CONSOLIDATED HALF YEARLY REPORT AS AT 30 JUNE 2008

TRANSLATION FROM THE ITALIAN ORIGINAL
WHICH REMAINS THE DEFINITIVE VERSION

Share Capital: 34,299,404 Euro fully paid in
Bank Association No.: 3205.2
Tax Identification and Co. Reg. No.: 02505630109
VAT No.: 02992620274
Bank Licence No.: 5508

REGISTERED OFFICE AND HEADQUARTERS
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OFFICES OF OTHER BANCA IFIS GROUP COMPANIES
IFIS Finance Sp.z.o.o.
Poland, PL. Trzech Krzyzy 3, Warsaw
Immobiliare Marocco S.p.A.
Venice, Via Terraglio 63 - 30174, Mestre, Italy

BOARD OF DIRECTORS

President	Sebastien Egon Fürstenberg
Vice President	Alessandro Csillaghy
C.E.O.	Giovanni Bossi (1)
Directors	Leopoldo Conti Roberto Cravero Andrea Martin Riccardo Preve Marina Salamon

General Manager	Alberto Staccione

BOARD OF STATUTORY AUDITORS

President	Mauro Rovida
Standing Auditors	Erasmo Santesso Dario Stevanato
Alternate Auditors	Luca Giacometti Francesca Rapetti

AUDITING FIRM	KPMG S.p.A

Member of Factors Chain International

(1) The C.E.O. has powers for the ordinary administration of the company

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RECLASSIFIED CONSOLIDATED BALANCE SHEET
(in thousands of Euro)

ASSETS	PERIOD 30/06/2008	PERIOD 31/12/2007	VARIATION ABSOLUTE	VARIATION %
Due from clients	953,454	923,061	30,393	3.3%
Due from banks	168,707	312,091	(143,384)	(45.9)%
Held for trading financial assets	449	62	387	624.2%
Available for sale financial assets	2,548	1,216	1,332	109.5%
Tangible fixed assets	33,938	32,741	1,197	3.7%
Intangible fixed assets	2,569	1,927	642	33.3%
Other asset items	5,842	4,306	1,536	35.7%
Total assets	1,167,507	1,275,404	(107,897)	(8.5)%

LIABILITIES	PERIOD 30/06/2008	PERIOD 31/12/2007	VARIATION ABSOLUTE	VARIATION %
Due to clients	32,817	57,776	(24,959)	(43.2)%
Due to banks	930,218	1,010,365	(80,147)	(7.9)%
Outstanding securities	44,850	36,134	8,716	24.1%
Financial liabilities held for trading	316	---	316	---
Retirement/severance allowance	1,093	1,100	(7)	(0.6)%
Tax liabilities	2,936	2,418	518	21.4%
Other liability items	6,936	33,616	(16,680)	(49.6)%
Equity:	138,341	133,995	4,346	3.2%
- Share capital, share premiums and reserves	126,457	114,461	11,996	10.5%
- Net profit for the period	11,884	19,534	(7,650)	(39.2)%
Total liabilities	1,167,507	1,275,404	(107,897)	(8.5)%

RECLASSIFIED CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)

	1ST HALF		VARIATION	
	2008	2007	ABSOLUTE	%
Net interest income	13,039	8,003	5,036	62.9%
Net commission income	17,888	13,784	4,104	29.8%
Dividends and similar income	27,862	45	27,817	n.s.
Net trading result	(26,486)	(28)	(26,458)	n.s.
Profit from sale of available for sale assets	---	1,070	(1,070)	*(100.0)%*
Losses from buybacks of financial liabilities	(2)	---	(2)	*n.s*
Net banking income	32,301	22,874	9,427	41.2%
Net impairment losses on loans and receivables	(2,798)	(463)	(2,335)	504.3%
Net profit from financial activities	29,503	22,411	7,092	31.6%
Personnel expenses	(8,346)	(6,405)	(1,941)	30.3%
Other administrative expenses	(4,293)	(3,331)	(962)	28.9%
Net impairment losses on tangible and intangible fixed assets	(915)	(714)	(201)	28.2%
Other operating income/expenses	292	296	(4)	(1.4)%
Operating costs	(13,262)	(10,154)	(3,108)	30.6%
Gross profit	16,241	12,257	3,984	32.5%
Income taxes	(4,357)	(4,011)	(346)	8.6%
Net profit for the period	11,884	8,246	3,638	44.1%

RECLASSIFIED CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION

(in thousands of Euro)

	2008		2007			
	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net interest income	6,874	6,165	7,075	5,068	4,193	3,810
Net commission income	9,165	8,723	8,810	8,429	7,148	6,636
Dividends and similar income	27,862	---	---	1	45	---
Net trading result	(26,524)	38	51	(5)	(49)	21
Profit from sale of available for sale assets	---	---	---	1,515	1,070	---
Losses from buybacks of financial liabilities	(2)	---	(100)	---	---	---
Net banking income	17,375	14,926	15,836	15,008	12,407	10,467
Net impairment losses on: a) loans and receivables	(1,535)	(1,263)	(717)	(1,290)	(254)	(209)
Net profit from financial activities	15,840	13,663	15,119	13,718	12,153	10,258
Personnel expenses	(4,352)	(3,994)	(4,103)	(3,023)	(3,380)	(3,025)
Other administration expenses	(2,365)	(1,928)	(2,111)	(1,591)	(1,878)	(1,453)
Net impairment losses on tangible and intangible assets	(516)	(399)	(445)	(379)	(370)	(344)
Other operating income/expenses	362	(70)	193	(953)	194	102
Operating costs	(6,871)	(6,391)	(6,466)	(5,946)	(5,434)	(4,720)
Gross profit	8,969	7,272	8,653	7,772	6,719	5,538
Income taxes	(2,332)	(2,025)	(3,010)	(2,127)	(1,978)	(2,033)
Net profit for the period	6,637	5,247	5,643	5,645	4,741	3,505

ECONOMIC-FINANCIAL INDICES AND OTHER FIGURES

	30/06/2008	31/12/2007	VARIATION
Profitability indexes			
R.O.E (1) (2)	19.8%	19.5%	0.3%
R.O.A (2)	2.8%	2.2%	0.6%
Cost/income ratio	41.1%	42.0%	(0.9)%
Risk indexes			
Net non-performing loans/Due from clients	0.9%	0.8%	0.1%
Net non-performing loans/Net equity	6.2%	5.5%	0.7%
Solvency ratios (5)			
Tier 1 capital/Risk weighted assets	11.1%	12.6%	(1.5)%
Regulatory capital/Risk weighted assets	11.1%	12.6%	(1.5)%
Figures for the organisation			
No. of employees	248	215	33
Figures per employee (3) (4)			
Net banking income/Number of employees(2)	260.5	249.9	10.6
Total assets/Number of employees (2)	4,707.7	5,932.1	(1,224.4)
Personnel cost/Number of employees(2)	67.3	62.9	4.4

(1) Net profit compared with the weighted average of capital, share premiums and reserves excluding the fair value reserves.
(2) Calculated using the annual projection of income statement figures.
(3) Number of employees at the end of the period.
(4) Ratios in thousands of Euro.
(5) Ratios calculated using provisions in force laid down by the Bank of Italy. Use of the regulation proposed by the Bank of Italy as from 1 January 2009 would lead to a group solvency ratio of 12.04%. In addition, the solvency ratio would be equal to 12.3% if taking into account the capital increase at the end of July due to the exercising of the Banca IFIS Warrants.

DIRECTORS' REPORT

THE ACTIVITY, RESULTS AND TRENDS IN GROUP MANAGEMENT

Financing Small and Medium Enterprises through Factoring and new services

The Banca IFIS Group is primarily involved in providing financing and management assistance to Italian and foreign small and medium enterprises through factoring. Together with advanced instruments of credit assessment and monitoring, factoring represents an excellent response to SMEs' need for financial services, above all in the light of the new rules for capital requirements for banks (the Basel 2 Accord).

The financing for Banca IFIS Group's activity, aside from its own means, comes from funding instruments at short-medium term, prudently correlated with medium term commitments, which are usually 'at sight'.

Small and medium enterprises find Banca IFIS's factoring to be a valid instrument for managing and financing working capital, especially where their economic or financial circumstances would normally make it difficult to obtain a traditional bank loan at the desired conditions. Nevertheless, Banca IFIS's factoring service has developed to the favour of all Italian and international enterprises, from the smallest of companies to the medium and large category.

The typical client is an enterprise with a turnover not normally exceeding 100 million Euro (but Banca IFIS does have clients with a turnover of between 1 million and 1 billion Euro) who, through their industrial or commercial activity, generate accounts receivables with another enterprise. Both the enterprises (the client's and the debtor's) are subject to in-depth and continuous risk assessment.

The accounts receivables assigned by the client are the result of the client's enterprise's activity; they are usually of high quality and are short to very short-term (30-150 days). Banca IFIS's purchase of receivables is usually continuous and debtors are normally notified that they must settle their commitment exclusively with the bank.

In general, Banca IFIS's financing goes beyond the typical limits regarding the client's credit standing. This is due to the fact that such financing is also based on the client's debtors' credit ratings.

Banca IFIS's business has developed in a segment heavily influenced by economic trends. Indeed, economic trends are frequently amplified for SMEs if compared to the target markets of general banks. A further difficulty is that the accentuated dynamics characterising the activities of Italian enterprises leads to an increasing need for information allowing the bank to make a knowledgeable decision when assessing whether to assume a risk or otherwise. The activity is, in general, not seasonally affected although, in the fourth Quarter of the year, volumes modestly increase which traditionally leads to a slight increase in profitability but this effect is barely significant and reduces over time.

Banca IFIS Group is beginning to add to its traditional factoring activities by introducing the distribution of new services. These services are part of the strategy defined in the 2008-2010 business plan, the aim of which is to create a more complete offer for the satisfaction of client needs, also through help from specialised operators and business partnerships.

During the first Half 2008, thanks to an arrangement signed between the Banca IFIS Group and Centro Leasing Banca for the distribution of this product, the first leasing contracts on instruments were perfected. However, this activity has generated very modest earnings so far and will not bring about meaningful financial gain in 2008.

Other services to be offered to enterprises are presently being studied (medium-term financing, insurance services). As with leasing, Banca IFIS has decided not to create these services directly but to trust in specialized companies with the necessary competence to do so, choosing to merely distribute them, remaining free of direct risk.

In adherence to the 2008-2010 business plan, during the first Half 2008, a platform was also created for the collection of savings and deposits from retail clients and firms. This savings service, called Rendimax, is only accessible online or via the call centre and is characterized by its high yield and the absence of restrictions and direct expenses for the client. For Banca IFIS, the Rendimax project is the first step towards the diversification of funding and deposit sources, albeit without the ambition of reaching high levels of onerous payables.

The Banca IFIS Group continues to distance itself from activities such as asset management (aside from the Rendimax service mentioned above), operations in favour of subjects other than enterprises and those connected, and the assumption of risks that are not the short-term risks that usually characterise traditional factoring operations. The assumption of risks in foreign currency, securities, derivative instruments and, more generally, all those activities that involve the assumption of market risk are limited to supporting management.

The results that the group has achieved, therefore, are exclusively thanks to the factoring activity, i.e. the funding of working capital and the management of enterprises' accounts receivables, and activities connected to it. Amongst these, the collection of savings and the optimisation of the relative costs through attentive treasury utilisation play an important role.

* * *

The Strategic Plan

The Banca IFIS Group has, for some time, taken actions to increase its ability in customer relations, its territorial presence and its sales network by employing young and motivated new resources. It did not have to wait long for the market's response to such actions, as the figures of the Half yearly report and the bank's growth rates clearly show. It is thanks to the market and Banca IFIS Group's ability to listen to clients' demands, that it has drawn up the first steps for a structural change of approach that, far from wanting to abandon the business model that has allowed the group to reach the levels it has today, can direct actions over the next three years.
The essence of the 2008-2010 business plan involves integrating, to the advantage of client enterprises and entrepreneurs, new relationship-based activities to the historic transactional-based activities of product and bank-factor. Such a change is to be made without abandoning the activity of supporting working capital but rather integrating it with other activities that are better geared to maintaining relationships with the client long-term. This change is very important and does not, at present, require the creation of new products but only the distribution of services already created by third parties through specific ad hoc agreements to the favour of enterprises and entrepreneurs.
The main supporting pillars to the strategies of the 2008 – 2010 business plan can be summarised as follows:
1) Internal growth;
2) Internationalisation;
3) Distribution of new services;
4) Diversification in funding and deposits.

As far as concerns **internal growth**, the guidelines defined by the strategic plan are represented by the attainment of potential clients through strengthening the sales network and through the diffusion of better knowledge of the factoring product; by opening new branches - light structures with break-even within one year of start-up – which will reach 14 at the beginning of 2008 and are expected to reach 28 at the end of 2010; through the selection and in-house training of junior sales staff throughout Italy; through agreements with banks - co-operative credit banks and local banks - throughout the territory, paying these banks a part of the factoring commission received; by paying attention to small enterprises with high growth potential who are less attended to by traditional banks but more profitable, weaker but with the credit risk always being transferred to the assigned debtor with a better credit standing.

The **strategy of internationalisation** of the group involves the management and financing of working capital in European enterprises through Banca IFIS's own sales network and through excellent knowledge of the global credit market. The internationalisation strategy will continue developing along two main channels: the first one, direct, consists of opening a new factor in Romania within 2008 and replicating the model applied in Poland there; by starting up operations in the Paris branch within 2008; and by possible acquisitions of small and medium sized operators in central European countries and/or adequately suited companies. The second channel, indirect, revolves around expanding existing commercial relationships and the actual membership of Banca IFIS S.p.A. in Factors Chain International - an international interlocutor by excellence.

The third pillar to the strategies of the three-year plan 2008-2010 involves **the distribution of new services to the clientele**. Such choice is based on the strong demand by enterprises for further services and products. To such an end, in the month of March 2008, an agreement for the distribution of leasing was signed with Centro Leasing Banca S.p.A.. This new approach should significantly increase client retention, an essential factor for a specialised operator, hence allowing Banca IFIS to maintain relationships with the client in the long term, thanks to the multiplicity of the services offered. Further areas of potential distributive interest are insurance products (already in a start-up phase as a corollary to the distribution of product leasing); medium/long term financing (through distribution agreements with experts) and services for enterprises and entrepreneurs (through support to the active cycle).

The fourth pillar of Banca IFIS's 2008-2010 business plan is **the diversification of funding and deposits** through: the reinforcement of bilateral relationships with Italian and European banks, thanks to their positive opinion of Banca IFIS's business model; the negotiation of further short or medium term syndicated loans in line with market conditions (given the modest importance of the higher costs of such form of financing in a context where client margins are more important than the containment of funding costs); the start up of retail funding programmes, also online, such as Rendimax; the initiation of a credit securitisation programme on performing account receivables aimed at generating 300/400 million Euro of securities utilisable for refinancing; and, lastly, direct access to the Eurosystem in expectancy of an improvement in liquidity conditions

The macro-economic scenario

Over the first Half 2008, the general macroeconomic scenario did not show signs of improving if compared to the second Half 2007. The turbulence originally recorded in August 2007 continued to have effect throughout the months of 2008, overwhelming multinational credit institutions and creating uncertain forecasts for the medium-term future of liquidity markets.
As from the last few months of 2007, the prospect of a global deceleration in economic growth set in, making it possible to hypothesise the start of a recession of unknown duration and consequential effects on the market.
Faced with this scenario, credit institutions active in the industrialized world, and more specifically in Europe and Italy have, on one side, considerably restricted access to credit, mainly penalizing the smaller and most fragile clients; and, on the other, increased, in a similarly significant way, the financial conditions payable by the financed clients, so as to take the changed perception of credit risk into account. The combined effect of these two actions doesn't yet constitute the feared credit squeeze, known as the "credit crunch", which is the moment in which there will be a complete breakdown in the physiology of the functioning of bank/enterprise relationships but, as from the first Half 2008, it has become decidedly more complicated for enterprises to get the financing necessary to support their growth or even, in some cases, guarantee their mere survival.
In Banca IFIS Group's opinion, the situation that has come about in 2008 on the credit market does not appear pathological. On the contrary, even in the face of the many and conflicting forces affecting this Market, it is probable that the current selectivity in the granting of credit is physiological, and the application of higher and more discriminatory financial conditions entirely natural in credit risk operations. In this respect, the situation preceding 2007 would seem far more anomalous, when such abundant liquidity made a lot of credit institutions forget the importance of risk awareness and suitable remuneration on assumed risks.

Management trends

Banca IFIS has continued, despite this difficult context, to provide enterprises with the financial support and services that characterize its business model, improving its market penetration, both on domestic and international fronts.
However, taking market conditions and new assessments of credit risk and liquidity conditions into consideration, Banca IFIS believes it best to orient its actions on growth in profitability in a context of controlled risk, rather than being guided by the volume of receivables purchased. Specifically, Banca IFIS has changed operations with certain larger clients that render more modest returns, progressively terminating such relationships over 2007. These operations have been partly taken on again, thanks to the group's high level of stable financial availability.
Comparative analysis of the trends over the Half year confirms this variation: an increase in the volume of receivables purchased of only 6.9% (from 1,473 million Euro in the first Half 2007 to 1,574 million Euro in the first Half 2008) is 'counteracted' by a growth in profitability in terms of net banking income of 41.2% (from 22,874 thousand Euro in the first Half 2007 to 32,301 thousand Euro for the corresponding period of 2008) and an increase in profit for the period of 44.1% (from 8,246 thousand Euro to 11,884 thousand Euro). The difference in profitability variables when compared with volume is due to substituting large size, low profitability business with business deriving from new, smaller clients rendering higher profitability levels.
In addition, the new market conditions also allow more room for operators attentive to asset-based lending and historically specialised in factoring activities that maximise efficiency in the face of higher credit spread, such as that expected in the future in Italian and European real economies.

