3Q14

GruppoBancaIFIS

CONSOLIDATED INTERIM REPORT

September 30th, 2014

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Corporate Bodies

Board of Directors

Chairman	Sebastien Egon Fürstenberg
Deputy Chairman	Alessandro Csillaghy
CEO	Giovanni Bossi [1]
Directors	Giuseppe Benini
	Francesca Maderna
	Andrea Martin
	Riccardo Preve
	Marina Salamon
	Daniele Santosuosso

1) The CEO has powers for the ordinary management of the Company.

General Manager	Alberto Staccione

Board of Statutory Auditors

Chairman	Giacomo Bugna
Standing Auditors	Giovanna Ciriotto
	Mauro Rovida
Alternate Auditors	Luca Giacometti
	Sonia Ferrero

Independent Auditors	Reconta Ernst & Young S.p.A.
Corporate Accounting Reporting Officer	Carlo Sirombo

bancaIFIS

Fully paid-up share capital 53,811,095 Euro
Bank Licence (ABI) No. 3205.2
Tax Code and Venice Companies
Register Number: 02505630109
VAT No.: 02992620274
Enrolment in the Register of Banks No.: 5508
Registered and administrative office
Via Terraglio 63, Mestre, 30174, Venice, Italy
Website: www.bancaifis.it

FCI

Member of Factors
Chain International

Business

The Banca IFIS Group is the only independent banking group in Italy that specialises in the segment of trade receivables, distressed retail loans and tax receivables. Listed on the Star segment of Borsa Italiana, the Banca IFIS Group has always been an innovative and steadily growing company.

The brands and business areas through which the Group operates, financing the real economy, are:

Credi Impresa Futuro, dedicated to supporting the trade receivables of small and medium sized enterprises operating in the Italian market;

Banca IFIS International, for companies growing abroad or based abroad and working with Italian customers;

Banca IFIS Pharma, supporting the trade receivables of local health services' suppliers;

CrediFamiglia and **NPL area**, comprising all operations of the business area operating in the distressed retail loans segment;

Fast Finance, focusing on the segment of tax receivables arising mainly from insolvency proceedings.

The Bank carries out its retail funding business through the following brands and products:

rendimax

rendimax, the high-yield online savings account, completely free, offered to individuals, business customers and for insolvency proceedings;

contomax

contomax, born in January 2013, the low-cost online current account with high returns.

Group Key Data

Introductory notes on how to read the data

Starting with the preparation of the financial statements at 31 December 2013, the Group introduced a number of operating changes requiring to restate some comparative data at 30 September 2013 in order to allow for like-for-like comparison.

Specifically, the Banca IFIS Group revised its methods of accounting for receivables purchased outright within the factoring activity (hereinafter "ATD", *a titolo definitivo* in Italian) in order to report them more accurately in the financial statements. Specifically, although most of these receivables are short-term, the Bank measured them at amortised cost and reported them accordingly in its accounts. Previously, receivables were recognised at par value (purchase value) under the item "70 Loans to customers", while the seller's consideration was recognised partly under "40 Commission income" (for the part accruing to the current period) and partly under "100 Other liabilities" as deferred income (for the part accruing to the following periods). The amount accruing to the current period was calculated using the straight-line accrual method, based on the loan's estimated duration. Starting with the financial statements at 31 December 2013, the receivables concerned were recognised at amortised cost under "70 Loans to customers", and the relevant economic benefit was recognised under "10 Interest income". To allow for like-for-like comparison, the comparative data reported in this Interim Report were restated, reclassifying the seller's consideration from Commission income to Interest income for 22,9 million Euro at 30 September 2013. Overall, the measurement at amortised cost had a negligible impact, confirming that the former method (straight-line accrual method) resulted in a good approximation of the amortised cost measurement of ATD receivables. In light of the above, as this was a methodological revision with extremely limited quantitative effects, the Bank deemed that the requirements for the restatement of comparative amounts set out in IAS 8 do not apply.

Highlights

KEY DATA ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2014	31.12.2013	ABSOLUTE	%
Available for sale financial assets	414.768	2.529.179	(2.114.411)	(83,6)%
Held to maturity financial assets	5.094.994	5.818.019	(723.025)	(12,4)%
Loans to customers	2.588.009	2.296.933	291.076	12,7%
Total assets	8.519.222	11.337.797	(2.818.575)	(24,9)%
Due to banks	632.553	6.665.847	(6.033.294)	(90,5)%
Due to customers	7.317.589	4.178.276	3.139.313	75,1%
Consolidated equity	418.296	380.323	37.973	10,0%

KEY DATA ON THE CONSOLIDATED INCOME STATEMENT (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2014	2013	ABSOLUTE	%
Net banking income	**210.766**	**194.139**	**16.627**	**8,6%**
Net value adjustments on receivables and other financial assets	(29.654)	(34.564)	4.910	(14,2)%
Net profit from financial activities	**181.112**	**159.575**	**21.537**	**13,5%**
Operating costs	(69.685)	(54.952)	(14.733)	26,8%
Pre-tax profit from continuing operations	111.427	104.623	6.804	6,5%
Group net profit for the period	**74.188**	**67.110**	**7.078**	**10,5%**

QUARTERLY KEY DATA ON THE CONSOLIDATED INCOME STATEMENT (in thousands of Euro)	3rd QUARTER		CHANGE	
	2014	2013	ABSOLUTE	%
Net banking income	**67.776**	**62.397**	**5.379**	**8,6%**
Net value adjustments on receivables and other financial assets	(8.486)	(8.252)	(234)	2,8%
Net profit from financial activities	**59.290**	**54.145**	**5.145**	**9,5%**
Operating costs	(23.045)	(17.900)	(5.145)	28,7%
Pre-tax profit from continuing operations	36.245	36.245	-	0,0%
Group net profit for the period	**24.133**	**23.070**	**1.063**	**4,6%**

GROUP KPIs (1)	30.09.2014	30.09.2013	31.12.2013
Cost/Income ratio	33,1%	28,3%	28,9%
Cost of credit quality	1,9%	3,3%	2,4%
Net bad loans trade receivables/Trade receivables loans to customers	1,5%	2,9%	2,6%
Net bad loans trade receivables/Equity	7,9%	14,6%	13,4%
Coverage ratio on gross bad loans trade receivables	86,6%	75,5%	78,4%
Net trade receivables impaired loans/Trade receivables loans to customers	5,8%	14,7%	8,4%
Net trade receivables impaired loans /Equity	29,8%	73,1%	42,8%
Total own funds Capital Ratio (2)	14,9%	14,1%	13,5%
Common Equity Tier 1 Ratio (2)	14,6%	14,3%	13,7%
Number of shares outstanding at period end(3) (in thousands)	52.924	52.400	52.728
Book per share	7,90	6,83	7,21
Price/book value	1,99	1,45	1,80
EPS	1,40	1,27	1,61

(1) For the definition of the KPIs in the table, please see the Consolidated annual report glossary.
(2) The new set of harmonised regulations for banks and investment firms included in EU Regulation no. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV) is applicable as from 1 January 2014. See the Impact of regulatory changes. Data refer to year 2013 were recognised according to previous regulations (Basel 2). The Solvency ratio and the Core Tier 1 have been recognised under Total Equity Ratio and Common Equity Tier 1 Ratio, respectively.
(3) Outstanding shares are net of treasury shares held in the portfolio.

Results by business segments

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Available for sale financial assets					
Amounts at 30.09.2014	-	-	-	414.768	414.768
Amounts at 31.12.2013	-	-	-	2.529.179	2.529.179
Change %	-	-	-	(83,6)%	(83,6)%
Held to maturity financial assets					
Amounts at 30.09.2014	-	-	-	5.094.994	5.094.994
Amounts at 31.12.2013	-	-	-	5.818.019	5.818.019
Change %	-	-	-	(12,4)%	(12,4)%
Due from banks					
Amounts at 30.09.2014	-	-	-	294.844	294.844
Amounts at 31.12.2013	-	-	-	415.817	415.817
Change %	-	-	-	(29,1)%	(29,1)%
Loans to customers					
Amounts at 30.09.2014	2.143.279	166.816	114.352	163.562	2.588.009
Amounts at 31.12.2013	1.938.415	127.945	90.282	140.291	2.296.933
Change %	10,6%	30,4%	26,7%	16,6%	12,7%
Due to banks					
Amounts at 30.09.2014	-	-	-	632.553	632.553
Amounts at 31.12.2013	-	-	-	6.665.847	6.665.847
Change %	-	-	-	(90,5)%	(90,5)%
Due to customers					
Amounts at 30.09.2014	-	-	-	7.317.589	7.317.589
Amounts at 31.12.2013	-	-	-	4.178.276	4.178.276
Change %	-	-	-	75,1%	75,1%

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Amounts at 30.09.2014	116.039	20.033	8.132	66.562	210.766
Amounts at 30.09.2013	90.694	19.392	7.585	76.468	194.139
Change %	27,9%	3,3%	7,2%	(13,0)%	8,6%
Net profit from financial activities					
Amounts at 30.09.2014	86.021	20.277	8.252	66.562	181.112
Amounts at 30.09.2013	54.169	21.000	7.997	76.409	159.575
Change %	58,8%	(3,4)%	3,2%	(12,9)%	13,5%

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Third quarter 2014	37.421	7.069	3.765	19.521	67.776
Third quarter 2013	*33.314*	*4.541*	*2.067*	*22.475*	62.397
Change %	*12,3%*	*55,7%*	*82,1%*	*(13,1)%*	*8,6%*
Net profit from financial activities					
Third quarter 2014	29.850	5.959	3.960	19.521	59.290
Third quarter 2013	*24.333*	*5.255*	*2.094*	*22.463*	54.145
Change %	*22,7%*	*13,4%*	*89,1%*	*(13,1)%*	*9,5%*

