Values*)				
	A1	**P**	**D1**	**D2**	**L**
6/30/2003	5.77	n.d	64.98	10.90	n.d.
12/31/2003	6.35	n.d	67.07	18.49	n.d.
6/30/2004	6.39	n.d	65.34	14.05	n.d.
12/31/2004	6.60	n.d	66.91	18.82	n.d.
6/30/2005	6.05	n.d	63.43	10.78	n.d.
12/31/2005	5.81	n.d	64.63	14.60	n.d.
6/30/2006	4.60	n.d	60.31	7.70	n.d.
12/31/2006	4.64	n.d	58.74	11.55	n.d.
6/30/2007	5.10	n.d	54.60	8.48	n.d.
12/31/2007	4.83	n.d	57.98	13.44	n.d.
6/30/2008	5.22	n.d	59.50	14.49	n.d.
12/31/2008	5.86	n.d	64.96	18.93	n.d.
6/30/2009	7.31	n.d	65.03	23.91	n.d.
12/31/2009	8.36	n.d	68.19	32.01	n.d.
6/30/2010	9.77	n.d	70.91	27.19	n.d.
12/31/2010	10.65	n.d	71.79	27.81	n.d.
6/30/2011	13.08	n.d	69.86	29.11	n.d.
12/31/2011	15.30	n.d	70.64	37.26	n.d.
6/30/2012	18.01	9.41	68.17	37.22	91.73
12/31/2012	18.75	9.60	67.50	57.09	90.82
6/30/2013	21.18	9.98	66.53	50.67	84.18

Source: elaborations on FITD - Bank of Italy data.

Thresholds for financial ratios

Ratios	**Classes**				
	Low Risk	**Medium/Low Risk**	**Medium Risk**	**Medium/High Risk**	**High Risk**
A1 *Bad loans /* *Supervisory capital*	***Thresholds and coefficients***				
	0	**1**	**2**	**4**	**8**
	0 - 10	10 - 20	20 - 30	30 - 50	> 50
P *(Supervisory capital, including tier 3 -* *Tot. Capital requirements) / RWA*	***Thresholds and coefficients***				
	0	**0.5**	**1**	**2**	**4**
	> 6	3 - 6	2 - 3	1 - 2	< 1
D1 *Operating expenses /* *Gross income*	0 - 60 (or operating exp. = 0)	60 - 70	70 - 80	80 - 90	> 90 (or operating exp. = 0)
D2 *Loan losses, net of recoveries /* *profit before tax*	0 - 20 (or operating exp. = 0)	20 - 40	40 - 50	50 - 60	> 60 (or profit before tax < 0)
L *Receivables from clients /* *Payables to clients + circulating bonds + structured* *payables to clients and bonds at fair value*	0 - 90	90 - 100	100 - 130	130 - 200	> 200

Note: Upper bounds are included.
Source: Article 6 of the Appendix to FITD Statutes.

Statutory Positions

Statutory Positions	
Low Risk	AI from 0 to 3.5
Medium-Low Risk	AI from 3.5 to 6.5
Medium Risk	AI from 6.5 to 8
Medium-High Risk	AI from 8 to 10.5
High Risk	AI from 10.5 to 14.5
Expulsion	AI over 14.5

Note: Upper bounds are included.
Source: Article 2 of the Appendix to FITD Statutes