Profit and Equity

Indicators for the accounting period show that the first Half 2008 has been the group's best accounting period in terms of results, confirming the correctness of the strategies followed.
Net profit for the first Half 2008 reached 11,884 thousand Euro, a growth of 44.1% compared to 8,246 thousand Euro for the first Half 2007.
Parent company shareholders' equity as at 30 June 2008 equalled 138,341 thousand Euro, a growth of 3.2% when compared to the 133,995 thousand Euro of 31 December 2007 and of 31.6% compared to 105,125 thousand Euro as at 30 June 2007.
Annualised ROE as at 30 June 2008 equalled 19.8%, against 17.1% as at 30 June 2007 and 19.5% as at 31 December 2007.

Profit from financial activities

Net profit from financial activities increased considerably compared to the previous Half year, 31.6%, climbing from 22,411 thousand Euro in 2007 to 29,503 thousand Euro in 2008.
Net banking income increased by 41.2% from 22,874 thousand Euro in the first Half 2007 to 32,301 thousand Euro in the first Half 2008.
It is worth mentioning that the increasing or decreasing client tendency over time towards products with a significant service component, income from which being classified under factoring commission only, has brought about differing growth in the individual components making up net banking income and makes a comparison between them senseless. Still, in detail, net interest income reached 13,039 thousand Euro in the first Half 2008, against 8,003 thousand Euro for the corresponding period of 2007 (+62.9%).
Net commission income grew by 29.8% from 13,784 thousand Euro to 17,888 thousand Euro as a result of development in factoring activities and consequent increases in trading volumes, together with the ability to offer a quality service to clients.
Thanks to significant and stable financial availability, over the first Half 2008, Banca IFIS carried out short term operations on highly traded securities. These operations, moreover risk free, generated a net profit of 700 thousand Euro. In detail, dividends for an amount of 27,862 thousand Euro were generated, together with net losses from the trading of such shares of 26,486 thousand Euro, which corresponds to the profit/loss on the trading of these securities, as well as the profit/loss from the conclusion of correlated risk hedging instruments, in addition to the relative cost.
Net impairment losses on loans and receivables equalled 2,798 thousand Euro, compared to 463 thousand Euro as at 30 June 2007. Such adjustments give a ratio of non-performing loans to total loan commitments of 0.9%, no change from last year. The increase in net impairment losses, which was completely in line with the 2008-2010 Strategic Plan, is due to deterioration on the commercial credit market for SMEs.

Profit for the period

Total operating costs stood at 13,262 thousand Euro, an increase of 30.6% compared to 10,154 thousand Euro as at end of 2007. This increase appears completely in line with reinforcements in the bank's structure and forecasts. Specifically, personnel expenses rose by 30.3%, from 6,405 thousand Euro for the first Half 2007 to 8,346 thousand Euro for the first Half 2008, in the face of an increase in the number of personnel of 30.5%, while other administrative expenses increased by 28.9%, from 3,331 thousand Euro to 4,293 thousand Euro over the same period.
Impairment losses on intangible and tangible fixed assets rose as well, from 714 thousand Euro as at 30 June 2007 to 915 thousand Euro as at 30 June 2008 (+28.2%).
Other net operating income amounted to 292 thousand Euro in the first Half 2008 from 296 thousand Euro in the first Half 2007 (-1.4%). This item includes, amongst others, the negative effect of settling the dispute with a bankruptcy trustee of an ex-assignor for 300 thousand Euro, as per agreements reached in early April, described in more detail under the "other information" section of the present report.
The cost/income ratio for the first Half 2008 stood at 41.1%, a fall from the 44.4% of 30 June 2007, confirming that returns have exceeded the increase in costs.
Pre-tax profit from continuing operations, equal to 16,241 thousand Euro, increased by 32.5% from the 12,257 thousand Euro of the previous accounting year.
After tax on income for 4,357 thousand Euro (4,011 thousand in the first Half 2007, +8.6%) and in the absence of any profit attributable to minority interests, net profit for the period totalled 11,884 thousand Euro, a growth of 44.1% compared to 8,246 thousand Euro as at 30 June 2007.

Loans

The credit to the SME market over 2008 continued to change profoundly in the same direction as the changes experienced at the end of 2007. After the situation from the offer side already slowing down in the second Half of last year as a consequence of the well-known credit crisis that hit global financial markets, in the first Half 2008 this trend continued and credit intermediaries' availability and willingness to provide financing to enterprises slowed down even further, while the charges connected increased.
In this scenario, as expected, Banca IFIS succeeded in benefiting from increases in financial conditions attached to loan commitments, concentrating on smaller enterprises and maintaining a totally satisfactory risk profile; specifically volumes of cash exposure with clients increased by 3.3% to 953 million Euro, compared to 923 million Euro at the end of 2007.
The ratio of non-performing loans to total loan commitments at the end of the first Half 2008 equalled 0.9%, no change from the end of the first Half 2007 and a small change from the 0.8% of year-end 2007.

Funding

The tension on the money market that characterised the second Half 2007, which had an effect also over the first Half 2008, and which will presumably continue to have an effect on the funding operations of operators in this sector in the near future, has not negatively influenced the group's operations. As can be seen, the difficulty in obtaining resources on the interbanking market has been particularly evident for those banks that create their liquidity through wholesale banking as apposed to retail banking to families and enterprises. The bank's position in terms of Asset Liability Management has allowed Banca IFIS to face market trends with serenity. Specifically, the bank's usual counterparties have appreciated the strong correlation between the bank's commitments and the underlying commercial operations and the short horizon of the same. The group's financial position has always been in excess of requirements and is expected to remain so.
Furthermore, Fitch's BBB- investment rating, confirmed at the end of 2007, allows the quality of funding, even prospective, to be maintained.
Over the first Half 2008, Banca IFIS successfully continued to diversify its funding, both in terms of duration and in terms of technical form, with the aim of increasing availability and lengthening banking counterparts' commitments to maintaining credit lines.
With this aim, in the first few days of January, Banca IFIS utilised a syndicated loan *("Mandated Arrangers" were Intesa Sanpaolo S.p.A., Natixis and Raiffeisen Zentralbank,)* and agreed in December 2007, on the international money market for 171 million Euro with 18 month maturity and a spread of 55 basis points over the reference Euribor. Such syndicated loan confirms international credit institutes' positive opinion of Banca IFIS's operational model, even in the face of strong turbulence on liquidity markets.
The programme of revolving securitisation of enterprises' performing account receivables, started in October 2003, running for five years and able to generate net funding for the bank of 120 million Euro as at 30 June 2008, will expire at the end of September 2008. Careful assessment of market trends has led the group to consider not renewing such programme. As from the middle of 2007, in fact, Banca IFIS has started the procedures necessary to join the Eurosystem and therefore take advantage of refinancing operations through the ECB and of this institute's financial conditions. Such approach allows the best global management of liquidity and is today considered by the bank as largely rewarding. In this respect, Banca IFIS is busy perfecting a new revolving securitisation of enterprises' performing account receivables operation that should produce highly rated securities for an estimated overall amount of 300/400 million Euro. These securities will be subscribed by Banca IFIS who may use them for refinancing purposes (with banks, clients or the Eurosystem) and as a guarantee regarding the rapid generation of liquidity.
On 15 June 2008, Banca IFIS also kicked off its first service aimed at the retail public, Rendimax, an online high interest savings/deposit account without costs or restrictions. Although defined in the strategic plan for the diversification of funding, this is an experimental initiative. No particularly significant returns are forecasted from this initiative, at least in the short term.

At Half year-end, total funding reached 1,008 million Euro, a fall of 8.7% compared to 1,104 million Euro for the Half year 2007. In detail, 930 million Euro were the result of transactions with banking counterparts, of which 335 million Euro were regulated on e-*MID,* 120 million Euro from net funding obtained through the revolving securitisation of performing account receivables with assigned debtors, 33 million Euro from client deposits (of which 612 thousand Euro from the new savings account Rendimax) and, lastly, 45 million resulting from the issue of a convertible bond in July 2004. The latter, issued for a total of 50 million Euro, is booked under liabilities, net of the buybacks on such which are considered, according to the IFRS, as settlement of debt, whilst consequent resale is treated as the issue of a new debt.

Consolidation scope

The composition of the group as at 30 June 2008 is composed of the parent company, Banca IFIS S.p.A., and the wholly owned companies, Immobiliare Marocco S.p.A. - an instrumental estate agency - and IFIS Finance Sp.Z.o.o.- a factoring company located in Poland.

The parent company and the effects of consolidation

The parent company, Banca IFIS, closes the first Half 2008 with a net profit for the period of 11,273 thousand Euro, drawn up in compliance with the International Financial Reporting Standards.
The instrumental subsidiary, Immobiliare Marocco S.p.A., recorded a net profit for the period of 216 thousand Euro, restated according to IFRS for consolidation purposes.
The subsidiary, IFIS Finance Sp.Z.o.o. had a net profit for the period of 395 thousand Euro, restated according to IFRS for consolidation purposes.
The reconciliation between parent company profit and equity and consolidated profit and equity is shown in the table set out later in this report.

The structure

At the end of the first Half 2008, the group had a total of 248 employees, of which 243 work in the parent company, Banca IFIS, and 5 in the subsidiary, IFIS Finance Sp.z.o.o..
The structure of the group is made up of 14 Branches (Ancona, Bari, Brescia, Cagliari, Florence, Genoa, Imola, Cologno Monzese, Naples, Palermo, Pordenone, Rome, Turin and Venice-Mestre) of 2 representative offices (Bucharest and Budapest), and the subsidiary in Warsaw, Poland.

SIGNIFICANT EVENTS OVER THE HALF YEAR

Settlement of legal dispute

On 7 April 2008, Banca IFIS formalised a settlement with the bankruptcy trustee of a client that, on 21 March 2003, opened a revocatory bankruptcy court case requesting that the bank be ordered to pay the amount of 16.2 million Euro.
In performance of the above agreement, the counterparty has permanently renounced the aforesaid application, with consequent closure of the case, in exchange for the payment by Banca IFIS of 300 thousand Euro (equal to 1.8% of the original amount requested) as settlement for all amounts originating or consequent to the factoring and current account relationship originally existing between the parties.

Distribution of leases

The Board of Directors of 24 January 2008 approved Banca IFIS's entry into the leasing distribution sector, aimed at enterprises, with particular attention to SMEs that have always characterised the target market of Banca IFIS. On 3 March 2008, a commercial agreement for leasing distribution was signed with Centro Leasing Banca S.P.A., a specialist in this sector. The distribution will take place through Banca IFIS's direct sales network.
This new activity of distributing product leasing has not contributed to the group results in the period ending 30 June 2008. It is mainly carried out in the favour of Banca IFIS's existing clients and has not yet progressed from the kick-off stage. The generation of marginal levels of commission has been forecasted for the second Half of 2008, becoming more significant as from 2009.

Approval of branch opening in Paris

The Board of Directors' Meeting of 17 April 2008 approved the opening of a branch in Paris, France, as part of the plan to increase territorial presence throughout Europe as per the Strategic Plan. On 8 May 2007, the relative application was submitted to the Supervisory Authorities to individuate the opportune steps to be taken. On 14 July 2008, the Bank of Italy notified the French Supervisory Authorities of Banca IFIS Group's request.
At present, activities are currently being carried out by the bank's employees in Paris, offering services without a specific establishment. The opening of a proper branch will allow better monitoring and management of the work flows originated in France in the face of Italian enterprises and those originated in Italy, and other areas where the bank is present, in the face of French enterprises.

SIGNIFICANT EVENTS SUBSEQUENT TO CLOSURE OF THE HALF YEAR

Exercising of Banca IFIS warrants 2005-2008

Over the first Half 2008, 687,835 Banca IFIS 2005-2008 Warrants were exercised, with an increase in equity of 4,128 thousand Euro. Overall, as at 30 June 2008, 2,747,356 warrants equal to 54% of the total warrants issued were exercised.
On 31 July 2008, id est the expiry date for the exercising of such warrants, 5,052,217 warrants, which correspond to 99.3% of the total warrants outstanding, were exercised. The remaining 37,783 warrants have expired and are therefore no longer valid.

Launch of Rendimax high interest account

On 15 June 2008, Banca IFIS launched Rendimax, a high interest savings account for enterprises but also extended to private investors. This initiative makes up part of the 2008-2010 three-year plan, presented to the market during the 2008 STAR Conference. The aim of such plan is to help the bank evolve from being a bank specialized in factoring to a relational bank which satisfies SMEs financing needs in general, by offering its services globally to enterprises and entrepreneurs.

Share capital increase of subsidiary, IFIS Finance

The Board of Directors' Meeting of 17 April 2008 approved the share capital increase of the Polish subsidiary, IFIS Finance, headquartered in Warsaw. Considering the good results recorded, the strong demand for factoring in Poland and the success of Banca IFIS Group's intervention, the Board of Directors has resolved to increase share capital by 20 million Euro. This amount will be used to sustain growth in loan commitments to small/medium sized industrial clients in Poland, according to the model already developed by the bank in Italy and as part of the plan to export the bank's operations to other European markets.

Other significant events subsequent to closure of Half year

Operations continued normally in the period between the close of the Half Year and the date this report was drawn up. No significant events occurred after closing that are not explained in this report.

OTHER INFORMATION

Trading on STAR

Ordinary Banca IFIS shares have been traded on the STAR segment of the Italian Stock Exchange since November 2004. Previously, as from 1990, they were tradable on the restricted market of the same.
Banca IFIS's listed financial instruments are as follows:
- Ordinary Banca IFIS shares (ISIN Code IT0003188064);
- Banca IFIS Convertible Bond Loan 2004-2009 (ISIN Code IT0003664122).

The Fitch rating

On 21 December 2007, Fitch Ratings International confirmed Banca IFIS's rating of BBB – for the third year running. In detail, Fitch confirmed its Long Term Rating of BBB-, its Short Term Rating of F3, and its Individual Rating of C. In addition, Fitch confirmed its Support Rating of 5 with a Stable Outlook.

Management and coordination by the controlling company

In accordance with articles 2497- 2497 *sexies* of the Italian Civil Code, it is important to note that the controlling company, La Scogliera S.p.A., does not manage or coordinate Banca IFIS, as the management or coordination of investee banks and financial institutions is explicitly excluded from La Scogliera's corporate purpose, this is in waiver of article 2497 sexies of the Italian Civil Code.

Shareholders

The share capital of the parent company as at 30 June 2008 amounts to 31,876,678 Euro and is broken down into 31,876,678 shares with a nominal value of 1 Euro.
Shareholders who, at 30 June 2008, held shares representing more than 2% of share capital are as follows:

	NUMBER OF SHARES	% SHARE CAPITAL
La Scogliera S.p.A.	20,690,156	64.91%
Alchimia S.p.A.	1,304,955	4.09%
Giovanni Bossi	959,071	3.01%
Riccardo Preve	795,562	2.50%

Transactions on treasury shares

Banca IFIS's Ordinary Shareholders' Meeting of 17 April 2008 renewed authorization to buy back and sell treasury shares according to articles 2357 and thereafter of the Italian Civil Code, as well as article 132 of the Italian Legislative Decree 58/98, establishing a purchase price range of between 3 Euro and 30 Euro for a maximum amount of 10 million Euro. The shareholders also established that the duration of the authorization is equal to 18 months from the date the deliberation was effected.
At 31 December 2007, Banca IFIS held 161,913 treasury shares for a counter value of 1,579 thousand Euro and a nominal value of 161,913 Euro.
Over the first Half 2008, Banca IFIS bought back 1,259,454 treasury shares at an average price of 9.22 Euro for a counter value of 11,616 thousand Euro and sold 904,080 treasury shares, at an average price of 9.29, for a counter value of 8,395 thousand Euro, realising a profit of 262 thousand Euro which, in accordance with IFRS, was booked under equity reserves, net of the relative taxes.
The remaining amount at the end of the Half year equalled 517,287 treasury shares, for a counter value of 5,062 thousand Euro and a nominal value of 517,287 Euro.

Transactions on own bonds

At 31 December 2007, the bank held 1,141,322 treasury bonds entered for a counter value of 14,336 thousand Euro and a nominal value of 14,266,525 Euro.
Over the first Half 2008, Banca IFIS bought 12,764 treasury bonds for a counter value of 159 thousand Euro and a nominal value of 159,550 Euro.
The remaining amount at 30 June 2008 equalled 1,154,086 treasury bonds for a counter value of 14,495 thousand Euro and a nominal value of 14,426,075 Euro.

Stock option plans for management and employees

As at 30 June 2008, the following stock option plans remain in place:

- Plan A3/D3, (deliberated 15 December 2004) that amounts to a value of 214,500 shares at a nominal value of 1 Euro, subscribable at a price of 7.05 Euro, exercisable in the period between 1 January 2008 and 31 December 2008, of which 64,500 for directors and 150,000 for employees.
- Plan 4 (deliberated 30 April 2007) which amounts to a total of 204,500 shares of a nominal value of 1 Euro, subscribable at a price of 10.10 Euro and exercisable between 1 September and 31 December 2010, of which 64,500 shares for directors and 140,000 shares for Banca IFIS employees in general.
- Plan 5 (deliberated 30 April 2007) which amounts to a total of 240,000 shares of a nominal value of 1 Euro, subscribable at a price of 10.10 Euro and exercisable between 1 January and 30 April 2011, of which 59,200 shares for directors and 180,800 shares for Banca IFIS employees in general.

To the date of this Half yearly report, 151,675 options relating to the A3/D3 plan have been exercised by employees, while 27,400 options have expired.

Related party transactions

Please refer to the explanatory notes for information on related party transactions.