SEGMENT KPI (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)				
Amounts at 30.09.2014	5.800.054	n.a.	n.a.	n.a.
Amounts at 30.09.2013	*3.904.399*	*n.a.*	*n.a.*	*n.a.*
Change %	*48,6%*	*-*	*-*	*-*
Nominal amount of receivables managed				
Amounts at 30.09.2014	2.735.560	5.368.725	157.708	n.a.
Amounts at 31.12.2013	*2.577.820*	*3.911.852*	*140.160*	*n.a.*
Change %	*6,1%*	*37,2%*	*12,5%*	*-*
Net bad loans/Loans to customers				
Amounts at 30.09.2014	*1,5%*	*49,4%*	*0,0%*	n.a.
Amounts at 31.12.2013	*2,6%*	*52,0%*	*0,6%*	*n.a.*
Change %	*(1,1)%*	*(2,6)%*	*(0,6)%*	*-*
RWA (2)				
Amounts at 30.09.2014	*1.638.571*	*166.816*	*33.687*	*207.304*
Amounts at 31.12.2013	*1.561.355*	*127.945*	*33.292*	*227.883*
Change %	*4,9%*	*30,4%*	*1,2%*	*(9,0)%*

(1) Gross flow of the receivables sold by the customers in a specific period of time.
(2) Risk Weighted Assets; the amount refers exclusively to the financial items reported in the segments.

Quarterly Evolution

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2014			YEAR 2013 (1)			
	30.06	31.03	31.12	30.09	30.06	31.03	30.06
ASSETS							
Available for sale financial assets	414.768	1.302.425	2.287.950	2.529.179	2.531.765	2.868.958	2.763.805
Held to maturity financial assets	5.094.994	5.071.312	5.329.414	5.818.019	4.459.285	4.856.179	4.710.582
Due from banks	294.844	351.349	432.855	415.817	391.187	481.609	479.119
Loans to customers	2.588.009	2.538.371	2.339.663	2.296.933	2.223.142	2.239.693	2.177.379
Property, plant and equipment	50.865	50.798	41.129	40.739	40.337	39.889	39.829
Intangible assets	6.724	6.776	6.482	6.361	6.323	5.921	5.671
Other assets	69.018	98.851	77.976	230.749	182.394	170.846	157.556
Total assets	**8.519.222**	**9.419.882**	**10.515.469**	**11.337.797**	**9.834.433**	**10.663.095**	**10.333.941**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2014			YEAR 2013 (1)			
	30.06	31.03	31.12	30.09	30.06	31.03	30.06
LIABILITIES AND EQUITY							
Due to banks	632.553	1.979.493	618.132	6.665.847	527.961	601.058	600.956
Due to customers	7.317.589	6.910.171	9.341.959	4.178.276	8.837.029	9.604.606	9.291.659
Post-employment benefits	1.525	1.537	1.477	1.482	1.497	1.523	1.561
Tax liabilities	13.764	13.321	19.099	17.362	23.330	18.339	25.408
Other liabilities	135.495	117.433	129.409	94.507	86.752	106.318	82.044
Equity:	418.296	397.927	405.393	380.323	357.864	331.251	332.313
- Share capital, share premiums and reserves	*344.108*	*347.872*	*380.717*	*295.482*	*290.754*	*287.211*	*309.859*
- Profit for the period	*74.188*	*50.055*	*24.676*	*84.841*	*67.110*	*44.040*	*22.454*
Total liabilities and equity	**8.519.222**	**9.419.882**	**10.515.469**	**11.337.797**	**9.834.433**	**10.663.095**	**10.333.941**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2014			YEAR 2013(1)			
	3rd Q.	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net interest income	**53.167**	**58.723**	**54.892**	**55.756**	**48.112**	**50.553**	**52.323**
Net commission income	**14.593**	**14.865**	**14.124**	**14.397**	**13.991**	**14.286**	**14.490**
Dividends and similar income	-	-	-	-	1	83	-
Net result from trading	16	50	105	(96)	282	(42)	49
Profit from sale of available for sale financial assets	-	-	231	-	11	-	-
Net banking income	**67.776**	**73.638**	**69.352**	**70.057**	**62.397**	**64.880**	**66.862**
Net value adjustments/revaluations due to impairment of:	(8.486)	(12.786)	(8.382)	(10.023)	(8.252)	(12.596)	(13.716)
Receivables	(8.486)	(12.786)	(8.382)	(10.023)	(8.240)	(12.549)	(13.716)
Available for sale financial assets	-	-	-	-	(12)	(47)	-
Net profit from financial activities	**59.290**	**60.852**	**60.970**	**60.034**	**54.145**	**52.284**	**53.146**
Personnel expenses	(10.310)	(10.884)	(10.334)	(9.858)	(9.179)	(9.254)	(8.803)
Other administrative expenses	(11.977)	(11.902)	(11.431)	(11.023)	(8.946)	(9.935)	(9.118)
Net allocations to provisions for risks and charges	(463)	79	(1.718)	(202)	(13)	-	-
Net value adjustments to property, plant and equipment and investment property and intangible assets	(833)	(792)	(748)	(932)	(575)	(814)	(683)
Other operating income (expenses)	538	141	949	619	813	669	886
Operating costs	**(23.045)**	**(23.358)**	**(23.282)**	**(21.396)**	**(17.900)**	**(19.334)**	**(17.718)**
Pre-tax profit from continuing operations	**36.245**	**37.494**	**37.688**	**38.638**	**36.245**	**32.950**	**35.428**
Income tax expense for the period	(12.112)	(12.115)	(13.012)	(20.907)	(13.175)	(11.364)	(12.974)
Profit for the period	**24.133**	**25.379**	**24.676**	**17.731**	**23.070**	**21.586**	**22.454**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

INCOME STATEMENT DATA BY SEGMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2014			YEAR 2013			
	3rd Q.	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net banking income	**67.776**	**73.638**	**69.352**	**70.057**	**62.397**	**64.880**	**66.862**
Trade receivables	*37.421*	*41.152*	*37.466*	*39.008*	*33.314*	*28.698*	*28.682*
Distressed retail loans	*7.069*	*6.362*	*6.602*	*4.982*	*4.541*	*7.454*	*7.397*
Tax receivables	*3.765*	*2.203*	*2.164*	*1.702*	*2.067*	*2.369*	*3.149*
Governance and services	*19.521*	*23.921*	*23.120*	*24.365*	*22.475*	*26.359*	*27.634*
Net profit from financial activities	**59.290**	**60.852**	**60.970**	**60.034**	**54.145**	**52.284**	**53.146**
Trade receivables	*29.850*	*27.823*	*28.347*	*27.150*	*24.333*	*14.396*	*15.440*
Distressed retail loans	*5.959*	*7.078*	*7.241*	*6.826*	*5.255*	*9.127*	*6.618*
Tax receivables	*3.960*	*2.030*	*2.262*	*1.693*	*2.094*	*2.449*	*3.454*
Governance and services	*19.521*	*23.921*	*23.120*	*24.365*	*22.463*	*26.312*	*27.634*

Group historical data

The following table shows the main indicators and performances recorded by the Group during the last 5 years.

GROUP HISTORICAL DATA (in thousands of Euro)	30.09.2014	30.09.2013(1)	30.09.2012(1)	30.09.2011	30.09.2010
Available for sale financial assets	414.768	2.531.765	1.584.536	1.509.296	876.439
Held to maturity financial assets	5.094.994	4.459.285	2.983.123	-	-
Loans to customers	2.588.009	2.223.142	2.108.844	1.858.527	1.457.544
Due to banks	632.553	527.961	555.295	719.550	1.104.786
Due to customers	7.317.589	8.837.029	6.439.392	2.928.877	1.373.956
Equity	418.296	357.864	284.041	207.393	208.438
Net banking income	210.766	194.139	167.643	83.826	67.941
Net profit from financial activities	181.112	159.575	140.054	64.883	54.027
Group net profit	74.188	67.110	57.931	20.996	15.720
Cost/Income ratio	33,1%	28,3%	30,5%	38,8%	43,2%
Cost of credit quality	1,9%	3,3%	2,2%	1,9%	2,1%
Net bad loans trade receivables/ Trade receivables loans to customers	1,5%	2,9%	3,8%	2,3%	2,3%
Net bad loans trade receivables/Equity	7,9%	14,6%	23,7%	19,3%	15,8%
Coverage ratio on gross bad loans trade receivables	86,6%	75,5%	62,0%	67,4%	63,7%
Net trade receivables impaired loans/ Trade receivables loans to customers	5,8%	14,7%	15,4%	11,7%	7,3%
Net trade receivables impaired loans /Equity	29,8%	73,1%	105,6%	100,0%	50,8%
Total own funds Capital Ratio (2)	14,9%	14,1%	11,9%	11,2%	10,6%
Common Equity Tier 1 Ratio (2)	14,6%	14,3%	12,1%	11,5%	10,8%

(1) Data restated after initial publication. See the Introductory notes on how to read the data.
(2) The new set of harmonised regulations for banks and investment firms included in EU Regulation no. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV) is applicable as from 1 January 2014. See the Impact of regulatory changes. Data for periods up until 30 September 2013 were recognised according to previous regulations (Basel 2). The Solvency ratio and the Core Tier 1 have been recognised under Total Equity Ratio and Common Equity Tier 1 Ratio, respectively.