The new Basel 2 Accord

Following the new prudential supervisory provisions for banks laid down in Bank of Italy's Circular 263 of 27 December 2006, Banca IFIS has sent its prudential reporting as at 31 March 2008 in adherence with the terms established by the Supervisory Authorities.
Banca IFIS has chosen, starting from 2008, to use the standardised method of calculating capital requirements in the face of credit risk and, over the next few years, will assess the possibility of using its own internal rating system (if authorised by Supervisory Authorities) in application of the IRB (Internal Rating Based) advanced methods for calculating capital requirements.
As far as concern operational risks, whereas specific requisites were not required in the previous regulations, as from 2008, Banca IFIS will use the BIA (Basic Indicator Approach), according to which capital requirements for operational risks are calculated by applying a regulatory coefficient to an indicator of corporate business volumes, indicated in earning margins.
As regards market risks, their importance remains moderate due to the substantial absence of a trading portfolio as defined for supervisory purposes.

At present, the bank has a consolidated solvency ratio of 11.1%, or 12.3% if taking into consideration the exercising of the Banca IFIS Warrants 2005-2008 concluded on 31 July 2008.

Exposure to subprime mortgages or connected financial products

With reference to the events which led to the subprime mortgages crisis in the last few months and as per Consob communication no. 7079556 of 30 August 2007, Banca IFIS, having carried out a self-assessment, can confirm that:

- it is not directly exposed to risks related to subprime mortgages;
- it is not exposed to risks related to investments in financial products having such mortgages as an underlying activity or referring to them;
- it is not exposed to the granting of guarantees connected to such products.

Research and development

Due to its activity, the group did not undertake any research and development activities during the Half year.

OUTLOOK

Economic trends for the remaining months of 2008 appear negative. The strength of the Euro in comparison to the American dollar, together with the level of interest rates, maintained high by the European Central Bank due to the importance of controlling inflation rather than encouraging growth in production, project particularly modest growth rates in the Euro zone. Italy has the worst rates of the Euro zone.
The attitude of the banking system as regards granting credit to SMEs appears moderate and decreasing, being conditioned by both compliance with Basel 2 requirements and the new, increased sensitivity to credit risk.
An increase in profit margins for intermediaries is expected, accompanied by increased risk in general bank commitments with enterprises; such greater risk, in turn, can be contained by operations such as factoring, where risk is transferred to debtors of a good credit standing.
As a result of recent trends in the credit market and liquidity, the Banca IFIS Group has selected its clientele concentrating on counterparties that are smaller with greater profitability, where the risk is controlled and, particularly, transferred to the assigned debtor counterparty who usually has better credit worthiness than the assigning client has.
Strategic orientation and organisation of the group remains pointed in this direction; dimensional growth in the remaining Quarters of 2008 will be confirmed through the SME sector, needier of support and not adequately catered to by general banks. This orientation - which Banca IFIS will continue to follow - being understood, should market prospects for credit and liquidity improve, the bank may consider the opportunity of selecting larger counterparties as long as suitable financial conditions apply, as, indeed, it already began to do over the first Half 2008.
The main risks and uncertainties essentially lie in the aspects which are dependent on economic trends. An increase in insolvencies in SMEs on the credit market, larger than that originally forecasted, risks reducing group profit trends through rising losses on receivables. Furthermore, additional worsening of the economic climate in comparison to forecasts could lead to a decrease in demand for credit also by SMEs which would, in turn, contract profit margins.
Another risk is possible: in a scenario of significant contraction in the granting of credit which also extends to the smaller banks, the group could experience difficulty in obtaining the liquidity necessary to finance its clients' companies. In this case, a case which appears completely remote, the bank would be forced to reduce the amount of financing granted to the clientele, reducing, in this way, the earnings obtainable from such operations.
In general, nevertheless, and net of the above potential risks, the outlook for the Banca IFIS Group is positive and allows optimism as far as concern management trends for the second Half 2008.

Venice-Mestre, 28 August 2008

For the Board of Directors

The President
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Consolidated financial statements

CONSOLIDATED BALANCE SHEET

(in thousands of Euro)

ASSETS		PERIOD 30/06/2008	PERIOD 31/12/2007
10	Cash and cash equivalents	18	13
20	Financial assets held for trading	449	62
40	Financial assets held for sale	2,548	1,216
60	Due from banks	168,707	312,091
70	Due from clients	953,454	923,061
120	Tangible assets	33,938	32,741
130	Intangible assets	2,569	1,927
	of which:		
	- goodwill	996	941
140	Tax assets	1,067	993
	a) current	244	2
	b) deferred	823	991
160	Other asset items	4,757	3,300
	TOTAL ASSETS	1,167,507	1,275,404

LIABILITIES AND EQUITY		PERIOD 30/06/2008	PERIOD 31/12/2007
10	Due to banks	930,218	1,010,365
20	Due to clients	32,817	57,776
30	Outstanding securities	44,850	36,134
40	Financial liabilities held for trading	316	---
80	Tax liabilities	2,936	2,418
	a) current	35	171
	b) deferred	2,901	2,247
100	Other liabilities	16,936	33,616
110	Severance/retirement allowance	1,093	1,100
140	Fair value reserves	107	107
160	Equity instruments	611	611
170	Reserves	50,127	39,281
180	Share-premiums	48,797	44,887
190	Share capital	31,877	31,154
200	Treasury shares(-)	(5,062)	(1,579)
220	Net profit for the period	11,884	19,534
	TOTAL LIABILITIES AND EQUITY	1,167,507	1,275,404

CONSOLIDATED INCOME STATEMENT

(in thousands of Euro)

		PERIOD 30/06/2008	PERIOD 30/06/2007
10	Interest and similar income	35,887	23,530
20	Interest and similar expenses	(22,848)	(15,527)
30	Net interest income	13,039	8,003
40	Commission income	19,687	14,841
50	Commission expenses	(1,799)	(1,057)
60	Net commission income	17,888	13,784
70	Dividends and similar income	27,862	45
80	Net trading result	(26,486)	(28)
100	Profit (losses) from sale or buy-backs of:	(2)	1,070
	b) available for sale financial assets	---	1,070
	d) financial liabilities	(2)	---
120	Net banking income	32,301	22,874
130	Net impairment losses on:	(2,798)	(463)
	a) loans and receivables	(2,798)	(463)
140	Net profit from financial activities	29,503	22,411
180	Administrative expenses:	(12,639)	(9,736)
	a) personnel	(8,346)	(6,405)
	b) other	(4,293)	(3,331)
200	Net impairment losses on tangible assets	(648)	(530)
210	Net impairment losses on intangible assets	(267)	(184)
220	Other operating income (expenses)	292	296
230	Operating costs	(13,262)	(10,154)
280	Gross profit from continuing operations	16,241	12,257
290	Taxes on profit from continuing operations	(4,357)	(4,011)
340	Parent company net profit for the period	11,884	8,246

	PERIOD 30/06/2008	PERIOD 30/06/2007
Earnings per share (Euro)	0.38	0.58
Diluted earnings per share (Euro)	0.34	0.48

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2008
(In thousands of Euro)

	Balance at 31.12.2007		Changes in opening balances	Balance at 1.1.2008		Allocation of profit for previous period			Variations of period											Equity at 30.06.2008	
						Reserves		Dividends and other destinations	Variations in reserves		Equity transactions								Profit (loss) for the period			
											Issue of new shares		Buy back of treasury shares		Distribution extraordinary dividends	Variations on capital instruments	Derivatives on treasury shares	Stock options				
	Attirbutable to parent co. shareholders	Minority interests		Attirbutable to parent co. shareholders	Minority interests	Attirbutable to parent co. shareholders	Minority interests		Attirbutable to parent co. shareholders	Minority interests	Attirbutable to parent co. shareholders	Minority interests	Attirbutable to parent co. shareholders	Minority interests					Attirbutable to parent co. shareholders	Minority interests	Attirbutable to parent co. shareholders	Minority interests
Share capital:																						
a) ordinary shares	31,154	_	_	31,154	_	_	_	_	_	_	723	_	_	_	_	_	_	_	_	_	**31,877**	_
b) other shares	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
Share premiums	44,887	_	_	44,887	_	_	_	_	_	_	3,910	_	_	_	_	_	_	_	_	_	**48,797**	_
Reserves:																						
a) earnings related	28,280	_	_	28,280	_	10,221	_	_	507	_	_	_	_	_	_	_	_	_	_	_	**39,008**	_
b) others	11,001	_	_	11,001	_	_	_	_	_	_	_	_	_	_	_	_	_	118	_	_	**11,119**	_
Fair value reserves:																						
a) available for sale	107	_	_	107	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	**107**	_
b) cash flow hedges	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
c) others	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
Equity instruments	611	_	_	611	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	**611**	_
Treasury shares	(1,579)	_	_	(1,579)	_	_	_	_	_	_	8,133	_	(11,616)	_	_	_	_	_	_	_	**(5,062)**	_
Profit (loss) for period	19,534	_	_	19,534	_	(10,221)	-	(9,313)	_	_	_	_	_	_	_	_	_	_	11,884	_	**11,884**	_
Equity	**133,995**	_	_	**133,995**	_	_	_	**(9,313)**	**507**	_	**12,766**	_	**(11,616)**	_	_	**0**	-	**118**	**11,884**	_	**138,341**	_

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2007
(In thousands of Euro)

	Balance at 31.12.2006		Changes in opening balances	Balance at 1.1.2007		Allocation of profit for previous period			Variations of period											Equity at 30.06.2007	
						Reserves		Dividends and other destinations	Variations in reserves		Equity transactions								Profit (loss) for period			
											Issue of new shares		Buy back of treasury shares		Distribution extraordinary dividends	Variations on capital instruments	Derivatives on treasury shares	Stock options				
	Attributable to parent co. shareholders	Minority interests		Attributable to parent co. shareholders	Minority interests	Attributable to parent co. shareholders	Minority interests		Attributable to parent co. shareholders	Minority interests	Attributable to parent co. shareholders	Minority interests	Attributable to parent co. shareholders	Minority interests					Attributable to parent co. shareholders	Minority interests	Attributable to parent co. shareholders	Minority interests
Share capital:																						
a) ordinary shares	28,892	_	_	28,892	_	_	_	_	_	_	164	_	_	_	_	_	_	_	_	_	**29,056**	_
b) other shares	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
Share premiums	35,869	_	_	35,869	_	_	_	_	_	_	1,042	_	(2,000)	_	_	_	_	_	_	_	**34,911**	_
Reserves:																						
a) earnings-related	19,530	_	_	19,530	_	8,147	_	_	275	_	_	_	_	_	_	_	_	_	_	_	**27,952**	_
b) others	8,847	_	_	8,847	_	_	_	_	_	_	_	_	2,000	_	_	_	_	58	_	_	**10,905**	_
Fair value reserves:																						
a) available for sale	3,284	_	_	3,284	_	_	_	_	(1,184)	_	_	_	_	_	_	_	_	_	_	_	**2,100**	_
b) cash flow hedges	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
c) others	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_
Equity instruments	611	_	_	611	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	_	**611**	_
Treasury shares	(3,727)	_	_	(3,727)	_	_	_	_	_	_	_	_	(4,929)	_	_	_	_	_	_	_	**(8,656)**	_
Profit (loss) for the period	15,012	_	_	15,012	_	(8,147)	-	(6,865)	_	_	_	_	_	_	_	_	_	_	8,246	_	**8,246**	_
Equity	**108,318**	_	_	**108,318**	_	_	_	**(6,865)**	**(909)**	_	**1,206**	_	**(4,929)**	_	_	**0**	-	**58**	**8,246**	_	**105,125**	_

CASH FLOW STATEMENT (in thousands of Euro)

Indirect Method	1st H 2008	1st H 2007
A. OPERATING ACTIVITIES		
1. Operations	21,930	13,446
- Profit for period (+/-)	11,884	8,246
- profit/loss on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	21	-
- profit/loss on hedging activities	-	-
- net impairment on loans (+/-)	-	-
- net impairment on tangible and intangible assets (+/-)	2,798	463
- net provisions for risk and charges and other costs/revenues (+/-)	907	741
- taxes unpaid (+)	62	(15)
- other adjustments (+/-)	5,379	4,011
	879	-
2. Cash flows generated/absorbed by financial assets	106,169	126,036
- financial assets held for trading	(408)	-
- financial assets at fair value	_	-
- financial assets available for sale	(1,332)	782
- due from banks at sight	35,080	12,120
- other due from banks	108,304	147,332
- due from clients	(33,191)	(31,521)
- other assets	(2,284)	(2,677)
3. Cash flows generated/absorbed by financial liabilities	(117,810)	(126,524)
- due to banks at sight	6,079	8,920
- other due to banks	(86,226)	(87,729)
- due to clients	(24,959)	(56,768)
- outstanding securities	7,837	1,044
- financial liabilities held for trading	_	-
- financial liabilities at fair value	_	-
- other liabilities	(20,541)	8,009
Net cash flows generated/absorbed by operations A (+/-)	**10,289**	**12,958**
B. INVESTING ACTIVITIES		
1. Cash flows generated by:	173	50
- sale of equity investments	-	-
- dividends collected on equity investments	_	-
- sale of financial assets held to maturity	-	-
- sale of tangible assets	42	50
- sale of intangible assets	131	-
- sale of business activities	_	-
2. Cash flows absorbed by:	(2,919)	(2,774)
- purchase of equity investments	-	-
- purchase of financial assets held to maturity	_	-
- purchase of tangible assets	(1,879)	(2,434)
- purchase of intangible assets	(1,040)	(340)
- purchase of business activities	-	-
Net cash flows generated/absorbed by investment activities B (+/-)	**(2,746)**	**(2,724)**
C. FINANCING ACTIVITIES		
- issue/buyback of treasury shares	(3,483)	(4,929)
- issue/acquisitions of capital instruments	4,751	1,294
- distribution of dividends and other	(8,806)	(6,590)
Net cash flows generated/absorbed by funding activities C (+/-)	**(7,538)**	**(10,225)**
NET CASH FLOWS GENERATED /ABSORBED DURING PERIOD D = A +/- B +/- C	**5**	**9**

OPENING CASH AND CASH EQUIVALENTS E	**13**	**14**
NET CASH FLOWS GENERATED/ABSORBED DURING ACCOUNTING PERIOD D	**5**	**9**
CASH AND CASH EQUIVALENTS: EXCHANGE RATE EFFECTS F		
CLOSING CASH AND CASH EQUIVALENTS: G=E+/-D+/-F	**18**	**23**

2. Accounting policies

Statement of compliance with IFRS

As per article 154-ter of the T.U.F.(the Italian Consolidation Act for Banks) and Issuers' Regulation no. 11971/99 and ensuing modifications, the condensed interim consolidated financial statements as at 30 June 2008 has been drawn up according to the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and the relative interpreting documents (IFRIC and SIC), and approved by the European Commission as per European Union Regulation no. 1606/2002 of 19 July 2002. These regulations were enforced in Italy with Legislative Decree 38 of 28 February 2005.
The adoption of the International Financial Reporting Standards was carried out referring also to IASB's "Framework for the preparation and presentation of financial statements", even though not proved.
In compliance with that laid down by article 81 of the above mentioned Issuers' Regulation no. 11971/99 and ensuing modifications, the contents of this consolidated Half yearly report adhere to IAS 34 for interim financial reports; in addition, in accordance with paragraph 10 of said principle, the group availed itself of the option to prepare the Half yearly report in condensed form.

Basis of preparation

The classification and measurement criteria adopted for the drawing up of this consolidated Half yearly report are the same as those used to draw up the 2007 first Half yearly report and the 2007 Annual report. Please refer to the latter for details.
As per article 154-ter of the T.U.F. and IAS 34, the consolidated first Half yearly report 2008 is made up of:

- the condensed interim consolidated financial statements (composed of the consolidated balance sheet, the consolidated income statement, the statement of changes in consolidated equity, the consolidated cash flow statement and the explanatory notes);
- the directors' report.

For the preparation of the present Half yearly report, the frameworks used are those issued by the Bank of Italy with its circular guidelines 262 of 22 December 2005, comparing results with those as at 31 December of the previous year as far as concerns the balance sheet and those of the corresponding period of the previous year as far as concerns the income statement.
The reporting currency is the Euro and, where not otherwise expressed, expressed in thousands of Euro.

Consolidation scope and method

Section 3 - Consolidation scope and method

The consolidated Half yearly report has been compiled based on the accounts at 30 June 2008, prepared by the Board members and the companies included in the consolidation scope.
The condensed interim consolidated financial statements include the financial statements of the parent company, Banca IFIS S.p.A, and its subsidiaries - Immobiliare Marocco S.p.A., the instrumental real estate company, and IFIS Finance, the Polish factoring company -, all drawn up according to the line-by-line method of consolidation.

Here follows the main highlights of the subsidiaries:

Company name	Registered office	Equity as at 30/06/2008	Profit for 1st H 2008	% of direct investment
Immobiliare Marocco S.p.A.	Venice- Mestre	1,654	216	100%
IFIS Finance Sp.Z.o.o.	Warsaw	6,874	395	100%

The carrying amounts of investments in companies consolidated on a line-by-line basis are eliminated against the carrying amounts of their assets and liabilities, offsetting the corresponding portion of equity held by the parent company.

The financial statements of the subsidiaries expressed in foreign currencies are translated into Euro in asset and liability items according to the rate of exchange at the end of the period. In the income statement, however, figures are converted according to the average exchange rate, which is considered as a valid approximation of the exchange rate in place at the date of the transaction. The consequent exchange differences deriving from the application of different exchange rates for the balance sheet and the income statement, together with the exchange differences from the

translation of the equity of the investees, are booked in equity reserves.
Assets and liabilities, off balance sheet transactions, income and expenses, and the profit and loss between companies included in the consolidation scope are all eliminated.
For companies that are included for the first time in the consolidation scope, the fair value of the cost incurred in obtaining control of such investment is measured on the acquisition date. The acquisition cost is determined as the sum of:
- the fair value at the acquisition date of the assets ceded, the liabilities assumed and equity instruments issued by the purchaser in exchange for the control of the company acquired;
- any directly attributable costs.
The results of a subsidiary purchased within the accounting period in question are included in the consolidated balance sheet as from the date of purchase. Similarly, the results of subsidiaries sold within the accounting period in question are included in the consolidated balance sheet up to the date in which control is transferred.
During line-by-line consolidation, the acquisition cost is allocated to the different identifiable assets, liabilities and contingent liabilities acquired, modifying their value to adapt it to their fair value. Consequent positive differences are booked as goodwill under the item 130 'intangible assets', whereas negative differences are booked to the income statement.

As far as concerns the subsidiary, Immobiliare Marocco, the line-by-line consolidation process has brought about an increase in fixed assets of 7,854 thousand Euro. This increase is entered under item 120 'tangible assets'.
As far as concerns the subsidiary, IFIS Finance Sp. Z.o.o., the line-by-line consolidation process has brought about goodwill, valued at end of accounting period exchange rates, for 996 thousand Euro, entered under item 130 'intangible assets'.

INVESTMENTS IN EXCLUSIVELY AND JOINTLY CONTROLLED COMPANIES
(CONSOLIDATED USING THE PROPORTIONAL METHOD)

Name of company	Registered office	Type (1)	Investment		Voting rights %(2)
			Held by	Quota %	
A. Companies					
A.1 Consolidated line-by-line					
1. Immobiliare Marocco S.p.A.	*Mestre - Venice*	*1*	*Banca IFIS S.p.A.*	100%	100%
2. IFIS Finance Sp.Z.o.o.	*Warsaw*	*1*	*Banca IFIS S.p.A.*	100%	100%
A.2 Consolidated proportionally	---	---	---	---	---

Key
(1) Type:
1 = majority of voting rights in the Annual Shareholders' Meeting
2 = dominant influence in the Annual Shareholders' Meeting
3 = agreement with other shareholders
4 = other forms of control
5 = exclusive control ex art. 26, comma 1, of Legislative Decree 87/92
6 = exclusive control ex art. 26, comma 2, of Legislative Decree 87/92
7 = joint control
(2) Voting rights in the Annual Shareholders' Meeting, distinguishing between effective and potential voting rights.

Events subsequent to Half Year closing

No significant events occurred between the end of the period and the drawing up of the consolidated first Half yearly report other than those already included in this report. For information on such events, please refer to the directors' report.

Other aspects

Please refer to the contents of the directors' report.

3. Explanatory notes

MAIN BALANCE SHEET CAPTIONS

The group is involved almost exclusively in the factoring industry and funding for its activity, aside from its own funds, comes from the interbanking market, from the securitisation of performing account receivables, from the issue of a convertible bond loan and, lastly, in residual amounts from direct client deposits. Over the first Half 2008, the Banca IFIS Group did not carry out any atypical operations.

MAIN BALANCE SHEET CAPTIONS
(in thousands of Euro)

	BALANCES			ABSOLUTE VARIATION BETWEEN	
	30/06/2008	31/12/2007	30/06/2007	06/08-12/07	12/07-06/07
Due from clients	953,454	923,061	814,035	30,393	109,026
Due from banks	168,707	312,091	107,842	(143,384)	204,249
Other financial assets	2,997	1,278	4,256	1,719	(2,978)
Tangible and intangible assets	36,507	34,668	33,014	1,839	1,654
Total net assets	1,161,665	1,271,098	959,147	(109,433)	311,951
Due to clients	32,817	57,776	25,792	(24,959)	31,984
Due to banks	930,218	1,010,365	757,597	(80,147)	252,768
Outstanding securities	44,850	36,134	43,737	8,716	(7,603)
Balance of other items	15,439	32,828	26,896	(17,389)	5,932
Equity	138,341	133,995	105,125	4,346	28,870
Total net liabilities	1,161,665	1,271,098	959,147	(109,433)	311,951

Due from clients

Total due from clients for the first Half reached 953 million Euro, an increase of 3.3% compared to the end of 2007 (+17.1% if compared to the results for the first Half 2007). Net current loans to clients, excluding non-performing loans for 8,585 thousand Euro, equalled 945 million Euro.

BANKING PRODUCTS
(in thousands of Euro)

	BALANCES		VARIATION	
	30/06/2008	31/12/2007	ABSOLUTE	%
Current accounts and similar	54,497	61,574	(7,077)	(11.5)%
Advance accounts for future credit assignments	22,331	20,875	1,456	7.0%
Advance accounts for factoring	703,929	638,381	65,548	10.3%
Receivables from debtors for definitive purchase	161,274	192,060	(30,786)	(16.0)%
Loans	2,838	2,786	52	1.9%
Total current loans	944,869	915,676	29,193	3.2%
Net non-performing loans	8,585	7,385	1,200	16.2%
Total due from clients	953,454	923,061	30,393	3.3%

The breakdown of clients by geographic area in Italy, with a separate indication for those abroad, together with the breakdown of clients by product category are as follows:

BREAKDOWN OF CLIENTS BY GEOGRAPHIC AREA	COMMITMENTS	TURNOVER
Northern Italy	43.3%	43.0%
Central Italy	32.1%	25.3%
Southern Italy	20.0%	16.8%
Abroad	4.6%	14.9%
Total	100%	100%

BREAKDOWN OF CLIENTS
BY PRODUCT SECTOR (*)

		COMMITMENTS	TURNOVER
051	Agriculture, forestry and fish products	0.8%	0.8%
052	Energy products	1.4%	0.5%
053	Minerals and ferrous and non-ferrous metals	0.8%	0.4%
054	Minerals and mineral based products	0.4%	0.3%
055	Chemical products	0.6%	0.6%
056	Products in metal excluding machines and equipment	8.8%	11.2%
057	Agricultural and industrial machines	2.4%	2.6%
058	Machines for offices and EDP machinery	0.4%	0.3%
059	Electrical material and supplies	1.8%	2.0%
060	Transportation vehicles	6.4%	8.9%
061	Food and beverage products	1.4%	1.4%
062	Textile, leather, shoe and clothing products	4.0%	3.1%
063	Paper, printing and publishing	0.4%	0.6%
064	Rubber and plastic products	1.8%	2.3%
065	Other industrial products	1.1%	1.5%
066	Construction and public works	11.2%	8.6%
067	Wholesale and retail trade, recoveries and repair	12.1%	14.6%
068	Hotel and public establishment services	0.8%	0.7%
069	Internal transportation services	1.4%	1.9%
070	Maritime and air transportation services	0.8%	0.2%
071	Transportation related services	1.5%	0.7%
072	Telecommunications services	1.5%	0.1%
073	Other services for sale	21.3%	21.6%
000	Non classifiable	16.9%	15.1%
	of which non-residents	*4.6%*	*14.9%*
	of which financial institutions	*1.8%*	*0.0%*
	of which others(**)	*10.4%*	*0.2%*
	Total	100%	100%

(*) List according to Bank of Italy's circular no.140 of 11/02/91.
(**)This item includes Banca IFIS's commitments with companies operating in the healthcare and ancillary services sectors.

Impaired assets

The ratio of net non-performing loans to total loan commitments to clients equalled 0.9%, against 0.8% at the end of year 2007.
Total non-performing loans to clients as at 30 June 2008, net of impairment losses, was 8,585 thousand Euro, against 7,385 thousand Euro as at 31 December 2007 (an increase of 16.2%). The ratio of non-performing loans to equity at the end of the first Half 2008 equalled 6.2%, compared to 5.5% as at 31 December 2007. Gross of any impairment losses, non-performing loans amounted to 33,322 thousand

Euro, against 29,855 thousand Euro at the end of 2007 (+11.6%). Banca IFIS enters its gross non-performing loans, booked to the income statement net of the related specific provisions for impairment losses, up to the point in which all legal procedures to recoup the credit have been exhausted. Also due to the strategy of risk spreading, the total amount of non-performing loans is, on average, quite contained.

As at 30 June 2008, 153 non-performing loans, for an average amount of 56 thousand Euro net, were registered. The hedging index on gross non-performing loans stood at 74.2% (75.3% as at 31 December 2007). This percentage is representative of the policy of setting aside prudential provisions over the years and also takes into account the effect of actualising presumed net values from credit recoveries, as per the IAS provisions of the IFRS.

Total substandard loans, net of collective impairment losses, amounted to 4,138 thousand Euro, against 2,143 thousand Euro as at 31 December 2007, a growth of 93.1% due to transferring a position that is proving difficult to handle despite the debtor having a high credit rating.

Rescheduled loans, net of collective impairment losses, amounted to 287 thousand Euro as at 30 June 2008, against 303 thousand Euro as at 31 December 2007, a reduction of 5.3%.

Net past-due loans, amounting to 64,164 thousand Euro at the end of the first Half 2008 compared to 57,971 thousand Euro at the end of 2007, refer mainly to receivables from the Public Administration for full definitive purchase factoring activities. Taking into consideration the quality of the receivables and the counterparties involved, no impairment losses were considered necessary on these positions.

Total non-performing loans for the period equalled 77,174 thousand Euro, against 67,802 thousand Euro at the end of 2007, an increase of 13.8%.

CREDIT QUALITY (in thousands of Euro)	PERIOD		VARIATION	
	30/06/2008	31/12/2007	ABSOLUTE	%
Non-performing loans	8,585	7,385	1,200	16.2%
Substandard loans	4,138	2,143	1,995	93.1%
Rescheduled loans	287	303	(16)	(5.3)%
Past-due loans	64,164	57,971	6,193	10.7%
Total net impaired loans to clients	77,174	67,802	9,372	13.8%
Net performing loans	876,280	855,259	21,021	2.5%
Total due from clients	953,454	923,061	30,393	3.3%

NON-PERFORMING LOANS BY YEAR
(in thousands of Euro)

Year	N° of NPLs	Gross amount	Total impairment losses	Net amount	% provided for
1990	1	51	(7)	44	13.7%
1991	1	112	(112)	---	100.0%
1993	2	363	(363)	---	100.0%
1994	1	108	(60)	48	55.6%
1995	1	139	(47)	92	33.8%
1998	4	320	(199)	121	62.2%
1999	3	669	(595)	74	88.9%
2000	1	99	(99)	---	100.0%
2001	4	8,675	(6,915)	1,760	79.7%
2002	9	1,330	(1,004)	326	75.5%
2003	13	4,493	(3,192)	1,301	71.0%
2004	17	3,211	(2,849)	362	88.7%
2005	16	2,825	(2,395)	430	84.8%
2006	25	2,823	(2,111)	712	74.8%
2007	34	3,553	(2,019)	1,534	56.8%
2008	21	4,551	(2,770)	1,781	60.9%
Total	153	33,322	(24,737)	8,585	74.2%

NON-PERFORMING LOANS BY SIZE
(in thousands of Euro)

	Size of NPL class	N° of NPLs	Gross amount	Total impairment losses	Net amount	% provided for
A	from 1 to 200,000	142	18,950	(15,309)	3,641	80.8%
B	from 200,001 to 500,000	8	3,779	(1,454)	2,325	38.5%
C	from 500,001 to 1,000,000	3	10,593	(7,974)	2,619	75.3%
D	from 1,000,001 to 2,000,000	---	---	---	---	---
E	> 2,000,001	---	---	---	---	---
	Total	153	33,322	(24,737)	8,585	74.2%

The ratio of net non-performing loans to total loan commitments to clients passed from 0.8% at 31 December 2007 to 0.9% at 30 June 2008, if taking impairment losses into consideration and from 3.1% to 3.4% in terms of nominal value.
The incidence of substandard loans over total loan commitments to clients passed from 0.3% at 31 December 2007 to 0.5% at 30 June 2008, and from 0.2% to 0.4% if considering impairment losses.

IMPAIRED ASSETS
(in thousands of Euro)

	NPLs	SUBST. LOANS	RESCHED. LOANS	PAST-DUE LOANS	TOTAL
BALANCE AS AT 30/06/2008					
Nominal value of impaired loans	33,322	5,377	288	64,600	103,587
Incidence on total loans at nominal value	*3.4%*	*0.5%*	*0.0%*	*6.6%*	*10.5%*
Impairment losses	24,737	1,239	1	436	26,413
Incidence on impaired loans at nominal value	*74.2%*	*23.0%*	*0.3%*	*0.7%*	*25.5%*
Book value of impaired loans	8,585	4,138	287	64,164	77,174
Incidence on net total loans	*0.9%*	*0.4%*	*0.0%*	*6.7%*	*8.1%*
BALANCE AT 31/12/2007					
Nominal value of impaired loans	29,855	2,839	304	58,943	91,941
Incidence on total loans at nominal value	*3.1%*	*0.3%*	*0.0%*	*6.2%*	*9.7%*
Impairment losses	22,470	696	1	972	24,139
Incidence on impaired loans at nominal value	*75.3%*	*24.5%*	*0.3%*	*1.6%*	*26.3%*
Book value of impaired loans	7,385	2,143	303	57,971	67,802
Incidence on net total loans	*0.8%*	*0.2%*	*0.0%*	*6.3%*	*7.3%*

Due from banks

Total due from banks at the end of the Half year stood at 169 million Euro against 312 million Euro as at 31 December 2007. The end of year figure for 2007 shows the maintenance of high levels of financial availability so as to cover year-end maturities and hence, optimise treasury activities.
The utilisation of available financial resources through other institutes does not represent a core activity for the group. The bank's aim remains only to utilise available resources in order to increase financing operations in the favour of clients as a result.

Intangible and tangible fixed assets

Intangible assets totalled 2,569 thousand Euro, a net increase of 33.3% from 31 December 2007. This item includes 996 thousand Euro of booked goodwill arising from the consolidation of the shareholding investment in IFIS Finance Sp.Z.o.o.. Gross increases equalling 1,040 thousand Euro essentially refer to improvement in IT support.

Tangible assets, that is property, plant and equipment and investment property increased by 3.7% to 33,938 thousand Euro.

The property entered at the end of the first Half year 2008 among the consolidated tangible assets relates to:

- the property in Mestre-Venice, acquired under finance lease, which housed the management from 2001 up to December 2005, and was then leased in part to the controlling company, La Scogliera S.p.A.;
- the important historical building, 'Villa Marocco', located in Mestre, for which a renovation and expansion project was created and approved by the Monuments Office for the region and for which work was completed in April 2008. This building became the new Banca IFIS Head Office back in December 2005;

- the representative office in Bucharest;
- a management office building of residual value in Padua;
- a building of residual value destined to be sold.

The final value of the property that has become the new Head Office, together with the value of the ex Head Office up until the end of 2005, have been confirmed by professionals in valuing such buildings. 'Villa Marocco' is not depreciated as its estimated residual value at the end of its useful life is expected to be higher than its book value.

Funding

The Banca IFIS Group obtains the resources necessary for financing its business from the inter-banking market, from the flow of liquid assets from a revolving securitisation of performing loans effected as from October 2003, from the issue of a convertible bond loan in July 2004 and, finally, from client deposits.

The programme of revolving securitisation of enterprises' performing account receivables, started in October 2003, will expire at the end of September 2008. Careful assessment of market trends has led the group to consider not renewing such programme.

Banca IFIS is busy perfecting a new revolving securitisation of enterprises' performing account receivables operation that should produce highly rated securities for an estimated overall amount of 300/400 million Euro. These securities will be subscribed by Banca IFIS who may use them for refinancing purposes (with credit institutions, clients or the Eurosystem) as well as guaranteeing rapid generation of liquidity.

On 15 June 2008, Banca IFIS kicked off its first service aimed at the retail public; Rendimax, an online high interest savings/deposit account without costs or restrictions. Although defined in the strategic plan for the diversification of funding, this is an experimental initiative. No particularly significant returns are forecasted from this initiative, at least in the short term.

Total gross funding as at 30 June 2008 equalled 1,007,885 thousand Euro (-8.7% with respect to 2007). Due to banks are composed of: funding from the inter-banking market for 810,157 thousand Euro (-6.4% compared to December 2007), of which 335,400 thousand Euro regulated on *E-MID* (-29.3% compared to 2007) and from funding from securitisation transactions for 120,061 thousand Euro (a fall of 17.0% when compared to the end of 2007). Overall due to banks equalled 930,218 thousand Euro, decreased by 7.9% when compared to December 2007.

Due to clients as at 30 June 2008 stood at 32,817 thousand Euro, against 57,776 thousand Euro at the end of 2007.

The convertible bond loan 'Banca IFIS Convertible Bond Loan 2004-2009' issued in July 2004 for the total nominal value of 50 million Euro, stood, as at 30 June 2008, at 44,850 thousand Euro net, an increase of 4.4% compared to the results as at 31 December 2007. The debt is booked under liabilities, net of any buybacks on such convertible bonds that are considered, in adherence to IFRS principles, as settlement of debt, while the successive sale is considered as issue of a new debt. Over the Half year 2008, 12,764 thousand Euro of buybacks on treasury bonds were carried out for a nominal value of 160 thousand Euro.

No asset management activity was carried out, as this is not compatible with the group's business plan.

Provisions for risk and charges

The Banca IFIS Group, in the absence of presuppositions, did not recognise a provision for risks and charges following the facts described below:

- A legal case is in progress with the Inland Revenue. This case relates to a former shareholding investment in Intesa Lariana S.r.l, liquidated and closed down in 1999, for which the Inland Revenue believes fictitious dividends were collected.

  The legal case was brought about by two separate notices of assessment, from the Milan and Como Income tax offices respectively. The first of these notices relates to the tax period 1 January 1997 – 30 June 1997 and the second to the following tax period.