Financial statements

Consolidated Statement of Financial Position

Assets (in thousands of Euro)		30.09.2014	31.12.2013
10.	Cash and cash equivalents	23	30
20.	Financial assets held for trading	-	10
40.	Available for sale financial assets	414.768	2.529.179
50.	Held to maturity financial assets	5.094.994	5.818.019
60.	Due from banks	294.844	415.817
70.	Loans to customers	2.588.009	2.296.933
120.	Property, plant and equipment	50.865	40.739
130.	Intangible assets	6.724	6.361
	of which:		
	- goodwill	*834*	*837*
140.	Tax assets	34.848	37.922
	a) current	786	3.940
	b) deferred	34.062	33.982
160.	Other assets	34.147	192.787
	Total assets	**8.519.222**	**11.337.797**

Liabilities and equity (in thousands of Euro)		30.09.2014	31.12.2013
10.	Due to banks	632.553	6.665.847
20.	Due to customers	7.317.589	4.178.276
40.	Financial liabilities held for trading	-	130
80.	Tax liabilities	13.764	17.362
	a) current	2.330	1.022
	b) deferred	11.434	16.340
100.	Other liabilities	134.093	93.844
110.	Post-employment benefits	1.525	1.482
120.	Provisions for risks and charges	1.402	533
	b) other reserves	1.402	533
140.	Valuation reserves	2.062	10.959
170.	Reserves	237.837	163.055
180.	Share premiums	57.113	75.560
190.	Share capital	53.811	53.811
200.	Treasury shares (-)	(6.715)	(7.903)
220.	Profit (loss) for the year (+/-)	74.188	84.841
	Total liabilities and equity	**8.519.222**	**11.337.797**

Consolidated Income Statement

Items (in thousands of Euro)		30.09.2014	30.09.2013(1)
10.	Interest receivable and similar income	243.606	259.672
20.	Interest due and similar expenses	(76.824)	(108.684)
30.	**Net interest income**	**166.782**	**150.988**
40.	Commission income	48.802	47.325
50.	Commission expense	(5.220)	(4.558)
60.	**Net commission income**	**43.582**	**42.767**
70.	Dividends and similar income	-	84
80.	Net profit (loss) from trading	171	289
100.	Profit (loss) from sale or buyback of:	231	11
	b) available for sale financial assets	231	11
120.	**Net banking income**	**210.766**	**194.139**
130.	Net impairment losses/reversal on	(29.654)	(34.564)
	a) receivables	(29.654)	(34.505)
	b) available for sale financial assets	-	(59)
140.	**Net profit from financial activities**	**181.112**	**159.575**
180.	Administrative expenses:	(66.838)	(55.235)
	a) personnel expenses	(31.528)	(27.236)
	b) other administrative expenses	(35.310)	(27.999)
190.	Net allocations to provisions for risks and charges	(2.102)	(13)
200.	Net impairment losses/reversal on plant, property and equipment	(1.020)	(848)
210.	Net impairment losses/reversal on intangible assets	(1.353)	(1.224)
220.	Other operating income (expenses)	1.628	2.368
230.	**Operating costs**	**(69.685)**	**(54.952)**
280.	**Pre-tax profit (loss) for the period from continuing operations**	**111.427**	**104.623**
290.	Income taxes for the period relating to current operations	(37.239)	(37.513)
340.	**Profit (loss) for the period attributable to the parent company**	**74.188**	**67.110**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

Consolidated Statement of Comprehensive Income

Items (in thousands of Euro)		30/09/2014	30/09/2013
10.	**Profit (loss) for the period**	**74.188**	**67.110**
	Other comprehensive income, net of taxes, without reversal to income statement	**(85)**	**30**
20.	Property, plant and equipment	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	(85)	30
50.	Non-current assets under disposal:	-	-
60.	Share of reserves from valuation of investments at equity	-	-
	Other comprehensive income, net of taxes, with reversal to income statement	**(8.812)**	**9.162**
70.	Hedges of foreign investments	-	-
80.	Exchange differences	(166)	(1.080)
90.	Hedges of cash flows	-	(30)
100.	Available for sale financial assets	(8.646)	10.272
110.	Non-current assets under disposal	-	-
120.	Share of reserves from valuation of investments at equity	-	-
130.	**Total other comprehensive income, net of taxes**	**(8.897)**	**9.192**
140.	**Total comprehensive income (item 10+130)**	**65.291**	**76.302**
150.	Total consolidated comprehensive income attributable to non-controlling interests	-	-
160.	**Total consolidated comprehensive income attributable to the parent company**	**65.291**	**76.302**

Notes

Basis of preparation

Banca IFIS Group's interim report at 30 September 2014 has been prepared in compliance with both the provisions as per art. 154-ter of Legislative Decree no. 58 of 24 February 1998 and subsequent amendments and with IAS/IFRS.

The consolidated financial statements at 30 September 2014 are compared, in terms of statement of financial position figures, with those at 31 December 2013 and, in terms of income statement results, with those at 30 September 2013.

The result for the period is reported net of income taxes which reflect the presumed expense for the period based on current and deferred taxes, calculated using the average rate forecast for the current year.

It should be noted that, starting from 1 January 2014, the Group adopted the following new accounting standards:

- **IFRS 10 Consolidated Financial Statements**: according to the new IFRS, control of an investee requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. Power is defined by the standard as the existing rights that give the current ability to direct the relevant activities. Relevant activities are those that significantly affect the investee's returns.
- **IFRS 11 Joint Arrangements**: the aim of the new IFRS 11 is outlining a new approach for accounting joint arrangements, based on the rights and obligations in accordance with the type of arrangement rather than its legal form and improving the quality of financial information, excluding the possibility of choosing between the proportionate consolidation and the equity method. Specifically:
  - joint operations require proportionate consolidation, i.e. line-by-line; in this case each entity recognises its share of assets and liabilities, costs and revenues;
  - joint ventures are consolidated using the equity method.
- **IFRS 12 Disclosure of Interests in Other Entities**: the objective of this accounting standard is to require the disclosure of information that enables users of financial statements to evaluate:
  - the nature of, and risks associated with, its interests in other entities;
  - the effects of those interests on its financial position, financial performance and cash flows.

  In order to achieve this objective, the entity shall provide, among the other things:
  - significant judgements and assumptions it has made in determining the nature of its interest;
  - information on investments.

The adoption of the above new accounting standards did not have a significant impact on the Banca IFIS Group's financial statements.

Interim reports are not audited by the Independent Auditors.

Consolidation scope

At 30 September 2014, the Group was composed of the parent company, Banca IFIS S.p.A., and the wholly-owned subsidiary, IFIS Finance Sp. Z o. o., consolidated using the line-by-line method.

The accounts on which the consolidation is based are those prepared by Group companies at 30 September 2014.

Group equity and income situation

Impact of regulatory changes

Here below are some regulatory changes introduced in 2014 impacting Banca IFIS:

- It should be noted that, starting from 1 January 2014, the Group adopted the following new accounting standards:
  - IFRS 10 Consolidated Financial Statements
  - IFRS 11 Joint Arrangements
  - IFRS 12 Disclosure of Interests in Other Entities
  - Revised IAS 27 Separate Financial Statements

  The adoption of the above new accounting standards did not have a significant impact on the Banca IFIS Group's financial statements.
- Impacts of income taxes for the period: among the provisions of Law 147 of 27 December 2013 (2014 Budget Law), the following impacted the determination of Banca IFIS's income tax expense for the reference period. In particular:
  - art. 106 paragraph 3 of the Consolidated Law on Income Tax: as a result of the amendments made, bad debt losses and write-downs on loans to customers, recognised net of reversals, are deductible from the corporate tax (IRES) on a straight-line basis in five annual instalments (i.e., in the year of accrual and the following four);
  - lett. c-bis), paragraph 6, art. 1 of Legislative Decree no. 446/1197 (IRAP decree): as a result of the amendments made, bad debt losses and write-downs on receivables, as well as write-backs from evaluation and cash in, are included in the calculation of the net value of production on a straight-line basis in five annual instalments (i.e., in the year of accrual and the following four). Previously, these amounts were not considered for the purpose of calculating the regional tax on productivity (IRAP).

  Furthermore, art. 2 of Legislative Decree no. 66/2014 reduced regional tax on productivity (IRAP) rates starting from fiscal year 2014. Specifically the ordinary rate for banks decreased from 4,65% to 4,20%.

  The overall impact of these regulatory amendments on profit for the period was positive to the tune of 2,6 million Euro.
- The new set of harmonised regulations for banks and investment firms included in EU Regulation no. 575/2013 and in Directive 2013/36/EU (CRD IV) is applicable as from 1 January 2014. In order to assess consolidated regulatory capital and capital absorption, this regulatory framework requires for the inclusion of the Group Holding in the consolidation scope and regulates the recognition of non-controlling interests under consolidated equity.

Operating performance

Excellent credit quality is the key element of this last quarter and it should be noted that this result was achieved although the scenario is still adverse. The improvement is not limited to bad loans, which have become substantially negligible: it involved all impaired loans categories in general. This confirms that our business model, which supports SMEs without prejudice to credit quality, is successful. The results are satisfying in terms of profits, equity, and available liquidity. In the next quarters, then, the Bank will continue to support Italy's real economy, generating positive returns for shareholders and improving its growth prospects.

Significant events occurred in the period

Banca IFIS transparently and timely discloses information to the market, constantly publishing information on significant events through press releases. Please refer to the "Investor Relations\Press Releases" section on the website www.bancaifis.it for complete details.

http://www.bancaifis.com/Media-room/Press-releases

Here below is a summary of the most important events:

End of the securitisation process

In October 2013, the revolving period of the securitisation started in October 2008 with IFIS Collection Services S.r.l., a special purpose vehicle set up for this transaction, ended. The amortisation period, during which the securities issued by the vehicle, amounting to 328 million Euro, were reimbursed in full, ended on 24 February 2014, when the termination letters were signed. On the same day, the Bank bought back the portfolio of receivables sold to the vehicle and not collected.