  The first notice was contested by Intesa Lariana and the liquidator and taken to the Provincial Revenue Tribunal who, with judgement 57/10/03, entered 17 December 2003, rejected Intesa Lariana's and the liquidator's appeal. A further appeal was presented to the Regional Revenue Tribunal Milan 6 section 18, which with judgement 3616/04, entered 27 January 2005, once again ruled in favour of the Inland Revenue.

  On 2 December 2004, a hearing was held, in front of the Regional Revenue Tribunal of Milan, regarding the appeal against the second notice of assessment from the tax commission. In order to avoid any discord, the judgement regarding the second notice of assessment is conditioned by the result of the first case.

In detail, with regards to the first six months of 1997, Como tax office contested the collection of 'fictitious dividends' and consequently refused to recognise any connected tax withholdings together with the tax credit on the dividends themselves, claiming a greater amount of lira 4,703,193,000 (2,428,996.47 Euro) and issuing sanctions for an equal amount, with consequent recovery of 500,000,000 Lira (258,228.45 Euro) previously obtained by Intesa Lariana as a rebate and covered by a fidejussory guarantee.

As far as the second Half Year is concerned, the Milan 6 office, with regards to the same operation contested by the Como office and with the same motivations (fictitious dividends), refused to recognise the tax credit brought forward from the previous fiscal period for an amount equal to 4,204,295,000 (2,171,337.16 Euro) with consequent recovery of a further 500,000,000 Lira (258,228.45 Euro) previously obtained by Intesa Lariana as a rebate and covered by a fidejussory guarantee. Sanctions for an amount of 8,410,386,000 lira (4,343,601.87 Euro) were imposed.

Should both of the above cases be lost, the total amount of Intesa Lariana's liabilities would be 9,202 thousand Euro. In case of partial loss, that is with the redetermination of the sanctions, total liabilities would be equal to 6,983 thousand Euro. In such a case, the amount of liabilities referable to Banca IFIS would be equal to a maximum amount of 2,753 thousand Euro.

Banca IFIS, subsequent to the second-degree decision of Milan's Regional Revenue Tribunal on the first assessment notice, asked the opinion of a leading legal and fiscal office which confirmed the groundlessness and the illegitimacy of the fiscal demands made on Intesa Lariana and the probable quashing of the second appeal judgement.

Over the course of 2005, some judgements of the Court of Cassation regarding dividend washing were deposited. Such judgements affirmed that the relative connected contracts were null and void, either due to invalidity or due to fraud on a statute. These judgements are in contrast to those previously deposited by the same court.
Due to the widespread and common criticism of this judgement and based on legal advice, the company has chosen not to change its valuation of the risks involved should ex-controlled company Intesa Lariana lose the case.
The latest pronouncements of the Court of Cassation do however impose strict monitoring on the developments in judicial decisions to this regard. Should the orientation of judgements regarding this subject lead to further similar judgements following suit, the company will revise its valuation of the risk involved.

Capital adequacy and solvency ratios

In the absence of minority interests, the equity attribuatble to the shareholders of the parent company as at 30 June 2008 was 138,341 thousand Euro, against 133,995 thousand Euro at the end of the previous accounting year. This increase in net equity is shown over leaf:

EQUITY
(in thousands of Euro)

Equity at 31/12/2007	133,995
Increases	
Profit for the period	11,884
Exercising of stock options	244
Exercising of Warrants	4,128
Sale of own instruments	8,395
Other increases	624
Reductions:	
Dividends distributed	(9,313)
Purchase of own instruments	(11,616)
Equity at 30/06/2008	138,341

Consolidated regulatory capital was 131,122 thousand Euro, composed of tier 1 capital and positive and negative elements of Tier 2 (supplementary capital). Based on the trend of risk-weighted assets, the total consolidated solvency ratio was 11.1%. This worsening when compared to 31 December 2007 (equal to a fall of 12.6%) is due to applying the new norms set forth in Circular 263 of 27 December 2006 which entered into force on 1 January 2008.
As far as concerns the calculation of credit risk, Banca IFIS has recorded an improvement of 0.5% on the "retail" portfolio and a worsening of 1.2% on the "past due" portfolio. The past due loan exposures mainly refer to loans granted to the Public Administration.
The regulation proposed by the Bank of Italy will, as from 1 January 2009, in line with the provisions already applied to non-banking financial intermediaries, bring about a significant improvement in the overdue portfolio as far as concerns loans granted to central administration bodies, public sector entities and local bodies.
A further worsening, equal to 0.8%, is due to calculating operational risks.
Surplus capital as at 30 June 2008, taking into account the 8% minimum required, equalled 36,482 thousand Euro.

CAPITAL ADEQUACY RATIOS (1)
(In thousands of Euro)

	30/06/2008	31/12/2007
Regulatory capital		
Tier 1 capital	131,068	122,663
Tier 2 capital	54	54
Deductibles	---	---
Total capital	131,122	122,717
Regulatory minimum requirements		
Credit risk	87,368	77,343
Market risk	616	380
Operational risk	6,656	
Total minimum requirements	94,640	77,723
Solvency ratios		
Tier 1 capital/total weighted assets	11.1%	12.6%
Total capital/total weighted assets	11.1%	12.6%
Surplus capital compared to minimum required	36,482	44,994

(1) Ratios calculated using provisions in force laid down by the Bank of Italy. Use of the regulation proposed by the Bank of Italy as from 1 January 2009 would lead to a group solvency ratio of 12.04%. In addition, the solvency ratio would be equal to 12.3% if taking into account the capital increase at the end of July due to the exercising of the Banca IFIS Warrants. The ratio would increase up to 13.35% if the norm entering into force 1 January 2009 were to be used.

INCOME STATEMENT

Formation of net profit from financial activities

Based on the overall trend of the sector and the result of expansions in progress, Banca IFIS has increased both its market share in the sector and the number of its clients and debtors.
Net profit from financial activities for the group equalled 29,503 thousand Euro in the first Half 2008, against 22,411 thousand Euro in the first Half 2007, an increase of 31.6%.
Net banking income passed from 22,874 thousand Euro to 32,301 thousand Euro, an increase of 41.2%. The composition of net banking income is 55.4% from commissions and 40.4% from interest income. The individual components making up net banking income showed differing growth due to the increasing or decreasing client tendency towards products with a significant service component, income from which being classified under factoring commission only. The effect of such movement on the figures is such that it makes a comparison between the individual components of the margin insignificant.
Not contributing to net banking income is the new activity of distributing leases and correlated insurance policies. This distribution activity, using products already created by Centro Leasing Banca S.p.A., is, at present, mainly being carried out for the bank's existing clients and has not yet progressed from the kick-off stage. The generation of marginal earnings has been forecasted for the second Half 2008, becoming more significant as from 2009.
In the first Half 2008, net impairment losses went from 463 thousand Euro in the first Half 2007 to 2,798 thousand Euro in the first Half 2008. This increase in impairment losses, which was completely in line with the 2008-2010 Strategic Plan, is due to deterioration on the commercial credit market for SMEs.

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES
(in thousands of Euro)

	1st HALF		VARIATION	
	2008	2007	ABSOLUTE	%
Net interest income	13,039	8,003	5,036	62.9%
Net commission income	17,888	13,784	4,104	29.8%
Dividends and similar income	27,862	45	27,817	n.s.
Net trading result	(26,486)	(28)	(26,458)	n.s.
Profit from sale of AFS assets	---	1,070	(1,070)	(100.0)%
Losses from buyback on financial liabilities	(2)	---	(2)	100.0%
Net banking income	32,301	22,874	9,427	41.2%
Net impairment losses on loans and receivables	(2,798)	(463)	(2,335)	504.3%
Net profit from financial activities	29,503	22,411	7,092	31.6%

Analysing in detail, **net interest income** passed from 8,003 thousand Euro as at 30 June 2007 to 13,039 thousand Euro for the corresponding period of 2008 (+62.9%). This growth is thanks to dynamics in market rates, as well as actions taken to optimise returns on loan commitments.

Net commission income were very good, increasing by 29.8% if compared to the first Half 2007, rising from 13,784 thousand Euro to 17,888 thousand Euro and demonstrating the capability of the factoring activity to generate added value through management and service of credit; the added expenses connected to this activity are diluted, above all, among personnel expenses.
Commission income, equal to 19,687 thousand Euro against 14,841 thousand Euro, came primarily from factoring commission on the turnover generated by individual clients (non-recourse and recourse, in a flat or monthly formula) as well as other fees usually charged to clients for services.
Commission expense, equal to 1,799 thousand Euro, compared to 1,057 thousand Euro as at 30 June 2007, resulted from:

- other credit institution banking activities;
- banking activities with designated banks that contact Banca IFIS for factoring because they do not have an organisation suitable to effectively and efficiently manage the factoring activity;
- non-banking activities with credit intermediaries who submit factoring operations to Banca IFIS;
- activities with debtors with whom there are agreements which entail writing-off commissions against the introduction of new potential clients;
- commission to corresponding factors.

NET COMMISSION INCOME
(in thousands of Euro)

	HALF YEAR		VARIATION	
	2008	2007	ABSOLUTE	%
Endorsement credit	4	4	---	0.0%
Management and brokerage services	(95)	161	(256)	(159.0)%
Collection and payment services	383	244	139	57.0%
Other factoring services	18,151	13,436	4,715	35.1%
Other services	(555)	(61)	(494)	809.8%
Total net commission income	17,888	13,784	4,104	29.8%

Thanks to significant and stable financial availability, over the first Half 2008, Banca IFIS carried out very short term operations on highly traded securities. These operations, moreover risk free, generated a net profit of 700 thousand Euro. In detail, dividends for 27,862 thousand Euro were generated, together with net losses from the trading of such shares of 26,486 thousand Euro, which correspond to the profit/loss on the trading of these securities, as well as the profit/loss from the conclusion of correlated risk hedging instruments, in addition to the relative cost.

Losses from the sale of financial liabilities, equal to 2 thousand Euro, refer to buying back treasury bonds over the Half year, which are treated as settlement of debt as required by IFRS.

Net impairment losses on loans passed from 463 thousand Euro as at 30 June 2007 to 2,798 thousand Euro as at 30 June 2008. Data from the first Half 2008 is composed of collective impairment losses for 3,058 thousand Euro, against 859 thousand Euro for the same period last year, while the residual amount is made up of impairment losses and reversals of such on non-performing loans.

Formation of net profit for the period

The table overleaf shows the details of the formation of the group's net profit for the period starting from profit from financial activities, described above, compared with the corresponding period of the year before:

FORMATION OF NET PROFIT FOR THE PERIOD
(in thousands of Euro)

	FIRST HALF		VARIATION	
	2008	2007	ABSOLUTE	%
Net profit from financial activities	29,503	22,411	7,092	31.6%
Operating costs	(13,262)	(10,154)	(3,108)	30.6%
Gross profit from continuing operations	16,241	12,257	3,984	32.5%
Income taxes	(4,357)	(4,011)	(346)	8.6%
Net profit for the period	11,884	8,246	3,638	44.1%

The trend of **operating costs** was also affected by the increase in business and expansion of the organization, primarily in terms of the quality human resources who joined Banca IFIS. In this regard, particular attention was given to selecting resources dedicated to enhancing the sales staff (+36% compared to 30 June 2007) and Headquarters' staff (+22.4% compared to 30 June 2007). The total amount for this item reached 13,262 thousand Euro, an increase of 30.6%.
Despite the increase in operating costs, the cost/income ratio decreased to 41.1% as at 30 June 2008, compared to 44.4% as at 31 December 2007, confirming that returns have exceeded costs.

OPERATING COSTS
(in thousands of Euro)

	FIRST HALF		VARIATION	
	2008	2007	ABSOLUTE	%
Personnel expenses	8,346	6,405	1,941	30.3%
Other administrative expenses	4,293	3,331	962	28.9%
Net impairment losses on tangible and intangible fixed assets	915	714	201	28.2%
Net other operating income (expenses)	(292)	(296)	4	(1.4)%
Total operating costs	13,262	10,154	3,108	30.6%

The increase in **personnel expenses**, which totalled 8,346 thousand Euro (+30.3% compared to 6,405 thousand Euro as at 30 June 2007), corresponds to forecasts and reflects the systematic increase in the number of employees (in the period stretching from the second Half 2007 to the end of the first Half 2008, the group increased by 58 new employees, 30.5%).

The increase in **other administrative expenses**, amounting to 4,293 thousand Euro for the first Half 2008 (+28.9% compared to 3,331 thousand Euro at the end of the first Half 2007), is mainly due to higher costs connected to the growth in the group's activity, in particular as far as concerns improved selection and control of credit and general expenses connected to the management of branches and offices.

OTHER ADMINISTRATIVE EXPENSES *(in thousands of Euro)*	FIRST HALF		VARIATION	
	2008	2007	ABSOLUTE	%
Expenses for professional service	728	740	(12)	(1.6)%
Company officers' and Auditors' fees	79	104	(25)	(24.0)%
Legal and consultation	597	564	33	5.9%
Auditing	52	72	(20)	(27.8)%
Indirect taxes and taxes	397	283	114	40.3%
Maintenance expenses	257	45	212	471.1%
Car fleet management and maintenance	305	252	53	21.0%
Membership fees	53	45	8	17.8%
Clients' insurance premiums	37	34	3	8.8%
Expenses for purchasing non-professional goods and services	2,516	1,932	584	30.2%
Office/site/branch management	736	568	168	29.6%
Client information	375	275	100	36.4%
Business trips and transfers expenses	273	220	53	24.1%
Postage and tax stamp expenses	246	176	70	39.8%
Telephone expenses	219	184	35	19.0%
Software assistance	118	93	25	26.9%
Office material	113	92	21	22.8%
Advertising and inserts	103	65	38	58.5%
Staff training and refreshment courses	87	76	11	14.5%
Telematic and databank services	73	40	33	82.5%
Other different expenses	173	143	30	21.0%
Total other administrative expenses	4,293	3,331	962	28.9%

Net impairment losses on tangible and intangible assets increased from 714 thousand Euro in the first Half 2007 to 915 thousand Euro in the first Half 2008 (+28.2%).

Net other operating income equal to 292 thousand Euro (-1.4% compared to 296 thousand Euro as at 30 June 2007) is mainly made up of revenue from recoveries of third party expenses. The item includes, amongst other things, the negative effect of settling a legal dispute with the bankruptcy trustee of an ex-assignor for 300 thousand Euro, as per an agreement signed between the parties in early April and better described in the section 'Other information'.

Gross profit from continuing operations stood at 16,241 thousand Euro, an increase of 32.5% compared to 30 June 2007.

Income taxes amounted to 4,357 thousand Euro, against 4,011 thousand Euro in the first Half 2007 (+8.6%).

Net profit for the period totalled 11,884 thousand Euro, a growth of 44.1%. In the absence of minority interests, these results refer entirely to the group.

Reconciliation of parent company profit and equity and consolidated profit and equity

Here follows reconciliation of Banca IFIS's parent company profit and equity, and consolidated profit and equity:

	30.06.2008		31.12. 2007	
(in thousands of Euro)	EQUITY	OF WHICH PROFIT FOR THE PERIOD	EQUITY	OF WHICH PROFIT FOR THE PERIOD
Parent company balance	137,930	11,273	134,701	18,995
Difference in carrying amounts of the companies consolidated line-by-line	411	611	(706)	539
- Immobiliare Marocco	*(2,025)*	*216*	*(2,240)*	*157*
- IFIS Finance	*2,306*	*395*	*1,404*	*382*
- Effect of the adoption of IAS	*130*	*---*	*130*	*---*
Group consolidated balance	138,341	11,884	133,995	19,534

STOCK MARKET LISTINGS AND INDEXES

Listings from 1998 to date

As from 29 November 2004, Banca IFIS's ordinary shares have been traded in the STAR segment of the Italian Stock Exchange. This transfer to STAR occurred after a year of having been listed on the Equity Share Market (MTA) of the Italian Stock Exchange. Previously, as from 1990, the shares were traded on the Restricted Market (IMR) of the Italian Stock Exchange.
Here follow the listings as at year-end 2007, value adjusted taking into account the reverse split up of the shares carried out in 2001. It is important to note that until 2000, the listings referred only to preference shares (equal, for the whole period, to 50% of the shares total). Considering the fact that conversion was at par, in compulsory and free form, it is considered opportune to allocate the same trading value to ordinary shares, from the moment these shares hit circulation.

OFFICIAL SHARE PRICE
(Euro)

	1st H 2008	2007	2006	2005	2004	2003	2002	2001
Share price at year end	9.09	9.01	10.13	10.04	9.76	10.24	9.69	11.90

Price/book value

Here follows the ratio between the stock market value at Half year-end and consolidated equity against the shares outstanding.

PRICE / BOOK VALUE (1)
(Euro)

	1st H 2008	2007	2006	2005	2004	2003	2002	2001
Share price at year end	9.09	9.01	10.13	10.04	9.76	10.24	9.69	11.90
Consolidated equity per share	4.41	4.32	3.80	3.50	2.53	2.30	2.11	1.94
Price / book value	2.06	2.08	2.67	2.87	3.86	4.46	4.60	6.13

Accounting values referring to previous fiscal years prior to 2004 are shown according to the national accounting standards.

	1st H 2008	2007	2006	2005	2004	2003	2002	2001
Number of shares outstanding (1) (in thousands of Euro)	31,359	30,992	28,540	28,637	21,450	21,450	21,450	21,450

Outstanding shares are net of treasury shares held in portfolio

Earnings per share and diluted earnings per share

Here follows the ratio between consolidated profit for the period and the weighted average of ordinary shares outstanding in the Half year, net of treasury shares in portfolio, and the ratio between consolidated profit for the period and the weighted average of shares including potentially diluted shares.

EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

	30/06/2008	31/12/2007
Consolidated profit for the period/year (in thousands of Euro)	11,884	19,534
Average number of outstanding shares	31,119,826	28,635,755
Average number of potentially diluted shares	3,565,191	3,651,629
Average number of diluted shares	34,685,017	32,287,384
Earnings per share (Euro)	0.38	0.68
Earnings per diluted share (Euro)	0.34	0.61

SEGMENT REPORTING

The Banca IFIS Group is made up exclusively of Banca IFIS S.p.A., IFIS Finance Sp.z.o.o. - a Polish factoring company held at 100%, and Immobiliare Marocco S.p.A. - an instrumental estate agency also held at 100%.
The main activity of the group consists of providing financial and management support to Italian and international SMEs through factoring, as explained in more detail in the directors' report.
The Banca IFIS Group therefore forms a single-sector single-product company that operates through its branches and companies throughout Italy with relatively homogeneous methods and policies of risk management (in that risk assumption and control is centred at Head Office). As such, definitions of each identifiable part producing products or services are considered unnecessary. Hence, Segment Reporting coincides with the entire activity of the bank.

As far as concerns information relative to the geographic distribution and client breakdown, please refer to the applicable table in the section "Main balance sheet captions".

RISK MANAGEMENT

Risks of the banking group

With the new supervisory provisions for banks, as per Circular no. 263 of 27 December 2006, a new system of rules and incentives has been introduced, allowing both a more accurate measurement of the potential risks connected to banking and financial activities, and capital requirements that are more tightly related to the effective level of the risk exposure of each intermediary.
This new system is founded on "three pillars": the second pillar is based on ICAAP (internal capital adequacy assessment process) which forces banks to carry out an autonomous assessment of their present and expected capital, taking into account the risks taken on. With the acknowledgement of this new discipline, a process was introduced in June 2007 which aims at revising and adjusting/ /adapting the tools and procedures suitable for the control of risks - both traditional risks, so-called 'first pillar risks', typical of the banking and financial activity (credit, counterparty, market and operational risks) and those different from the typical risks above (concentration and rates of interest of the banking book, liquidity, etc.). This process is at present up and running and will result in the preparation and the formulation of a periodic report – The ICAAP Annual Report.

Taking the above and the supervisory instructions for banks laid down in Circular 229 of 21 April 1999 into account, Banca IFIS has set up an Internal Control System that aims to guarantee a reliable and maintainable generation of value in a context of controlled risk, knowingly assumed, so as to protect the group's financial solidity. Controls involve all personnel, to different extents, and constitute an integral part of daily activities. The controls put in place can be classified in accordance with the organisational structures in which they exist:

- *line controls*, carried out by the structures themselves, with the aim of ensuring that operations are carried out correctly;
- *risk management controls*, entrusted to the Risk Management Office, with the aim of: defining the models and methods of measuring and controlling risks and adjusting them over time, verifying if the risk policies and limits as defined by the bank are being respected, checking if operations within all areas are consistent with the objectives of risk / reward;
- *internal auditing*, carried out by the Internal Auditing Office, with the aim of individualising anomalous trends and violation of procedures, and internal and external regulations, as well as appraising the overall efficiency and effectiveness of the Internal Control System, checking its adequacy as the group's size, activity and risks evolve over time.

Credit risk

General aspects

Banca IFIS Group's activity is based mainly on the purchase of enterprises' receivables and is characterised by the direct assumption of risks related to granting advances and financing, and by guarantees, on the receivables of enterprises, mainly small medium enterprises, in actuation of the expansion strategies defined and pursued by the group. Given the particular activity that the group carries out, credit risk is the most important element to consider as far as concern the general risks assumed. The maintenance of effective credit risk management is a strategic objective for the Banca IFIS Group and this strategy is being pursued through the adoption of tools and processes that ensure correct credit risk management in all its phases (initial dossier and paperwork, granting of advances and financing, monitoring and management, intervention in problematic loans and receivables).

No changes to the objectives and strategies underpinning the credit activity came about over the Half year.
The Banca IFIS Group does not carry out any activity involving derivatives on loans and receivables.

Credit risk management policies: Organisational aspects

Credit risks are generated as a direct consequence of financing the client's enterprise and granting, where requested, guarantees against losses from bad debts caused by debtor insolvency. Credit risk management takes place during two specific phases of the credit process: the initial credit assessment phase of the operation and, if the assessment has a positive outcome, during the entire relationship with the assignor/debtor counterparties. In order to maximize the quality of Banca IFIS

Group's portfolio, the bank has chosen, through the specialization of resources and separation of functions at every decisional phase, to concentrate all the phases of credit risk assumption and management at Banca IFIS's Head Office, thus allowing for a high level of homogeneity in granting credit and strict monitoring of individual positions. This is also true for IFIS Finance, whose decisions are taken within the parameters defined by the parent company, Banca IFIS S.p.A..
In the first phase of the risk management process, the organizational structure responsible for such activities has the assignment of assessing the credit worthiness of the assignor and debtor counterparties, the nature of the commercial relationship between the counterparties and the quality of the receivables to be assigned. Within each area, a system of delegation and deliberation powers gives the analysts with the most experience the possibility to assume risks of substantial importance in terms of size. Larger risks are assumed by the heads of the department or services and particularly large risks are the responsibility of the C.E.O., the General Manager, the Credit Committee and the Board of Directors.
The bank's branches do not have deliberative autonomy in the assumption of credit risk. Rather, they have the responsibility of developing business throughout the territory and managing relationships with the clientele. Being this the case, within the limits and formalities established by Headquarters' managerial bodies and under its constant monitoring, the branches have the responsibility of granting advances as part of ordinary factoring operations carried out with customers.

As far as concerns credit risks at group level, IFIS Finance carries out its activity respecting the strategic indications and risk policies defined by the parent company, Banca IFIS.

Qualified and specialised resources follow the evolution of business in terms of granting advances, the administrative management of collection on credit, the reporting of anomalies, the assessment of such anomalies and the definition of the most opportune initiatives for recovery of credit with the eventual support of the Legal Area, if necessary.

Banca IFIS Group pays particular attention to the concentration of credit risk. The Board of Directors has delegated Top Management to take action to prudently limit positions in this category to amounts far less than those allowed under current supervisory regulations. In line with Banca IFIS Group's Board of Directors' instructions, all large credit risks, even if amounting to less than 10% of regulatory capital, are systematically monitored.

Management, measure and control systems

The operational procedure governing Banca IFIS Group's credit process requires the punctual and analytical assessment of all the counterparties involved in the factoring relationship, both on the assignor side and on the assigned debtor side.
The Banca IFIS Group does not assume credit risks based on a statistical approach or without analytical assessment instruments.
Credit risk is constantly controlled by operational procedures that can rapidly individuate anomalies. The main instrument for assessment and monitoring of risks is the Internal Rating System (IRS). During the assessment stage, the IRS allows the analysts to:
- give the assignor and the debtor a credit standing;
- immediately individuate the risk in each individual transaction, such as granting advances or financing;
- define adequate pricing for each class of risk, right from analysis of the feasibility of the operation.

Once the assessment stage has been successfully passed, the IRS, fed by selected databanks in real time, allows the credit risk connected to the counterparties taken on to be constantly monitored.

Disputes, prejudicial matters or identification of non-performing loans automatically lead to blocks on operations. Consequential analysis aims to evaluate the seriousness of anomalies identified and the permanence of the difficulties encountered and in this way aid in deciding whether to continue to progress with the relationship or otherwise.

At present, due to the type of databanks used (Central Risks Bureau, disputes and prejudicial matters, etc.), the SIR is only fully operational, in both the assessment and monitoring phases, for domestic counterparties or those with Italian offices. For other counterparties, assessment is carried out based on financial statement analysis and, if the counterparty has relationships with other Italian banks, through the Central Risks Bureau.

Risk mitigation techniques

Wherever the type and/or quality of assigned receivables do not fully satisfy requirements or, more generally, the assigning client is of insufficient credit worthiness, it is consolidated policy for the bank to obtain maximum protection against the credit risk assumed by obtaining additional surety guarantees from the assignor's company's shareholders or directors.
In some cases, usually where the bank believes that the elements available for assessment of the assigned debtor are not sufficient for the correct evaluation / assumption of the connected credit risk against the debtor, or the proposed amount of risk exceeds the limits identified during the debtor assessment, the bank will obtain the necessary coverage against assigned debtor default. Guarantees granted by corresponding factors and/or insurance policies undersigned with specialised operators are very common in non-recourse operations with non-domestic assigned debtors.

Impaired financial assets

Transactions with clients are constantly monitored by the competent office at Headquarters, both by means of trends in relationships and by the activation of monitors on the counterparties (through Central Risks Bureau, disputes, prejudicial matters etc.).
In cases of trend anomalies or prejudicial elements, the situation is placed under observation and the management of the operation by the individual unit is directly supervised by Head Office's Credit Management Area until such anomalies or prejudicial elements have been overcome.
In cases where the situation deteriorates or becomes critical, management of the entire operation passes to Head Office's Credit Management Area, with the eventual support of the Legal Department, with the aim, based on in-depth evaluation, of maintaining the position under supervision until the problems have been overcome and the situation returns to normal. On the basis of available information, possible classification under non-performing loans or substandard loans is also assessed.
Management of impaired positions, whether they be substandard loans or non-performing loans, normally falls under the responsibility of the Legal Department which examines the credit from the point of view of its recoverability, periodically reporting back to Top Management and the Board of Directors. If it is believed that there will be a positive outcome to the problems encountered by the assignor or the debtor, with the bank remaining protected against the credit risk, the loan may be rescheduled and placed once again under the management and monitoring of Head Office's Credit Management Area.

Impairment losses, proposed by the Legal Department, are effected by Top Management and subject to deliberation by the Board of Directors.

As a rule, the same process is activated at group level, but it is important to keep in mind the lack of subsidiaries' impaired assets.

CASH AND OFF BALANCE SHEET EXPOSURE WITH CLIENTS (1)
(in thousands of Euro)

	Gross loans	Specific impairment losses	Collective impairment losses	Total
CASH EXPOSURE				
Non-performing loans	33,322	(24,737)	---	8,585
Substandard loans	5,377	---	(1,239)	4,138
Rescheduled loans	288	---	(1)	287
Past-due loans	64,600	(410)	(26)	64,164
Country risk	--	X	--	---
Other assets	880,848	X	(2,774)	878,074
TOTAL	984,435	(25,147)	(4,040)	955,248
OFF BALANCE SHEET EXPOSURE				
Impaired	---	---	---	---
Other	391,154	---	---	391,154
TOTAL	391,154	---	---	391,154

(1) Cash exposure includes all the cash financial assets due from clients, regardless of their portfolio category (available for sale, held to maturity, loans etc.).

CASH EXPOSURE WITH CLIENTS: DYNAMICS IN GROSS IMPAIRED EXPOSURES AND IMPAIRMENT LOSSES

(in thousands of Euro)

	NON-PERFORMING LOANS		SUBSTANDARD LOANS		RESCHEDULED LOANS		PAST DUE LOANS	
	gross amount	Impairment losses	gross amount	Impairment losses	gross amount	Impairment losses	gross amount	Impairment losses
Initial gross exposure	29,855	22,470	2,839	695	304	1	58,943	972
- of which: transferred and not derecognised	---	---	---	---	---	---	---	---
Increases	5,036	3,247	4,891	1,086	---	---	19,279	13
impairment losses	---	478	---	1,086	---	---	---	13
inflow from performing loans	3,539	---	4,741	---	---	---	19,279	---
transferred from other non-performing loan categories	1,386	288	---	---	---	---	---	---
other increases	111	2,481	150	---	---	---	---	---
Reductions	(1,569)	(980)	(2,353)	(542)	(17)	---	(13,622)	(549)
outflows to performing loans	---	---	---	---	---	---	(13,622)	---
Reversals of impairments from recalculations	---	(298)	---	---	---	---	---	(549)
Reversals of impairments following collection	---	(97)	---	---	---	---	---	---
write-offs	(591)	(585)	(23)	---	---	---	---	---
collections	(970)	---	(938)	---	(17)	---	---	---
realised from transfers	---	---	---	---	---	---	---	---
transferred to other non-performing loan categories	---	---	(1,386)	(288)	---	---	---	---
other decreases	(8)	---	(6)	(254)	---	---	---	---
Final gross exposure	33,322	24,737	5,377	1,239	287	1	64,600	436
-of which: transferred and not derecognised	---	---	---	---	---	---	---	---

SECTOR DISTRIBUTION OF CASH AND OFF BALANCE SHEET EXPOSURE WITH CLIENTS(1)
(in thousands of Euro)

	Governments and central banks				Other public entities				Financial institutions				Insurance companies				Non financial institutions				Other entities			
	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure	Gross exposure	Specific impairment losses	Collective impairment losses	Net exposure
A. Cash exposure																								
A.1 Non-performing loans	---	---	---	---	---	---	---	---	163	(119)	---	44	---	---	---	---	33,159	(24,618)	---	8,541	---	---	---	---
A.2 Substandard	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	5,377	---	(1,239)	4,138	---	---	---	---
A.3 Rescheduled loans	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	288	--	(1)	287
A.4 Past-due loans	10,973	---	---	10,973	44,785	---	---	44,785	---	---	---	---	---	---	---	---	8,842	(410)	(26)	8,406	---	---	---	---
A.5 Other	4,554	X		4,554	21,446	---	---	21,446	31,597	X	(58)	31,539	148	X	(1)	147	802,298	X	(2,648)	799,650	20,805	X	(67)	20,738
TOTAL	15,527	---	---	15,527	66,231	---	---	66,231	31,760	(119)	(58)	31,583	148	---	(1)	147	849,676	(25,028)	(3,913)	820,735	21,093	---	(68)	21,025
B.'Off balance sheet' exposure	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
B.1 Non-performing loans	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
B.2 Substandard	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
B.3 Other impaired assets	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
B.4 Other	25,779	---	---	25,779	87,377	---	---	87,377	---	X	---	---	50	X	---	50	276,059	X	---	276,059	1,889	---	---	1,889
TOTAL	25,779	---	---	25,779	87,377	---	---	87,377	---	---	---	---	50	---	---	50	276,059	---	---	276,059	1,889	---	---	1,889
TOTAL 30/06/2008	41,306	---	---	41,306	153,608	---	---	153,608	31,760	(119)	(58)	31,583	198	---	(1)	197	1,125,735	(25,028)	(3,913)	1,096,794	22,982	---	(68)	22,914
TOTAL 31/12/2007	47,898	---	---	47,898	181,729	---	---	181,729	17,225	(112)	(61)	17,052	---	---	---	---	1,089,385	(23,317)	(3,361)	1,062,707	31,996	---	(30)	31,966

(1) Cash exposures include all the cash financial assets due from clients, regardless of their portfolio category (available for sale, held to maturity, loans etc.).

GEOGRAPHICAL DISTRIBUTION OF CASH AND OFF BALANCE SHEET EXPOSURE WITH CLIENTS(1)
(in thousands of Euro)

Exposure /Geographic areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure	Gross exposure	Net exposure
A. Cash exposure										
A.1 Non-performing loans	32,128	8,352	1,194	233	---	---	---	---	---	---
A.2 Substandard loans	4,911	3,779	466	359	---	---	---	---	---	---
A.3 Rescheduled loans	288	287	---	---	---	---	---	---	---	---
A.4 Past-due loans	63,451	63,019	1,149	1,145	---	---	---	---	---	---
A.5 Other	838,179	835,501	41,993	41,900	564	562	96	95	16	16
TOTAL A	938,957	910,938	44,802	43,637	564	562	96	95	16	16
B. Off balance sheet exposures										
B.1 Non-performing loans	---	---	---	---	---	---	---	---	---	---
B.2 Substandard loans	---	---	---	---	---	---	---	---	---	---
B.3 Other impaired assets	---	---	---	---	---	---	---	---	---	---
B.4 Other	359,833	359,833	28,930	28,930	772	772	1,333	1,333	286	286
TOTAL B	359,833	359,833	28,930	28,930	772	772	1,333	1,333	286	286
TOTAL 30/06/2008	1,298,790	1,270,771	73,732	72,567	1,336	1,334	1,429	1,428	302	302
TOTAL 31/12/2007	1,278,754	1,253,060	84,730	83,545	1,572	1,570	1,431	1,431	185	185

(1) Cash exposure includes all the cash financial assets due from clients, regardless of their portfolio category (available for sale, held to maturity, loans etc.).

BIG RISKS
(in thousands of Euro)

	30/06/2008	31/12/2007
Total	62,277	118,410
Amount	4	6

Market risks

Interest rate risk

General aspects, management procedures and measurement methods of interest rate risks

In general, the Banca IFIS Group does not tend to assume interest rate risk, as it takes provisions mainly from interbanking deposits at fixed short-term rates and, to a lesser extent with stable financial resources, at variable and indexed rates, or fixed short-term rates using them in the very short-term. Loan commitments to clients are usually revocable and at variable tax rates. Interest rates applied to clients are normally indexed (mainly at the 3-month Euribor rate) with automatic adaptation to monetary trends. In other cases, the interest rate is still unilaterally modifiable by the bank, in accordance with applicable rules and regulations.
In the light of the above, it is possible to say that the main interest rate risk that the Banca IFIS Group faces is that connected to the Convertible Bond Loan, issued in July 2004 for 50 million Euro at a fixed interest rate of 4.375% with expiry in July 2009, excepting cases of anticipated conversion by bondholders. Transactions on this instrument are directly controlled by Top Management who also makes decisions on the buybacks and sales of the treasury convertible bonds.
The assumption of interest rate risks connected to treasury funding activities occurs respecting the limits and policies of the Board of Directors and is governed by precise proxies fixing limits of autonomy for individuals authorised to carry out treasury operations.
The business functions that are designed to guarantee the correct management of interest rate risks are: the Treasury Department that directly manages funding and deposits, the Risk Management Office entrusted with the role of selecting the most effective risk indicators and monitoring asset and liability trends to ensure compliance with preset limits and, lastly, Top Management that has the responsibility of putting forward, on an annual basis, proposals regarding policies on lending and funding and the management of interest rate risks, as well as suggesting opportune interventions during the year in order to ensure that activities are consistent with the risk policies approved by the bank. In both cases, Top Management makes these proposals to the Board of Directors.