Sale of ordinary shares by La Scogliera

On 10 March 2014, La Scogliera S.p.A. sold 2.168.332 ordinary shares in Banca IFIS S.p.A., representing 4,03% of the share capital, for 28,2 million Euro, following the requests of two major international institutional investors at a price of 13 euro per share.

As a result, La Scogliera owns approximately 52,6% of Banca IFIS's share capital, subject to a 180-day lock-up period starting from the date of 10 March 2014.

Appointment of new Independent Auditors

In its meeting of 17 April 2014, the Bank's Shareholders' Meeting, upon proposal by the Board of Statutory Auditors, assigned Reconta Ernst & Young S.p.A. the task of performing the audit of the Bank's separate and consolidated financial statements for the period 2014-2022 and the additional duties closely related to audit activities.

Purchase of a DRL segment portfolio

On 4 July 2014 Banca IFIS announced the purchase of a Non-Performing Loans portfolio in the Personal Loans and Credit cards/Revolving segments of the Consumer Credit segment. This is the largest portfolio purchased by the Bank so far, with a par value of 1.263,0 million Euro, and consisting of over 120.000 positions of Italian households.

Group financial and income results

Statement of financial positions items

MAIN STATEMENT OF FINANCIAL POSITION ITEMS *(in thousands of Euro)*	AMOUNTS AT		CHANGE	
	30.09.2014	31.12.2013	ABSOLUTE	%
Available for sale financial assets	414.768	2.529.179	(2.114.411)	(83,6)%
Held to maturity financial assets	5.094.994	5.818.019	(723.025)	(12,4)%
Due from banks	294.844	415.817	(120.973)	(29,1)%
Loans to customers	2.588.009	2.296.933	291.076	12,7%
Property, plant and equipment and intangible assets	57.589	47.100	10.489	22,3%
Other assets	69.018	230.749	(161.731)	(70,1)%
Total assets	**8.519.222**	**11.337.797**	**(2.818.575)**	**(24,9)%**
Due to banks	632.553	6.665.847	(6.033.294)	(90,5)%
Due to customers	7.317.589	4.178.276	3.139.313	75,1%
Financial liabilities held for trading	-	130	(130)	(100,0)%
Other liabilities	150.784	113.221	37.563	33,2%
Equity	418.296	380.323	37.973	10,0%
Total liabilities and equity	**8.519.222**	**11.337.797**	**(2.818.575)**	**(24,9)%**

Available for sale (AFS) financial assets

Available for sale financial assets include debt and equity securities and stood at 414,8 million Euro at 30 September 2014, -83,6% compared to 2.529,2 million Euro at the prior-year end. The securities portfolio is held for the purposes described in the “Securities portfolio” section below.

Held to maturity (HTM) financial assets

The portfolio of held to maturity financial assets stood at 5.095 million Euro at 30 September 2014, -12,4% compared to the end of the previous year, and consists of Italian government bonds with residual maturity at the time of purchase of over one year, in light of the ability and willingness to hold them until maturity.

At the reporting date, the HTM portfolio showed unrecognised capital gains amounting to 168 million Euro before taxes. Such capital gains were not recognised according to the amortised cost method applicable to this portfolio.

The securities portfolio is held for the purposes described in the “Securities portfolio” section below.

Receivables due from banks

At 30 September 2014, receivables due from banks totalled 294,8 million Euro, compared to 415,8 million Euro at 31 December 2013 (-29,1%).

This item includes some securities not listed on an active market with banking counterparties, totalling 11 million Euro (-54,1% compared to 31 December 2013), and treasury loans with other lenders, amounting to 283,8 million Euro (-27,6% compared to 31 December 2013), largely related to maintaining excess liquidity in the system.

Securities portfolio

In order to provide a comprehensive analysis of the Group's securities portfolio, the debt securities portfolio, represented by several asset items in the statement of financial position, and the equity portfolio are commented on below.

Debt securities portfolio

Debt securities held in the portfolio at 30 September 2014 amounted to 5.507,9 million Euro, down 34,1% compared to 31 December 2013 as a result of 3.118 million Euro in redemptions of bonds maturing in the period. Currently the portfolio's average return is high, considering the period in which most bonds were purchased.

This significant resource allowed Banca IFIS to access funding at reasonable costs through repurchase agreements on the MTS platform or refinancing operations on the Eurosystem.

These securities have been classified as shown in the following table on the basis of their characteristics and in compliance with the provisions of IAS 39.

DEBIT SECURITIES PORTFOLIO *(in thousands of Euro)*	AMOUNTS AT		CHANGE	
	30.09.2014	31.12.2013	ABSOLUTE	%
DEBIT SECURITIES INCLUDED UNDER:				
Available for sale financial assets	401.918	2.515.810	(2.113.892)	(84,0)%
Held to maturity financial assets	5.094.994	5.818.019	(723.025)	(12,4)%
Receivables due from banks - bonds	11.033	24.048	(13.015)	(54,1)%
Total securities held	**5.507.945**	**8.357.877**	**(2.849.932)**	**(34,1)%**

Here below is the breakdown by issuer and by maturity of the debt securities held.

Issuer/Maturity	Within 31.12.2014	Between 1.01.2015 and 31.12.2015	Between 1.01.2016 and 31.12.2016	Between 1.01.2017 and 31.12.2018	Total
Government securities	407.580	2.219.262	756.614	2.092.942	5.476.398
% of total	*7,4%*	*40,3%*	*13,7%*	*38,0%*	99,4%
Banks	20.038	6.027	5.006	476	31.547
% of total	*0,4%*	*0,1%*	*0,1%*	*0,0%*	0,6%
Total	**427.618**	**2.225.289**	**761.620**	**2.093.418**	**5.507.945**
% of total	***7,8%***	***40,4%***	***13,8%***	***38,0%***	**100%**

Equity portfolio

Available for sale financial assets include equity securities relating to non-controlling interests in unlisted companies, amounting to 12,8 million Euro (-3,9% compared to 31 December 2013), which are considered strategic for Banca IFIS. The decrease compared to the end of 2013 is due to the sale of the Bank's shares in a credit institution; the previously-recorded valuation reserve was recognised in profit or loss with a 231 thousand Euro profit.

Loans to customers

At the end of the period, total loans to customers reached 2.588 million Euro, up by 12,7% or 291,1 million Euro compared to 2.296,9 million Euro at the end of 2013. Specifically, trade receivables increased by 204,9 million Euro compared to the end of 2013 (+10,6%). The sharp growth in loans occurred despite significant collections concerning positions due from the Public Administration.

Distressed retail loans increased by 38,9 million Euro (+30,4%) and tax receivables rose by 24,1 million Euro (+26,7%).

As far as the Governance and Services segment is concerned, a 77,5 million Euro increase (+96,8%) was registered in margin lending related to repurchase agreements in government bonds on the MTS platform. Reverse repurchase agreements with Cassa di Compensazione e Garanzia outstanding at the end of 2013 came to maturity, leading to a 52,7 million Euro decrease.

LOANS TO CUSTOMERS: BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2014	31.12.2013	ABSOLUTE	%
Trade receivables	2.143.279	1.938.415	204.864	10,6%
- of which impaired	*124.638*	*162.609*	*(37.971)*	*(23,4)%*
Distressed retail loans	166.816	127.945	38.871	30,4%
- of which impaired	*166.816*	*127.945*	*38.871*	*30,4%*
Tax receivables	114.352	90.282	24.070	26,7%
- of which impaired	*-*	*499*	*(499)*	*(100,0)%*
Governance and services	163.562	140.291	23.271	16,6%
- of which with Cassa di Compensazione e Garanzia	*157.591*	*80.090*	*77.501*	*96,8%*
- of which receivable repurchase agreements	*-*	*52.698*	*(52.698)*	*(100,0)%*
Total loans to customers	**2.588.009**	**2.296.933**	**291.076**	**12,7%**
- of which impaired	***291.454***	***291.053***	***401***	***0,1%***

Loans to customers are composed as follows: 24,5% receivables due from the Public Administration (compared to 26,7% at 31 December 2013) and 75,5% due from the private sector (compared to 73,3% at 31 December 2013).

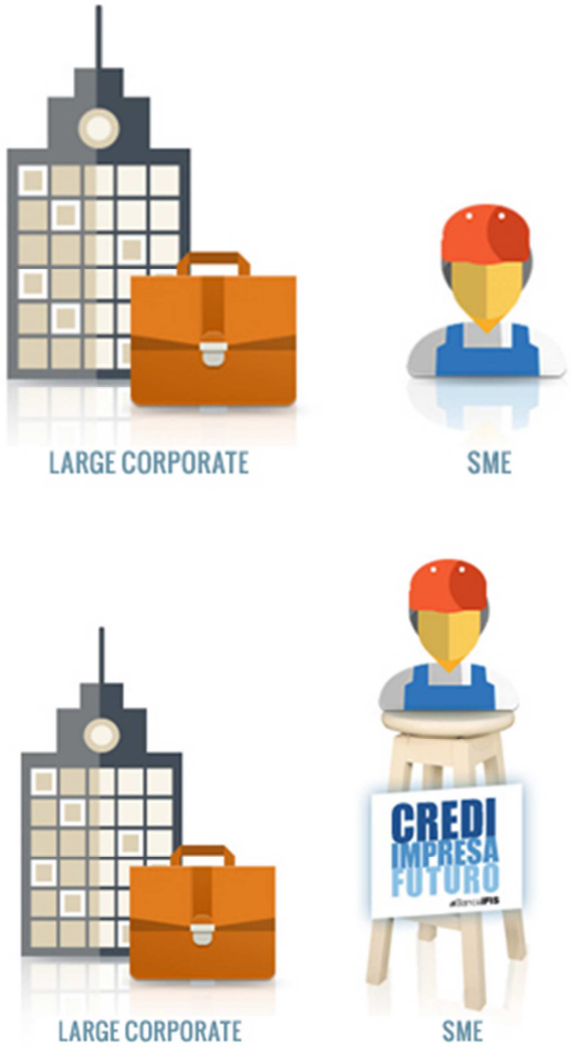
With regard to activities in support of SMEs, the loans duration was confirmed as short-term, in line with the strategy to support working capital that represents the core business.