More specifically, within Top Management's current activities and based on indications from the Treasury Department, on interest rate forecasts and on evaluations on the development of commitments, Top Management provides the Treasury Department with policies on the use of available lines of financing, with particular reference to those with a duration exceeding 3 months. The purpose of such activity is to support ordinary short-term treasury operations, to take advantage of changes in interest rates on short-term expiries and to monitor interest rate trends in terms of physiological mismatching between assets and liabilities, even if only short-term.

With the aim of monitoring the interest rate risk, Top Management receives a summarised daily report on the treasury's general position, which gives, amongst other information, the total amount of funding at the fixed rate, calculated on the one year equivalent and its average weighted duration.
The interest rate risk position is also periodically reported upon to the bank's Board of Directors by means of a quarterly so-called 'Dashboard' prepared by the Risk Management Office for Top Management.
Due to the limited size of risks taken on, risk hedging instruments are not used.

Price risk

General aspects, management procedures and measurement methods of the price risk

The group does not generally assume risks connected with price fluctuation on financial instruments as its activity is almost exclusively aimed at financing SMEs' working capital.
Over the first Half 2008, in order to optimise returns on the high level of liquidity available, Banca IFIS carried out some trading activities on shares quoted on the Italian regulated market, immunising itself against price oscillation by subscribing risk hedging derivative instruments with qualified counterparties.
Monitoring of the price risk that the bank may possibly have to take on in the future, given its extraordinary and occasional character, is the responsibility of the Risk Management Office.

Exchange rate risk

General aspects, management procedures and measurement methods of the exchange risk

The assumption of exchange rate risk, intended as a management component potentially ideal for improving treasury performance, represents a speculative instrument and, thus, in principle, is not part of the group's financial policy. The bank's currency operations basically involve transactions in the name of, or on behalf of, clients and are normally correlated with the typical factoring activity. In this sense, the advances given to the client are backed by financial cover in the same currency, thus eliminating the risk of losses connected to exchange rate fluctuations. In some cases, hedging is carried out using synthetic instruments.
A residual exchange rate risk arises as a result of the physiological mismatching between the client's use and the treasury's procurement of this currency due to the difficulty in forecasting the exact amount needed, with particular reference to cash flows from assigned debtors in respect of the client's financing expiry, together with the effect of interest on this financing.

The Treasury Department is committed on a daily basis to minimizing such differences, realigning the dimensions and frequency of positions in different currencies. The assumption of exchange rate risks occurs respecting the limits and policies of the Board of Directors and is governed by precise proxies fixing limits of autonomy for individual operators, together with particularly strict limits on the daily net position in currency.
The business functions that are designed to guarantee the correct management of exchange rate risks are: the Treasury Department that directly manages funding and the bank's exchange rate position, the Risk Management Office entrusted with the role of selecting the most effective risk indicators and monitoring asset and liability trends to ensure compliance with preset limits and, lastly, Top Management that has the responsibility of putting forward, on an annual basis, proposals regarding policies on lending and funding and the management of exchange rate risks, as well as suggesting opportune interventions during the year in order to ensure that activities are consistent with the risk policies approved by the group. In both cases, Top Management makes these proposals to the Board of Directors.
With the aim of monitoring the exchange rate risk, Top Management receives a summarised daily report on the treasury's general position, which gives, amongst other information, the bank's position in terms of exchange rates, subdivided by currency.
The exchange rate risk position is also periodically reported upon to the bank's Board of Directors by means of a quarterly so-called 'Dashboard' prepared by the Risk Management Office for Top Management.

Expansion into the Polish market through the subsidiary, IFIS Finance Sp.Z.o.o., does not change the above: As the currency for operations in Poland is the Zloty, assets in zloty are, as a general rule, financed using funding from the Polish domestic market in the same currency.
With the purchase of this Polish shareholding investment, Banca IFIS has, itself, assumed the exchange rate risk represented by the investment in IFIS Finance Sp. Z o.o.'s capital for 21.2 million Zloty. In April, Banca IFIS's Board of Directors resolved a capital increase for IFIS Finance for a total amount of 20 million Euro.

DISTRIBUTION OF ASSETS AND LIABILITIES AND DERIVATIVES BY CURRENCY
(in thousands of Euro)

Items	Currency					
	US Dollars	Sterling	Yen	Canadian Dollars	Swiss Francs	Other currencies
Financial assets	11,471	255	---	---	5	13,852
Debt securities	---	---	---	---	---	---
Equity securities	---	---	---	---	---	---
Loans to banks	1,236	142	---	---		666
Loans to clients	10,235	113	---	---	5	13,186
Other financial assets	---	---	---	---	---	---
Other assets	10		---	---	---	112
Financial liabilities	27,344	9,468	16	---	3	9,213
Due to banks	26,962	9,467	16	---	3	9,166
Due to clients	382	1	---	---	---	47
Debt securities	---	---	---	---	---	---
Other liabilities	---	3	---	---	---	59
Financial derivatives	16,350	9,500	---	---	---	2,250
- Options	---	---	---	---	---	---
+ long	---	---	---	---	---	---
+ short	---	---	---	---	---	---
- Other derivatives	---	---	---	---	---	---
+ long	19,950	9,500	---	---	---	2,250
+short	3,600	---	---	---	---	---
Total assets	31,431	9,755	---	---	5	16,214
Total liabilities	30,944	9,471	16	---	3	9,272
Unbalance (+/–)	487	284	(16)	---	2	6,942

Financial derivative instruments

The Banca IFIS Group has never carried out activities in financial derivative products on behalf of third parties and that it carries out on its own behalf is limited to hedging instruments against market risk. Specifically, over the course of the Half year, risk hedging derivative financial instruments were used as a consequence of trading operations on shares put in place over the same period, as well as derivative financial instruments on exchange rates.

RESIDUAL LIFE OF “OVER THE COUNTER” FINANCIAL DERIVATIVES: NOTIONAL VALUES (in thousands of Euro)

Underlying/ Residual life	Up to 1 year	From 1-5 years	Over 5 years	Total
Regulatory trading portfolio	34,949	---	---	34,949
A.1 Financial derivatives on debt securities and interest rates	---	---	----	---
A.2 Financial derivatives on equity securities and stock indexes	---	---	---	---
A.3 Financial derivatives on exchange rates and gold	34,949	---	---	34,949
A.4 Financial derivatives on other securities	---	---	---	---
Banking portfolio	---	---	---	---
B.1 Financial derivatives on debt securities and interest rates	---	---	---	---
B.2 Financial derivatives on capital securities and stock indexes	---	---	---	---
B.3 Financial derivatives on exchange rates and gold	---	---	---	---
B.4 Financial derivatives on other securities	---	---	---	---
Total 30/06/2008	34,949	---	---	34,949
Total 31/12/2007	45,810	---	---	45,810

Liquidity risk

General aspects, management procedures and measurement methods of the liquidity risk

The risk of liquidity relates to the possibility that the group is not able to maintain its payment commitments due to lack of funds or inability to sell enough assets on the market to meet its financing needs. The liquidity risk also refers to inability to obtain new resources, forcing the group to slow down or stop development of its activity or sustain very steep funding costs in order to respect its payment commitments, thus having a negative impact on the margins obtained from the bank’s activity.

Financial sources are represented therefore by equity, by the convertible bond loan, by a securitisation programme and, mainly, by savings and deposits on the domestic and international interbanking market (in cases of the subsidiary, IFIS Finance Sp.z.o.o., only on the domestic market). Considering the bank’s asset composition, the type of activity it carries out, and the strategies the Board of Directors has defined in order to limit operations on commercial credit to short or very short duration (as a rule not exceeding 6 months, with the exception of that with the Civil Service that can be up to 12 months), the liquidity risk for Banca IFIS is not critical.

During the first Half 2008, a period marred by tension caused by the subprime crisis, Banca IFIS continued to carry out its activities without suffering significant negative effects. Thanks to Banca IFIS Group’s wide and diverse interbanking relationships with national and foreign counterparties, as well as the type and quality of its assets, the bank has always had sufficient financial resources to satisfy its needs, albeit with marginally increasing costs. Over the Half year, the bank pursued particularly prudent financial policies aimed at favouring funding stability, providing itself with financial resources in excess of immediate operational needs and, as a result, firmly introduced itself on the interbanking market as a stable lender, even of amounts reaching significant levels, albeit short term. This policy, which sacrifices economic efficiency in treasury management re different rates between interbanking funds and commitments in the favour of certain and stable liquidity, is adequately supported by the margins that the group obtains from its activity. In order to optimise returns on the high level of liquidity available, Banca IFIS carried out some short-term trading activities on shares, without assuming price risks.

The securitisation programme continued to operate in a substantially regular manner, without particular tension as far as concern interest rates. This programme, started in 2003 with a 5 year duration, will enter the amortisation period in October 2008. Based on a cost/return assessment, Banca IFIS has decided not to renew this programme, also in the light of potential eligibility of its loans care of the European Central Bank.

The bank’s financial resources available to date are suitable to cover its present and expected business volumes and the bank is constantly busy developing its own financial resources in a harmonic manner, both from a dimensional and cost point of view. Specifically, the bank is presently working on the hypothesis of allocating its own assets on the Eurosystem through a securitisation transaction on part of its receivables portfolio. This operation is not only a further element demonstrating the diversification of the bank's financial policies but is also particularly valuable in the mitigation of liquidity risks, even in the face of complexity and difficulty caused by the possible continuance of negative trends of financial markets.

On 15 June 2008, Banca IFIS launched an online high interest account called Rendimax. A service with no costs and no restrictions. The liquidity risk deriving from sudden outflows connected to these deposits is controlled by maintaining the necessary liquidity reserves.

The business functions that are designed to guarantee the correct application of liquidity policies are: the Treasury Department that directly manages liquidity, the Risk Management Office entrusted with the role of selecting the most effective risk indicators and monitoring asset and liability trends to ensure compliance with preset limits and, lastly, Top Management that has the responsibility of putting forward, on an annual basis, proposals regarding policies on lending and funding and the management of liquidity risks, as well as suggesting opportune interventions during the year in order to ensure that activities are consistent with the risk policies approved by the bank. In both cases, Top Management makes these proposals to the Board of Directors. Furthermore, based on indications coming from the Treasury Department and evaluations on the development of commitments, and in order to support the ordinary short to very short term treasury activities and manage and monitor liquidity risk trends, Top Management establishes policies regarding the assumption of lines of financing that exceed a 3 month duration.

In order to monitor the short term liquidity risk, Top Management receives a daily report on the overall treasury position, which gives, amongst other information, the bank's position in terms of liquidity for 3 months, with weekly changes for the first month.

The liquidity risk position is also periodically reported upon to the bank's Board of Directors by means of a quarterly so-called 'Dashboard' prepared by the Risk Management Office for Top Management.

Taking into consideration the particular trends on the financial market, in the first Half 2008, the bank realised a model for analysing and monitoring present and future liquidity positions. This model serves as a further instrument systemically supporting Top Management's and the Board of Directors' decisions on the subject of liquidity.

In reference to subsidiaries, IFIS Finance's treasury activity is co-ordinated, within group policies, by Banca IFIS's Treasury Department, which finds the resources suitable to satisfy the financial demands within the domestic market. Naturally, where necessary, the bank may intervene directly in the subsidiaries' favour.

FINANCIAL ASSETS AND LIABILITIES BROKEN DOWN BY RESIDUAL DURATION
(in thousands of Euro)

Items/duration	At sight	1-7-days	8-14 days	15 days to 1 month	1-3 months	Over 3-6 months	Over 6 months to 1 year	1 to 5 years	Over 5 years
Cash assets									
Government securities	---	---	---	---	---	---	---	---	---
Listed debt securities	---	---	---	---	---	---	---	449	---
Other debt securities	---	---	---	---	---	---	---	---	---
O.IC.R. securities	---	---	---	---	---	---	---	---	---
Loans to	916,967	56,514	1,063	20,653	105,343	4,513	7,374	9,734	---
-banks	22,520	55,000	---	---	91,187	---	---	---	---
-clients	894,447	1,514	1,063	20,653	14,156	4,513	7,374	9,734	---
Cash liabilities									
Deposits	76,071	104,928	101,226	82,000	415,657	8,153	4,000	171,000	---
-banks	43,254	104,928	101,226	82,000	415,657	8,153	4,000	171,000	---
-clients	32,817	---	---	---	---	---	---	---	---
Debt securities	---	---	---	---	8,000	---	---	36,850	---
Other liabilities	---	---	---	---	---	---	---	---	---
Off balance sheet transactions									
Financial derivatives with capital exchange	---	18,600	---	---	9,500	---	---	---	---
-long	---	22,200	---	---	9,500	---	---	---	---
-short	---	3,600	---	---	---	---	---	---	---
Deposits and loans to be received	---	---	---	---	---	---	---	---	---
-long	---	---	---	---	---	---	---	---	---
-short	---	---	---	---	---	---	---	---	---
Irrevocable commitments to grant funds	---	---	---	---	---	---	---	---	---
-long	---	---	---	---	---	---	---	---	---
-short	---	---	---	---	---	---	192	2,167	---

Operational risk

General aspects, management procedures and measurement methods of the operational risk

Operational risks are generally defined as risks of economic loss due to poor functioning of internal processes, inadequate procedures, human error or external events. Fraud, human error, business interruption, unavailability of systems, contract infringement and natural disasters all fall into this category. Management of operational risks requires the ability to identify the risks present in all the significant products, activities, processes and systems that can compromise the achievement of Banca IFIS Group's goals. Risks arising from non-conformity to legal laws and regulations, such as the laws on transparency, anti-money laundering, privacy and administrative responsibilities for legal entities (Lgs. Decree 231/2001), are also operational risks.

Correct management of operational risks is tightly connected to the presence of organisational structures, operational procedures and suitable IT support. The central element is the correct training of resources. Banca IFIS is constantly committed to the training and growth of its human resources.

At present, the management of operational risks is the responsibility of the Organization Department that defines organizational structures and business processes and adequately adjusts them over time. As operational risks are inherent within all the bank's processes, control and monitoring of operational risks is entrusted to the parent company Internal Auditing Office.

The management of operational risks for subsidiaries is, at present, guaranteed by the strong involvement of the parent company that makes decisions in terms of strategies and risk management for the subsidiaries. Specifically, subsidiary organizational structures and operational processes are defined and approved by the parent company, while the parent company Internal Auditing Office is in charge of monitoring the operational risk, functioning both directly and by means of support from specialized local structures.

As far as business continuity is concerned, the Banca IFIS Group has adopted, as from December 2006, a group business continuity plan or rather an ensemble of initiatives and counter-measures to be adopted in order to reduce business interruption to the acceptable limits set within the business continuity strategies.
Part of the business continuity plan involves disaster recovery in cases where corporate IT systems cease to work.

SECURITISATION TRANSACTIONS

During 2003, Banca IFIS, together with Calyon, the Milan branch (Crèdit Agricole Indosuez SA), acting as Arranger (hereinafter referred to as 'CAI Milano' or 'CAI' or the 'Arranger') and Sella Corporate Finance S.p.A. acting as Co-arranger, started a revolving securitisation programme. This programme is of annual duration, renewable for a maximum of five years and involves the non-recourse reassignment/transfer by Banca IFIS of an assigned performing credit portfolio, in accordance with the Factoring Law 52/91.

As, in accordance with IFRS, securitisation transactions, as they are, do not involve the substantial transfer of all the risks and benefits, the reassignment has been entered as a simple operation of financing received. For information purposes, the operation is described below, but the tables providing quantative information are not included.

The securitisation transaction is governed by a series of contracts, of which Banca IFIS is party in only two:

- *the Receivables Purchase Agreement and Servicing Agreement*, signed on 20 October 2003 between Banca IFIS (as seller and servicer) and CAI Milano (as purchaser), that governs the assignment of receivables and servicing of the operation;
- '*FCC Rialto Classes A2 and S Units Subscription Agreement*', signed on 20 October 2003 between Banca IFIS (as Additional Subscriber), Eurotitrisation s.a. (as FCC Manager) and Calyon's Paris branch (as Custodian). The 'FCC Rialto Classes A2 and S Units Subscription Agreement' establishes the procedure for calculating the amount of the Class A2 and Class S Units to be issued by Fonds Commun de Creances under French law, created specifically for the operation ('FCC Rialto'), in compliance with the regulations of the same fund ('FCC Rialto Regulations') as well as commitments subscribed by Banca IFIS of asset-backed securities.

The reassignment/transfer price for the receivables portfolio is equal to the nominal value minus a discount of 0.80%.
Part of the payment collected by Banca IFIS against the receivables assigned is used by the bank to subscribe Class S Units issued by FCC Rialto.
The amount of Class S Units that Banca IFIS subscribes is calculated based on a model from Standard & Poor's rating agency.