Geographically, the item is broken down as follows: 97,4% loans to customers resident in Italy (97,9% at 31 December 2013) and 2,6% to customers resident abroad (2,1% at 31 December 2013).

Finally, it should be noted that the item includes 1 position, for a total of 39 million Euro, which falls within the category of major risks.

Credit quality

Can a small/medium sized enterprise have the same creditworthiness as a large enterprise?



By adopting a business model suitable for transferring risk from customers to better-structured debtors, the Bank manages to mitigate its exposure to customer default risk. Even though the prolonged economic downturn has caused also receivables due from higher-quality debtor to deteriorate, the improvement concerning the most significant impaired loans—i.e. those in the Trade Receivables segment—registered in 2013 continued into the first nine months of 2014, as shown in the table below. Specifically, said improvement was due to the following factors: a) new bad loans continued to decrease; b) the Group is extremely effective at promptly recognising losses on positions found to be impaired (adjusting the item impairment/losses in profit or loss accordingly); finally, c) particular attention was paid to objective substandard loans, considerably improving their situation.

Total net impaired loans for the period totalled 291,5 million Euro, compared to 291,1 million Euro at the end of 2013 (+0,1%). In the Trade Receivables segment alone, whose performance is crucial for the purpose of assessing the Bank's overall credit quality, total impaired loans dropped 23,4%, from 162,6 million Euro at the end of 2013 to 124,6 million Euro.

Impaired loans including receivables in the DRL segment rose from 127,9 million Euro to 166,8 million Euro (+30,4%) following the purchase of a considerable non-performing receivables portfolio made in the last quarter. This segment's business is closely associated with recovering impaired loans: therefore, DRL loans are recognised as bad or substandard loans. In particular, those loans maintain the same classification as that assigned by the invoice seller, provided the latter is subject to the same law as Banca IFIS: otherwise, if the Bank has not ascertained the debtor's state of insolvency, those loans are classified as substandard. In light of the above, the amount of distressed retail loans classified as bad or substandard is not critical: on the contrary, it is an indicator of the normal and positive performance of the segment.

CREDIT QUALITY (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONSOLIDATED TOTAL
Bad loans					
Amounts at 30.09.2014	32.975	82.450	-	-	115.425
Amounts at 31.12.2013	*50.804*	*66.505*	*499*	*-*	*117.808*
Change %	*(35,1)%*	*24,0%*	*(100,0)%*	*-*	*(2,0)%*
Substandard loans					-
Amounts at 30.09.2014	45.910	84.366	-	-	130.276
Amounts at 31.12.2013	*61.796*	*61.440*	*-*	*-*	*123.236*
Change %	*(25,7)%*	*37,3%*	*-*	*-*	*5,7%*
Restructured loans					-
Amounts at 30.09.2014	16.237	-	-	-	16.237
Amounts at 31.12.2013	*8.351*	*-*	*-*	*-*	*8.351*
Change %	*94,4%*	*-*	*-*	*-*	*94,4%*
Past due loans					-
Amounts at 30.09.2014	29.516	-	-	-	29.516
Amounts at 31.12.2013	*41.658*	*-*	*-*	*-*	*41.658*
Change %	*(29,1)%*	*-*	*-*	*-*	*(29,1)%*
Total net impaired loans					
Amounts at 30.09.2014	**124.638**	**166.816**	**-**	**-**	***291.454***
Amounts at 31.12.2013	***162.609***	***127.945***	***499***	***-***	***291.053***
Change %	***(23,4)%***	***30,4%***	***(100,0)%***	***-***	***0,1%***
Net performing loans to customers					-
Amounts at 30.09.2014	2.018.641	-	114.352	163.562	2.296.555
Amounts at 31.12.2013	*1.775.806*	*-*	*89.783*	*140.291*	*2.005.880*
Change %	*13,7%*	*-*	*27,4%*	*16,6%*	*14,5%*
Total loans to customers (cash)					
Amounts at 30.09.2014	***2.143.279***	***166.816***	***114.352***	***163.562***	***2.588.009***
Amounts at 31.12.2013	***1.938.415***	***127.945***	***90.282***	***140.291***	***2.296.933***
Change %	***10,6%***	***30,4%***	***26,7%***	***16,6%***	***12,7%***

Concerning Trade Receivables, total bad loans to customers at 30 September 2014, net of impairment, were 33 million Euro, compared to 50,8 million Euro at 31 December 2013 (-35,1%).This decrease was attributable to the slowing pace of new bad loans, as well as the gains

arising from some items that had already been classified as bad loans in previous years. Substandard loans totalled 45,9 million Euro, compared to 61,8 million Euro in 2013 (-25,7%).

Past due loans, net of impairment losses of 0,5 million Euro (which corresponds to a coverage ratio of 1,5%), totalled 29,5 million Euro compared to 41,7 million Euro at the end of 2013 (-29,1%). It should be noted that net past due loans refer for 8,7 million Euro (6,0 million Euro at the end of 2013) to receivables due from the Public Administration purchased outright within financing operations. Given the debtors and the quality of credit, we believe these positions are not subject to analytical impairment. Furthermore, those positions, based on current regulations and contract law, bear interest on arrears. The Bank, based on historical data and available information, estimates that at least 20% of interest on arrears accruing from the estimated collection date can be recovered.

During 2013, the Bank assessed its operating instruments consistent with business, accounting and IT processes, intended to support the management of the ATD product and, therefore, the monitoring of the interest concerned. Following the implementation of said instruments, starting from 2014, the Bank recognises the interest on arrears estimated to be recoverable, i.e. 20% of the interest accrued from the receivables' estimated collection date. At 30 September 2014, a million Euro in interest on arrears was recognised in profit or loss.

The positive trend of impaired loans despite the adverse economic scenario is also due to the correct balance of the model for assuming credit risk and the careful management of loans to customers. The Bank will continue to be committed to all these aspects with the aim of ensuring excellent loan credit quality.

The ratio of net bad loans to loans sharply improved from 2,6% at the end of 2013 to 1,5% at 30 September 2014, while that of net substandard loans to loans fell from 3,2% to 2,1%. The ratio of total net impaired loans to loans dropped from 8,4% at the end of 2013 to 5,8% at 30 September 2014.

TRADE RECEIVABLES IMPAIRED LOANS *(in thousands of Euro)*	BAD LOANS (1)	SUBSTANDARD	RESTRUCTURED	PAST DUE	TOTAL
BALANCE AT 30.09.2014					
Gross amount	246.881	55.421	18.359	29.975	350.636
Incidence on gross total receivables	*10,4%*	*2,3%*	*0,8%*	*1,3%*	*14,8%*
Adjustments	213.906	9.511	2.122	459	225.998
Incidence on gross value	*86,6%*	*17,2%*	*11,6%*	*1,5%*	*64,5%*
Net amount	32.975	45.910	16.237	29.516	124.638
Incidence on net total receivables	*1,5%*	*2,1%*	*0,8%*	*1,4%*	*5,8%*
BALANCE AT 31.12.2013					
Gross amount	234.681	72.302	9.395	42.432	358.810
Incidence on gross total receivables	*11,0%*	*3,4%*	*0,4%*	*2,0%*	*16,8%*
Adjustments	183.877	10.506	1.044	774	196.201
Incidence on gross value	*78,4%*	*14,5%*	*11,1%*	*1,8%*	*54,7%*
Net amount	50.804	61.796	8.351	41.658	162.609
Incidence on net total receivables	*2,6%*	*3,2%*	*0,4%*	*2,1%*	*8,4%*

(1) As far as **bad loans** are concerned, Banca IFIS enters its gross bad loans, recognised in the financial statements net of the related specific value adjustment funds, up to the point in which all legal credit collection procedures have been entirely completed.

Intangible assets and property, plant and equipment and investment property

Intangible assets totalled 6,7 million Euro, against 6,4 million Euro at 31 December 2013 (+5,7%). The item refers to software (5,9 million Euro) and goodwill (0,8 million Euro) arising from the consolidation of the investment in IFIS Finance Sp.Z o.o.

Property, plant and equipment and investment property increased by 24,9% following the purchase of a property in Florence which will house the new headquarters of the DRL business area.

The property included under property, plant and equipment and investment property mainly includes: the important historical building, Villa Marocco, located in Mestre (Venice) and housing Banca IFIS's registered office and the property in Mestre (Venice), partly sub-leased to the parent company, La Scogliera S.p.A.

The carrying amount of the property above has been confirmed by experts specialising in the appraisal of luxury property. Villa Marocco is not depreciated as its estimated residual value at the end of its useful life is expected to be higher than its carrying amount.

The current head office of the DRL business area in Florence, which was acquired under a finance lease, was recognised at 4,1 million Euro.

Some property of minor value is also recorded.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.

Deferred tax assets, amounting to 34,1 million Euro at 30 September 2014, refer for 32,4 million Euro to impairment losses on receivables which can be deducted in the following years.

Deferred tax liabilities, amounting to 11,4 million Euro at 30 September 2014, refer for 6,1 million Euro to the measurement of the tax receivables of the former subsidiary Fast Finance S.p.A., which was carried out at the time of the business combination, and for 3,5 million Euro to taxes on the valuation reserve for AFS securities held in the portfolio.

Other assets and liabilities

At 30 September 2014, other assets stood at 34,1 million Euro, down by 158,6 million Euro compared to 31 December 2013, mainly due to the conclusion of the securitisation entailing the cancellation of receivables due from the SPV. Said receivables correspond to the funds available to the SPV arising from the collections of receivables which have not yet been paid to the originator, on the basis of the technical characteristics of the transaction.

Other liabilities, totalling 134,1 million Euro at the end of the period, showed an increase of 40,3 million Euro, mainly related to amounts due to customers that have not yet been credited and payables due to the parent La Scogliera S.p.A. under the tax consolidation regime.

Funding

Funding, net of the retail component, shall be analysed in a comprehensive manner based on market trends: it consists of wholesale funding through repurchase agreements (classified under payables due to customers, as they are concluded on the MTS platform and therefore without a direct banking counterparty), refinancing transactions on the Eurosystem, and short-term treasury transactions with other lenders.

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2014	31.12.2013	ABSOLUTE	%
Due to customers:	**7.317.589**	**4.178.276**	**3.139.313**	**75,1%**
Repurchase agreements	*3.607.026*	*263.670*	*3.343.356*	*1268,0%*
Rendimax	*3.554.342*	*3.817.745*	*(263.403)*	*(6,9)%*
Contomax	*82.535*	*50.342*	*32.193*	*63,9%*
Other payables	*73.686*	*46.519*	*27.167*	*58,4%*
Due to banks:	**632.553**	**6.665.847**	**(6.033.294)**	**(90,5)%**
Eurosystem	*507.189*	*6.656.465*	*(6.149.276)*	*(92,4)%*
Other payables	*125.364*	*9.382*	*115.982*	*1236,2%*
Total funding	**7.950.142**	**10.844.123**	**(2.893.981)**	**(26,7)%**

Total funding, which amounted to 7.950,1 million Euro at 30 September 2014, down 26.7% compared to 31 December 2013, is represented for 92% by **Payables due to customers** (compared to 38,5% at 31 December 2013) and for 8% by **Payables due to banks** (compared to 61,5% at 31 December 2013).

The significant decrease in Payables due to banks compared to the end of the previous year is due to the fact that the Bank carried out less refinancing operations on the Eurosystem, rather using the MTS platform and dealing with Cassa di Compensazione e Garanzia as counterparty (classified as payables due to customers). The Bank turns to the ECB or the MTS platform exclusively based on which is more convenient. The tensions observed in the liquidity market towards the end of 2013, causing interest rates on the MTS platform to rise slightly and making it more convenient to turn to the Eurosystem, gradually abated during 2014. Therefore, the Bank once again turned almost exclusively to the MTS platform.

Payables due to customers at 30 September 2014 totalled 7.317,6 million Euro (+75,1% compared to the end of 2013). Such remarkable increase was mainly due to the higher use of repurchase agreements with underlying Government bonds and Cassa di Compensazione e Garanzia as counterparty, amounting to 3.607 million Euro at the end of the period (compared to 263,7 million Euro at the end of 2013). Despite the decrease in interest rates to bring them in line with the market, which benefited the Bank, retail funding, carried out through the rendimax savings account and the contomax current account, remained significant (3.636,9 million Euro compared to 3.868,1 million Euro at the end of 2013, i.e. -6%). The Bank still bears proportional stamp duty costs on rendimax and contomax, which amount to 0,20%.

Payables due to banks, amounting to 652,6 million Euro (compared to 6.665,8 million Euro at 31 December 2013), mainly consisted of funding from refinancing operations on the Eurosystem for 507,2 million Euro, compared with 6.656,5 million Euro at 31 December 2013. The reason for the decrease in this type of transactions was described above. This amount relates to LTRO

transactions of 500 million Euro at a 0,05% rate (ECB's key interest rate) maturing on 26 February 2015.

Refinancing operations with the Eurosystem are made by using debt securities held in the Bank's portfolio and by issuing and repurchasing 138 million Euro in bonds that the Italian Government had guaranteed for a three-year period and 69 million Euro in bonds the Government had guaranteed for a five-year period, paying 1,03% in fees.

The remainder of payables due to banks consists of 125,4 million Euro in interbank deposits, including 103 million Euro on the E-Mid platform.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2014	31.12.2013	ABSOLUTE	%
Legal disputes	941	375	566	150,9%
FITD provisions (Deposit Protection Fund)	461	158	303	191,8%
Total provisions for risks and charges	**1.402**	**533**	**869**	**163,0%**

Legal disputes

The provision outstanding at 30 September 2014, amounting to 1,4 thousand Euro, includes 45 thousand Euro for a labour dispute, 850 thousand Euro for three disputes concerning the Trade Receivables segment, 520 thousand of which have been set aside during the period, and 46 thousand Euro for four disputes concerning the DRL segment, which were fully set aside during the period.

Overall, the Bank recognises contingent liabilities totalling 12,2 million Euro in claims, represented by twelve disputes; supported by the legal opinion of its lawyers, the Bank made no provisions for these positions, as the risk of defeat is low.

Tax dispute

On 25 July 2008, the Italian Revenue Agency – Regional Department of Veneto started a check relating to the tax year 2005. This inspection ended on 5 December 2008: the relevant report of verification included two challenges concerning the correct calculation of limits for the deductibility of receivables (ceiling) as per art. 106 paragraph 3 of Presidential Decree 917/86, for a total of 1,4 million Euro. Moreover, considering that the ceiling mechanism sets limits for deducting impairment losses on receivables and that the surplus (arising from the difference between the ceiling and net impairments) is deductible on a straight-line basis over the next eighteen years, the application of the criterion indicated in the aforementioned report of verification would imply a tax benefit for the Bank in the years following 2005.

The aforementioned report of verification included also a notification regarding an alleged case of tax avoidance as set out in art. 37-bis of Presidential Decree 600/73 regarding the write-down in 2003 of the equity investment in Immobiliare Marocco S.p.A. (which merged into the Issuer with deed dated 19 October 2009). This investment was deducted in fifths in the following years based on the losses recognised by this company pursuant to arts. 61 and 66 of Presidential Decree 917/86 (in force up to 31 December 2003). On 2 February 2009 the Agency sent a verification notice to the Bank, requesting clarification on the write-down. The Bank promptly replied to it.

Again in reference to the notification of the alleged tax avoidance, on 3 December 2009 the Bank received a verification notice relating to the year 2004, in which the Revenue Agency revised the

income for the year 2004 subject to the corporate tax (IRES), applying the anti-avoidance provision no. 26 as set out in art. 37-bis of Presidential Decree 600/73 for a total of 837 thousand Euro, with a higher tax liability relating to the tax year concerned of approximately 276 thousand Euro plus interest and penalties.

On 21 June 2010, the Bank received a verification notice referring to the following year, in which the Revenue Agency revised the income for the year 2005 subject to the corporate tax (IRES), applying the anti-avoidance provision as set out in art. 37-bis of Presidential Decree 600/73, for a total amount of 837 thousand Euro, with a higher tax liability relating to the tax year in question of approximately 276 thousand Euro plus interest and penalties. The same verification notice relating to the year 2005 treated as taxable the amount relating to the redetermination of the ceiling for deducting losses on receivables concerning the above-mentioned findings, for a total of 1,4 million Euro, with higher taxes of around 478 thousand plus interests and penalties due in relation to the year 2005.

Subsequently, by the end of 2010 the Bank received a notice cancelling under the appeal process the verification notices issued for 2005.

On 22 February 2011, the appeal regarding the verification notice for the tax year 2004 was discussed before the first level Provincial Tax Commission of Venice. On 29 June 2011, the Provincial Tax Commission of Venice rejected the appeal. On 7 November 2011, the Bank was served a notice of payment for the amounts enrolled on the tax register following the ruling of the court of first instance, pursuant to the laws on tax verification and collection, totalling 423 thousand Euro. Banca IFIS paid those amounts on 29 December 2011. Subsequently, the company filed an appeal with the Regional Tax Commission against this sentence. On 25 September 2012 the appeal was heard before the second-degree Regional Tax Commission of Venice. On 18 October 2012 the Commission's ruling was issued: it accepted the appeal by Banca IFIS S.p.A. and La Scogliera S.p.A. and, overturning the first-instance ruling, it proceeded to cancel the verification notices for 2004 which had been challenged and ordered the Revenue Agency to reimburse the costs for the two-level proceedings to the appellant.

As a consequence of the second-instance ruling, the Revenue Agency returned the sums paid by the Bank following the negative outcome of the first appeal. These had been previously recognised as a 423 thousand Euro receivable in the Bank's accounts.

On 22 August 2012 the Bank received a verification notice for 2005 that is closely related to the notices received during 2010 and subsequently cancelled under appeal process by the end of the same year. The verification notice, besides containing the same points and therefore the sums requested (in terms of taxes and penalties) included in the previous notice that was then cancelled, considers as tax avoidance some security trading and lending transactions and challenges the deduction of sums such as non-deductible capital losses and manufactured dividends for a total of 6,3 million Euro. The higher tax overall due in relation to this latter finding totals 2,1 million Euro, plus interest and penalties.

Therefore, the overall amount subjected to taxation in the verification notice totals 8,6 million Euro, with higher taxes for the year under review of 2,8 million Euro. The verification notice, which has now passed the ordinary deadline for its issue which was 31 December 2010, was sent on the basis of the Tax Office's assumption that the doubling of the statute of limitations provided for by the law can be applied to this case, i.e. it represents a criminal offence.