Specifically, this model foresees that, in order to cover both the risks on the portfolio of receivables reassigned for the programme and the connected operating risks, mathematical reserves are calculated, the overall result of which determines the amount of Class S Units that are then issued by FCC Rialto and subscribed by Banca IFIS.
The maximum size of this programme, that is Banca IFIS's maximum net funding, amounts to 200 million Euro.
The net funding for Banca IFIS deriving from this transaction is equal to the nominal value of the assigned credit on a time-to-time basis, minus the discount and the amount of Class S Units the bank subscribes.
If net funding exceeds the ceiling for the programme, the extra amount will be used by Banca IFIS to subscribe Class A2 Units.
A ceiling for the receivable portfolio of assigned debtors that can be purchased by CAI Milan has been established at 300 million Euro, in preparation of possible future increases in the size of the programme.

The programme involves the reassignment/transfer of receivables due from assigned debtors. These receivables are backed by all recourse rights and/or guarantees originally contractually due to Banca IFIS from assigning clients. It is important to note that in keeping with the regulations regarding financial statements of credit institutions, these receivables are not booked to Banca IFIS's assets.

Only receivables that, at the date of assignment, meet certain 'Selection Criteria' can be reassigned for the programme. In addition to the usual requirements of certainty, liquidity and collectability, the receivables reassigned for the programme must also meet the following requirements;

- they must be domestic and expressed in Euro (thus receivables assigned by non-resident assigning clients and/or against non-resident assigning debtors are excluded);
- they must be fully owned by Banca IFIS and the original assignment of the receivable between the assigning client and Banca IFIS must have been notified to the assigned debtor;
- they must be freely assignable and transferable;
- they must be related to solvent subjects (assignor and debtor) and not have been classified as non-performing loans or difficult loans in the six months prior to the assignment;
- they must not be past-due by more than 120 days and they must not have a residual duration over 150 days from the date of assignment for the securitisation programme.

Hence, it can be seen that the receivables for the securitisation programme must meet strict requirements concerning their quality in order to ensure that the assigned portfolio performs positively.

The reassignment of receivables by Banca IFIS to CAI Milano is non-recourse, regardless of whether the receivables were originally assigned to Banca IFIS in non-recourse or recourse. The reassignment of receivables for the securitisation programme is also effected in a non-notification form, and thus without the assigned debtor being notified of the new assignment to CAI Milano by Banca IFIS, who continues to manage the credit as servicer.
The programme complies with Bank of Italy's instructions (Bank of Italy Bulletin no. 2 February 2003) with reference to the so-called 'call option' in securitisation transactions. For this purpose, certain limited potential repurchases of receivables by Banca IFIS are foreseen, in relation to the technical requirements connected to the regular execution of contractual relations undertaken by Banca IFIS, with the bank purchaser on one side and its own clients on the other.
There is also a put option in favour of the purchaser bank in order to permit retrocession to Banca IFIS of any receivables that, following a subsequent verification, do not meet the contractual Selection Criteria. However, this is a technical hypothesis of modest applicability, aimed at permitting the elimination of an error in the operation in the event that a receivable not meeting the Selection Criteria is mistakenly added.

The securitisation programme, as mentioned above, has a one year duration and can be renewed yearly up to a maximum of five years as long as:
(i)CAI annually renews the cash credit line made available by the Arranger in favour of Hexagon Finance a.r.l. (Special Purpose Vehicle multi-seller with head office in Jersey) for the operation of the programme (ii) the securitised receivable portfolio remains performing (iii) no trigger events have occurred.
At the end of each year of the duration of the programme, if it is not renewed or if one or more trigger events have occurred, the receivable reassignment transactions for the programme will be terminated and a so-called 'amortisation period' will begin, with the aim of collecting the remaining receivables of the portfolio, and liquidating the transaction and payment by Banca IFIS of all remaining costs and expenses related to the programme.
For the entire duration of the programme, CAI Milano will purchase receivables every fifteen days on the dates laid down by the programme and, in the absence of trigger events, within the limit of available funds and based on the allocation criteria for these funds.

The reassignment and servicing relationship between Banca IFIS and CAI governed by the *'Receivables Purchase Agreement and Servicing Agreement'*, together with the commitment to subscribe the securities generated by the programme governed by the '*FCC Rialto Classes A2 and S Units Subscription Agreement',* are only two of the elements of the securitisation transaction that is realised through a further series of relationships governed by contracts between subjects other than Banca IFIS, creating a complex and distinct operation, summarised below:
Specifically, CAI Milano, in turn, reassigns the portfolio purchased from Banca IFIS to its Luxembourg branch, which purchases the receivables completely counter-guaranteed by CAI's Paris branch through a deposit previously set up for an amount equal to the ceiling which can be purchased in the programme (300 million Euro). In this way, the risk of failure to collect on this operation is transferred to the deposit. CAI's Paris branch, in turn, assigns the deposit and all its rights and risks to FCC Rialto, managed by Eurotitrisation s.a. as FCC Manager. In order to acquire this deposit, FCC Rialto uses financial resources from the periodic issue of various classes of asset-backed securities. The essential condition for FCC Rialto to periodically acquire the deposit is subscription by Banca IFIS of Class S Units at fixed maturities for an amount equal to the

mathematical reserves created to guarantee operation of the programme, and Class A2 Units, when conditions requiring such exist.
In the event that the portfolio performance worsens, reaching the level of the prescribed triggers, the amount of the mathematical reserves, and thus Class S Units subscribed by Banca IFIS, are proportionally increased. In the event that the portfolio performance improves, the amount of the mathematical reserves, and thus Class S Units subscribed by Banca IFIS, are proportionally decreased.
The FCC then issues the following classes of asset-backed securities against the securitised portfolio: (i) Class A0 Units, for an amount equal to the portion of the deposit unused by CAI Luxembourg to purchase the receivables to be subscribed by CAI Luxembourg; (ii) Class A1 Units, for the remaining amount of the securitised portfolio not covered by subscription of Class A2 or Class S Units, to be subscribed by Hexagon Finance a.r.l., which finances the purchase by issuing Billets de Tresorerie on the French market; (iii) Class A2 Units, for an amount equal to the positive difference between the amount of net funding and the maximum limit of the programme, to be subscribed, if conditions warrant it, by Banca IFIS; (iv) Class S Units for an amount equal to the sum of the reserves guaranteeing the various risk profiles (operating and portfolio) of the transaction, minus the discount for the receivables portfolio existing at the calculation date and plus any receivables past-due for more than 120 days or with a due date superior to 150 days ('ineligible' receivables), to be subscribed by Banca IFIS.
These asset-backed securities issued for the programme are not traded in any regulated market. The Billets de Tresorerie issued by Hexagon Finance a.r.l against the Class A1 Units have been rated A1+ by Standard & Poor.

The characteristics of the asset-backed tranches are summarised as follows:

Tranches	Amount at 30/06/2008 (thousands of Euro)	Percentage
Class A0 Senior Units	49,930	16.6%
Class A1 Senior Units	134,725	44.9%
Class A2 Senior Units	---	---
Class S Units	115,345	38.5%
Total programme	300,000	100.0%

The maximum theoretical loss Banca IFIS can suffer in relation to the securitisation transaction is represented by the amount of Class A2 Units and Class S Units it subscribes.
The Class A2 Units, subordinated compared to Class S Units, have a risk of loss that proceeds at the same pace as the risk of loss of Class A1 units subscribed by Hexagon Finance a.r.l, against which Billets de Tresorerie with an A1+ rating by Standard & Poor, are issued.
Nevertheless, it is necessary to point out that possible loss on the Class S Units can occur only in cases of non-payment by the assigned debtors,:

- in the event of recourse assignment (primary activity of Banca IFIS), if the assigned debtor insolvency is accompanied by inability of the assigning client to completely repay the received advances, (loss would be exclusively for the non-paid part);
- in the event of non-recourse assignment, if conditions warrant it, where Banca IFIS has definitively assumed the risk of debtor insolvency (loss would be only for the relative amount).

Class A0 Units are not exposed to a risk of failure to collect the related nominal value. Repayment of the nominal value of Class A1 and A2 Units is tied to the performance of the assigned receivable portfolio for the programme. Repayment of Class S Units subscribed by Banca IFIS is subordinate to the entire repayment of the Class A0, A1 and A2 Units.
The above asset-backed securities issued for the programme produce annual interest. Specifically, as far as concerns the securities to be subscribed by Banca IFIS: Class A2 Units produce interest equal to the Euribor at 1 year and Class S Units produce interest equal to the Euribor +8% per annum.
For the entire duration of the securitisation programme, funds from the collection of the reassigned receivables for the programme are allocated according to the following priority scale:
- payment of programme costs and expenses;

- payment of Class A0 Unit interest;
- payment of Class A1 and A2 Unit interest;
- repayment of nominal value of Class A0 Units;
- repayment of nominal value of Class A1 and A2 Units;
- payment of Class S Unit interest;
- repayment of nominal value of Class S Units;

The final maturity of the Class S Units coincides with the ‘Liquidation Date’ of the FCC Rialto fund. In compliance with French laws, the FCC Manager will liquidate the fund within six months from the first to occur of the dates below (‘Liquidation Date’): a) the date on which all the receivables and other rights assigned for the programme have been settled; b) the date on which all the receivables and other rights assigned for the programme and not yet collected have been assigned to a third party financial institution (possibly indicated by Banca IFIS). The liquidity from the assignment of the receivables and rights above must be used to meet the credit for capital and interest of the owners of asset-backed securities, unlike the owners of Class S Units, and the expenses, costs and charges of the programme. The remainder will be used to meet Class S Unit owners’ credit.
From an operating standpoint, however, since mathematical reserves for the transaction are recalculated every fifteen days, the Class S Units are repaid ahead of time and reissued for a new amount.
It is also important to note that the interest on the Class S Units is also paid every fifteen days, at the same time as the above repayment.

The main figures relative to the securitisation transaction are shown in the table below (as at 30 June 2008):

Country	Residual credit portfolio	Distribution %
Italy	235,872	100.0 %
Other E.U. countries	---	---
Rest of the world	---	---
Total	235,872	100.0 %

Aims and objectives

With regards to goals and aims, it is important to note that the main purpose of the securitisation programme has been to provide the bank with the necessary liquid financial resources to realise its expansion drive.

Exposure to high risk instruments

Considering the aims and the technical lay-out of the operation involving the revolving reassignment of performing commercial receivables, the Banca IFIS Group has no exposures and faces no consequential risks from trading or holding structured credit instruments, whether these are carried out directly or through company vehicles or non-consolidated entities.
In particular, it is important to underline that this securitization operation has not led to the removal of any risks from the group’s balance sheet, due to the fact that it has been booked as a mere financing operation as per the principle of substance over form and the fact that all risks and rewards of the operation have not been substantially transferred.
Collaterally, the subscription of the Class A1, A2 and S units has not added any risk, neither has it changed the representation in the balance sheet when compared to the above mentioned securitisation transaction.
With reference to the Recommendation expressed in the Financial Stability Forum Report of 7 April 2008, Appendix B, it is possible to declare the absence of exposures in instruments considered high risk by the market or that imply a greater risk than that previously believed.

RELATED PARTY TRANSACTIONS

The types of related parties, as defined by IAS 24, which are relevant for the Banca IFIS Group include:

- the controlling company;
- managers with strategic responsibilities;
- close relatives to managers with strategic responsibilities and the companies controlled by them or their close relatives.

As at 30 June 2008, the Banca IFIS Group remains controlled by La Scogliera S.p.A. and continues to control the wholly owned instrumental estate agency, Immobiliare Marocco S.p.A., and IFIS Finance Sp.z.o.o., a Polish factoring company. The group's structure has not undergone any changes over the Half year.

Here follows information on the compensation and remuneration of directors and managers with strategic responsibilities, together with information on transactions undertaken with connected parties.

Remuneration of directors and management

The definition of managers with strategic responsibilities, as per IAS 24, includes all subjects that have the power and the responsibility, either direct or indirect, to plan, manage and control Banca IFIS's activity. This also includes the bank's directors (executive and non-executive).

MANAGERS WITH STRATEGIC RESPONSIBILITIES
(In thousands of Euro)

	Short term employment benefits	Post employment benefits	Other long term benefits	Termination benefits	Share based payments
Managers with strategic responsibilities	1,423	---	---	20	48

Information on transactions with connected parties

During the first Half 2008, the following related parties transactions took place:

The current account with the controlling company, La Scogliera S.p.A., continued. The balance as at 30 June 2008 represents credit Banca IFIS has with La Scogliera S.p.A. equal to 1,561 thousand Euro. Transactions with La Scogliera S.p.A. are governed by market conditions.
In addition, Banca IFIS leased a part of its previous Headquarters (until 2005) to La Scogliera. This contract led to Banca IFIS receiving rental fees for 41 thousand Euro, plus annual VAT. This price is based on market conditions.

Banca IFIS, together with the controlling company, La Scogliera S.p.A., and the subsidiary, Immobiliare Marocco S.p.A., opted for the application of group taxation (fiscal consolidation) according to articles 117 et seq of the D.P.R. 917/86.
Intergroup transactions were regulated by means of private written agreements between the parties in the month of May 2007. Banca IFIS has chosen La Scogliera S.p.A. site as its domicile for taxation purposes for notifications of acts and regulations relative to the tax period for which this option has been applied.
With this application in force, Banca IFIS's taxable income is transferred to La Scogliera S.p.A. who is responsible for calculating overall group income. Following this option, as at 30 June 2008, Banca IFIS entered a debt with its controlling company of 1,705 thousand Euro for the amount due to the same for current IRES payments. This debt takes into account the offsetting of the controlling company's fiscal losses as according to procedures set out in the regulations and to specific agreements drawn up between companies of the group.

A 10 year home loan for 3,000 thousand Euro, guaranteed by a mortgage on property, was granted to a Board member's close family tie and regulated by market conditions. The remaining amount as at 30 June 2008 equalled 2,477 thousand Euro. This transaction was approved before the debtor could be considered a related party.

Normal factoring activities were carried out in favour of a company run by a close family member of an executive member of the Board. This activity, carried out in the first Half 2008, involves, in part, the full definitive purchase of credit in the face of credit risk with a non-correlated Italian counterpart; and in part for cash exposure. These two items together led to Banca IFIS having an exposure as at 30 June 2008 of 773 thousand Euro. This transaction is regulated by market conditions and respects normal trends.

In addition, normal factoring activities were put in place in favour of non-related counterparties involving the full definitive purchase of receivables of a company controlled by a member of the Board. Banca IFIS's exposure as at 30 June 2008 equalled 41 thousand Euro.

As at 30 June 2008, no guarantees, other than those already presented, existed with the controlling company, consolidated subsidiaries or associated companies.

TRANSACTIONS WITH RELATED PARTIES

(in thousands of Euro)

Balance sheet items	Parent company	Managers with strategic responsibilities	Other related parties	Total
Due from clients	1,561	---	3,291	4,852
Other assets	---	---	---	---
Total assets	1,561	---	3,291	4,852
Due to clients	---	70	4	74
Other liabilities	1,705	---	---	1,705
Total liabilities	1,705	70	4	1,779
Commitments and guarantees	---	---	---	---
Income	44	4	118	166
Expenses	12	4	---	16

Venice-Mestre, 28 August 2008

For the Board of Directors

The President
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

STATEMENT AS PER ARTICLE 82-*ter* OF CONSOB REGULATION no. 11971 OF 14 MAY 1999

Statement as per article 154-bis of Legislative Decree no. 58 of 24 February 1998

1. We, the undersigned, Giovanni Bossi – C.E.O. and Carlo Sirombo – Manager responsible for the preparation of corporate accounting documents for Banca IFIS S.p.A., taking into account that stated in art. 154-bis, paragraph 3 and 4, of Legislative decree no. 58 of 24 February 1998, attest to:
   i. the adequacy given the company's characteristics;
   ii. the effective application of administrative and accounting procedures for the preparation of the group condensed interim consolidated financial statements, during the period from 1 January 2007 to 30 June 2008.

2. As far as concerns the effective application of procedures, the following important points have arisen:
   i. This statement has been made based both on the activity carried out by the Manager responsible for the preparation of corporate accounting documents and on a series of declarations within the group, given to the same by the management bodies of the subsidiaries falling within the consolidation scope. Based on the above, it is possible to affirm that the group has applied the policies, conduct and administrative and accounting practices necessary for the correct preparation of this consolidated Half yearly report.

3. Furthermore, the condensed interim consolidated financial statements as at 30 June 2008:
   a) correspond with the results contained in accounting and bookkeeping documents, books and registers;
   b) give a true and fair view of the issuer's financial position and results, in that it has been drawn up in compliance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), endorsed by the European Commission as per the procedure in article 6 of European Regulation no. 1606/2002, in force since 31 December 2007. Furthermore, in compliance with article 9 of Lgs Decree no. 38/2005, the framework and rules for the preparation of financial statements as per Bank of Italy's Circular no. 262 of 22 December 2005 have also been observed.
   c) that the interim directors' report contains reliable information as per paragraph 4 of article 154-ter of the T.U.F. (the Italian Consolidation Act for Banks).

Venice - Mestre, 28 August 2008

C.E.O.
Giovanni Bossi

Manager responsible for the preparation
of corporate accounting documents
Carlo Sirombo

INDEPENDENT AUDITORS' REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

ATTACHMENTS TO THE CONSOLIDATED FIRST HALF YEARLY REPORT

a. List of significant investments

LIST OF SIGNIFICANT INVESTMENTS.

The present document has been drawn up in compliance with article 126 of Consob Regulation no. 11971 of 14 May 1999.

NAME OF INVESTEE COMPANY	PERCENTAGE	POSSESSION
Immobiliare Marocco S.p.A.	100%	owned
IFIS Finance Sp. Zo.o.	100%	owned
Cofin Aviation S.r.l.	19.5%	owned
Arendi S.r.l.	14%	owned
Ifinance S.r.l.	10%	owned
Kleinen S.p.A.	10%	owned

The companies listed above all have their registered office in Italy, with the exception of IFIS Finance Sp. Z.o.o., which is based in Warsaw, Poland. These shareholding investments are all possessed directly.