In relation to this verification notice, the Bank applied for composition proceedings with the aim of finding out whether the Office was willing to reconsider its stance, but the application was rejected;

the Revenue Agency preferred to continue with the dispute by appealing to the Court of Cassation regarding the verification notice for 2004, effectively forcing the Bank to file a counter-appeal with the Court on 29 January 2013, within the legal time limits; the analysis of the Revenue Agency's appeal exposes the weakness of their case, already apparent in the previous hearings. Therefore, the tax consultants assisting the Bank in the proceedings believe the chance of defeat is unlikely, Therefore, the Bank did not make any provisions for the tax proceedings concerned.

The appeal against the verification notice for 2005 was filed on 11 February 2013.

Before examining in detail the individual findings and the assessment errors made by the Revenue Agency, the appeal focuses on the reasons why the judges should completely annul the notice. Serious material errors were made, to the point that they completely invalidate the act: the criminal charge, which seeks to have the statute of limitations doubled and that the Public Prosecutor completely rejected by ordering a non-suit; a series of verification notices served and then cancelled under the appeal process; and several legal errors contained in the last act issued.

Besides this, the defence case, which had already been set out in the application for composition proceedings, has been expanded and explained in detail. The fragility of the challenge to the write-down on the equity investment in Immobiliare Marocco was highlighted once again, and made even more apparent by the victory in the court of second instance regarding 2004 and which, at this point, would cover all the subsequent years.

Then, the appeal sets out the reasons why the challenges to the calculations of the ceiling for the deduction of receivables are wrong, both as far as the method adopted and interpretation provided by the tax officials in the report of verification are concerned, and even more so in light of the subsequent amendments and supplements to the laws regulating the principles for determining the income of long-time and first-time adopters of IAS.

As for the claims related to securities trading, the appeal highlighted that the transactions concerned produced positive results for the Bank, net of taxes, and they were not completely risk-free or entered into guaranteeing right from the start the conditions to neutralise any profit or loss from the transaction. The cross call and put options only had the effect of limiting the risk of losses and the potential excess returns, and in any case did not rule them out completely, as was hastily claimed in the verification notice. Above all, the challenged transactions simply applied the regime in force at the time, without eluding the law or its underlying principles; in fact, the system established with the 2004 reform envisages a double regime for stock transfers. Therefore, there is nothing strange in short-term equity trading on equity investments which do not qualify for participation exemption, with dividends received partially exempt from tax and deductible capital losses.

In any case, the Bank asked to recalculate the challenged amounts, which did not take into account the positive components which, as taxable income, are included in the determination of income. In April 2013, the Bank was notified of the Revenue Agency's response to the appeal. At 30 September 2014, the date for the first instance hearing had yet to be settled.

In light of the above, the tax consultants hired to resolve the dispute have stated that they reasonably believe it possible to validly defend the Bank's case, and that therefore the chance of defeat is unlikely.

However, it is necessary to consider the Circular dated 8 August 2012 in which the Bank of Italy clarified that intermediaries, should they have to pay the tax authorities a certain amount following the enrolment in the tax register of higher taxes and the relevant interest and penalties, must assess whether or not it represents a contingent asset as defined by IAS 37. On the basis of this

accounting standard, the asset should not be recognised whenever the profit on the same is not all but certain, and the amounts paid to the tax authorities must therefore be recognised at cost and not as tax receivables.

At 31 December 2012, 159 thousand Euro were allocated to the provision for tax proceedings for higher taxes and 35 thousand Euro for interest, resulting in a total of 194 thousand Euro against the likely provisional enrolment on the tax register(1) following the appeal, pursuant to Bank of Italy's Circular dated 8 August 2012. The Bank will not make any provision for the risk of defeat in the on-going tax proceedings. At 30 September 2013, the Bank recognised an adjustment to said provision based on the amounts actually enrolled on the tax register and notified to the Bank on 9 October 2013. Compared to the provision previously made, there was a difference of 13 thousand Euro, mainly due to the reimbursement of collection costs. The Bank promptly paid the amount requested in light of the obligations pursuant to the law, although it expects a positive outcome.

(1) The provisional amounts enrolled on the tax register are those made on the basis of a verification notice that is not final, since it has been challenged. An appeal filed against a verification notice does not suspend its execution; pending the rulings of the court of first instance and of the court of second instance, part of the verified income tax, plus interest and part of the penalties, can be collected. In particular, as regards the income tax and value added tax, after the verification notice has been served, the Office can enrol on the tax register 1/3 of the verified taxes and interests. In relation to the charges relating to the anti-avoidance provision as set out in art. 37 bis of Presidential Decree 600/73, the amounts due before the first instance ruling cannot be enrolled on the tax register (para. 6, art. 37 bis, Presidential Decree 600/73). Subsequent to the rulings of the tax commissions, further fractions of the amounts due become payable, based on the grounds of the decision and the level of the judicial body.

Provision for the share of the Interbank Deposit Protection Fund's intervention

Italy's Interbank Deposit Protection Fund (FITD, *Fondo Interbancario di Tutela dei Depositi*), of which Banca IFIS is a member, approved in a letter dated 16 September 2014 another rescue loan to Banca Tercas, based in Ascoli Piceno. The relevant potential obligation for Banca IFIS amounts to 0,5 million Euro. Therefore Banca IFIS allocated said amount to the provisions for risks and charges.

Capital adequacy and solvency ratios

At 30 September 2014, consolidated equity was 418,3 million Euro, compared to 380,3 million Euro at 31 December 2013. The breakdown of the item and the change compared to the previous year are detailed in the tables below.

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2014	31.12.2013	ABSOLUTE	%
Capital	53.811	53.811	-	*0,0%*
Share premiums	57.113	75.560	(18.447)	*(24,4)%*
Valuation reserve:	2.062	10.959	(8.897)	*(81,2)%*
- AFS securities	*7.334*	*15.980*	*(8.646)*	*(54,1)%*
- TFR post-employment benefit	*(161)*	*(76)*	*(85)*	*111,8%*
- exchange differences	*(5.111)*	*(4.945)*	*(166)*	*3,4%*
Reserves	237.837	163.055	74.782	*45,9%*
Treasury shares	(6.715)	(7.903)	1.188	*(15,0)%*
Profit for the period	74.188	84.841	(10.653)	*(12,6)%*
Equity	**418.296**	**380.323**	**37.973**	**10,0%**

EQUITY: CHANGES	(in thousands of Euro)
Equity at 31.12.2013	**380.323**
Increases:	**77.036**
Profit for the period	74.188
Sale of treasury instruments	2.741
Other variations	*107*
Decreases:	**39.063**
Dividends distributed	30.166
Change in valuation reserve:	8.897
- AFS securities	*8.646*
- exchange differences	*166*
- Post-employment benefits	*85*
Equity at 30.09.2014	**418.296**

The change in the valuation reserve for AFS securities mainly refers to the effects of the fair value measurement of Government bonds held in the portfolio and the redemption of some of them.

The change in the valuation reserve for exchange differences refers mainly to exchange differences deriving from the consolidation of the subsidiary IFIS Finance Sp. Z o.o.

OWN FUNDS AND CAPITAL RATIOS (in thousands of Euro)	AMOUNTS AT		
	30.09.2014 (1)	30.09.2014 (2)	31.12.2013 (3)
Common equity Tier 1 Capital (CET1) (4)	372.732	385.533	332.851
Tier 1 Capital (AT)	375.070	385.533	332.851
Total own funds	**380.959**	**380.550**	**328.131**
Total RWA	**2.557.904**	**2.629.243**	**2.433.597**
Common Equity Tier 1 Ratio	14,57%	14,66%	13,68%
Tier 1 Capital Ratio	14,66%	14,66%	13,68%
Total own funds Capital Ratio	**14,89%**	**14,47%**	**13,48%**

(1) Data recognised according to the new regulations (Basel 3), that require for the inclusion of the Group Holding in the consolidation scope.
(2) Data recognised according to the previous regulations (Basel 2)
(3) Data recognised according to the previous regulations (Basel 2)
(4) Core tier 1 capital includes the profit for the period net of estimated dividends.

The new set of harmonised regulations for banks and investment firms included in EU Regulation no. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV) is applicable as from 1 January 2014. In order to assess consolidated regulatory capital and capital absorption, this regulatory framework requires for the inclusion of the Group Holding in the consolidation scope and regulates the recognition of non-controlling interests under consolidated equity. The data shown in this table have been recognised according to the new regulations. To allow for a comparison with the previous period, the data at 30 September 2014 recognised according to the previous regulations are shown, too.

Pursuant to Bank of Italy's Regulation dated 18 May 2010, the Banca IFIS Group calculated its equity at 30 September 2014 by adopting the so-called "symmetric filter", which allows to neutralize both gains and losses on securities issued by the Central Administrations of EU Member States. The net amount of the item was 7,1 million Euro, included under available for sale financial assets, as if those securities were measured at cost.

Income statements items

Formation of net banking income

Net banking income of the first nine months of 2014 went from 194,1 million Euro in 2013 to 210,8 million Euro in 2014, an increase of 8,6%, on the back of the steadily increasing contribution from both the higher net interest income and commissions for the factoring services offered by the Group. The Trade Receivables segment made an outstanding contribution to consolidated net banking income, i.e. 55% of the total (46,7% at 30 September 2013). Over 4.100 companies, mostly small- and medium-sized enterprises, received support from Banca IFIS for short-term financial needs related to the management of working capital (+14,2% compared to the prior-year period); in particular, using risk mitigation instruments, Banca IFIS managed to address the financial and credit management needs of companies that boast long-term supply relationships with customers of good credit standing.

The other segments made the following contributions: DRL (Distressed Retail Loans) segment 9,5% (10,0% at 30 September 2013), Tax Receivables 3,9% (in line with 30 September 2013), Governance and Services 31,6% (39,4% at 30 September 2013). Net banking income is made up of interest income (79,1%), commission income (20,7%) and other components (0,2%).

NET BANKING INCOME (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2014	2013(1)	ABSOLUTE	%
Net interest income	166.782	150.988	15.794	10,5%
Net commission income	43.582	42.767	815	1,9%
Dividends and similar income	-	84	(84)	(100,0)%
Net result from trading	171	289	(118)	(40,8)%
Profit (loss) from sale or buyback of AFS financial assets	231	11	220	n.s.
Net banking income	**210.766**	**194.139**	**16.627**	**8,6%**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

The +27,9% rise in the Trade Receivables segment (116 million Euro compared to 90,7 million Euro in the prior-year period) was due to the higher number of financed companies (+14,2%)—the segment's turnover exceeded 5,8 billion Euro compared to 3,9 billion at 30 September 2013 (+48,6%)—and the increase in interest on arrears collected by the Pharma business area (14,8 million Euro compared to 4,3 million Euro in the prior-year period). Said interest includes 8,4 million Euro from non-judicial collection and 6,4 million Euro from judicial actions undertaken by the Bank against some healthcare agencies, which resulted in final injunctions. Said final injunctions ordered the debtors to pay both the principal and interest on arrears in full. The Bank expects to collect these receivables beyond one year, therefore they were discounted.

The Bank, based on historical data and available information, estimates that at least 20% of interest on arrears accruing from the estimated collection date can be recovered. During 2013, the Bank assessed its operating instruments consistent with business, accounting and IT processes, intended to support the management of the ATD product and, therefore, the monitoring of the interest concerned. Following the implementation of said instruments, starting from 2014, the Bank recognises the interest on arrears estimated to be recoverable, i.e. 20% of the interest accrued from the receivables' estimated collection date. During the first nine months of 2014, 1 million Euro in interest on arrears were recognised in profit or loss.

At 30 September 2014 the Bank accrued, but did not recognise, interest on arrears—calculated from the invoice's original maturity date—related to already collected receivables (totalling approximately 32,2 million Euro) as well as non-collected receivables (approximately 31,9 million Euro) due from the Public Administration.

As mentioned in the paragraph Introductory notes on how to read the data, the Banca IFIS Group revised its methods of accounting for receivables purchased outright within the factoring activity (hereinafter "ATD", *a titolo definitivo* in Italian) in order to report them more accurately in the financial statements. Specifically, although most of these receivables are short-term, the Bank measured them at amortised cost and reported them accordingly in its accounts. To allow for like-for-like comparison, the seller's consideration at 30 September 2013 was reclassified from Commission income to Interest income for 22,9 million Euro.

Net banking income in the DRL (Distressed Retail Loans) segment totalled 20 million Euro, compared to 19,4 million Euro in the prior-year period (+3,3%). It should be noted that the trend in net banking income is not representative of the DRL segment's operating performance since, as far as bad loans are concerned, it does not account for the economic impact of the changes in expected cash flows, which are recognised under impairment losses/reversals on receivables according to the Bank's current interpretation of IAS/IFRS. On the other hand, from the operating viewpoint, the DRL segment's operating performance shall be recognised accounting for this item, too.

The Tax Receivables segment was up 7,2% (8,1 million Euro compared to 7,6 million Euro in the prior-year period). The result at 30 September 2013 included the impact of the revision of estimated cash flows, higher than expected, and debt collection time, shorter than expected, of 3,5 million Euro. A non-recurring item was recognised also in the first nine months of 2014 (1,2 million Euro). It refers to the collection of an impaired loan of the former Fast Finance. Net of these non-recurring items, net banking income for the first nine months of 2014 was up 68,3%, from 4,1 million Euro in 2013 to 6,9 million Euro in 2014.

The Governance and Services segment was down 13,0% (66,6 million Euro compared to 76,5 million Euro at 30 September 2013). The performance reflects the lower margins in terms of interest income on the securities portfolio (82,6 million Euro compared to 95,2 million Euro in the prior-year period), as a result of lower average returns, and the cost of retail funding exceeding core loans and held in order to guarantee an adequate level of liquidity under economic stress scenarios.

Net banking income of the third quarter of 2014 rose 8,6% from 62,4 million Euro of 2013 to 67,8 million Euro in the third quarter of 2014, thanks to the positive contribution of all the Bank's business segments (+12,3% from Trade Receivables, +55,7% from DRL segment, +82,1% from tax receivables). On the contrary, the Governance and Services segment has deteriorated due to the above-mentioned security portfolio performance.

Net interest income went from 151 million Euro at 30 September 2013 to 166,8 million Euro at 30 September 2014 (+10,5%).

Interest expense relating to the rendimax savings account totalled 67,3 million Euro (-30,9% compared to 30 September 2013).

Net commission income totalled 43,6 million Euro**,** essentially in line with the amount at 30 September 2013 (+1,9%).

Commission income, totalling 48,8 million Euro compared to 47,3 million Euro at 30 September 2013, came primarily from factoring commissions on the turnover generated by individual customers (with or without recourse, in a flat or monthly scheme) as well as from other fees usually charged to customers for services.

Commission expense, totalling 5,2 million Euro compared to 4,6 million Euro at 30 September 2013, came primarily from approved banks' brokering, the work of other credit brokers, and commissions paid to correspondent banks and factors. At 30 September 2014 commissions paid on bonds guaranteed by the Italian Government are also included.

Net profit from trading, amounting to 171 thousand Euro at 30 September 2014 compared to 289 thousand Euro in the first nine months of 2013, is the result of exchange differences arising as a physiological consequence from the mismatch between the customers' uses and the Treasury Department's funding operations in foreign currency.

The profit **from assignment of financial assets** of 231 thousand Euro is due to the sale of a non-controlling interest in a bank for 519 thousand Euro through reversal to the income statement of the Valuation reserve made in previous years.

Formation of net profit from financial activities

The table below shows the formation of net profit from financial activities for the period starting from the previously mentioned net banking income, compared with the previous year.

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES *(in thousands of Euro)*	AMOUNTS AT		CHANGE	
	2014	2013	ABSOLUTE	%
Net banking income	**210.766**	**194.139**	**16.627**	**8,6%**
Net impairment losses on:	(29.654)	(34.564)	4.910	(14,2)%
loans and receivables	(29.654)	(34.505)	4.851	(14,1)%
available for sale financial assets	-	(59)	59	(100,0)%
Net profit from financial activities	**181.112**	**159.575**	**21.537**	**13,5%**

Net impairment losses on receivables of the first nine months amounted to 29,7 million Euro, compared to 34,5 million Euro at 30 September 2013 (-14,1%). This trend is partly due to the Bank's strict policy on provisions, aimed at improving the assets' quality, and to a decrease in new impaired loans that benefitted credit quality indicators. Impairment losses on receivables include 244 thousand Euro in reversals of impairments losses on DRL (compared to 1,6 million Euro in reversals of impairment losses at September 2013): as already mentioned, for the purpose of correctly assessing the segment's operating performance, they should be considered together with net banking income.

The decrease in impairment losses resulted in a significant improvement in the ratio of credit risk cost to the Group's overall average loan balance over the last 12 months, down to 189 bp from 333 bp at 30 September 2013. The ratio of bad loans to loans in the Trade Receivables segment fell to 1,5%, down 1,1% from 2,6% at 31 December 2013.

In the third quarter, net impairment losses amounted to 8,5 million Euro (+3,0% compared to the third quarter of 2013): 7,5 million Euro related to the trade receivables segment (-15,7% compared to the third quarter of 2013) and 1,1 million Euro to the DRL segment.

In light of the above trends, the Group's **net profit from financial activities of the first nine months** totalled 181,1 million Euro compared to 159,6 million Euro at 30 September 2013, up 13,5%. Based on the data concerning the trends in margins and impairment losses on loans and receivables, we can state that the Bank can achieve positive results in a still negative reference market.

Net profit from financial activities in the Trade Receivables segment rose 58,8%, from 54,2 million Euro at 30 September 2013 to 86 million Euro; in the DRL segment, where it coincides with operating performance, it amounted to 20,3 million Euro (-3,4%); in the Tax Receivables segment, it amounted to 8,3 million Euro, up 3,2% from 8 million Euro at 30 September 2013. Finally, net profit from financial activities in the Governance and Services segment fell 12,9% to 66,6 million Euro, compared to 76,4 million Euro at 30 September 2013. The DRL segment's performance in the period was influenced by the new credit collection system with higher use of the settlement plans agreed with the debtors instead of bills of exchange. It should be noted that the above-mentioned financial instruments totalled 106,6 million Euro in the first nine months of 2014, while in the prior-year period bills of exchange—the only available instrument—totalled 59 million Euro. Collections made in the first nine months of 2014 amounted to 25,6 million, compared to 20,8 million in the prior-year period. In particular, settlement plans agreed with the debtors (generating an increase in debtors' underwriting) impact the income statement about one quarter after the date they are signed, due to the conservative approach adopted by the Bank. Recognition at amortised cost only happens when the customer has paid an amount at least equal to three monthly instalments.

In the third quarter, net profit from financial activities totalled 59,3 million Euro, up 9,5% compared to the prior-year period, thanks to the positive contribution of all the Bank's business segments (+22,7% from Trade Receivables, +13,4% from DRL segment, +89,1% from tax receivables).

Formation of profit for the year

The table below shows the formation of the Group's profit for the period starting from the previously mentioned profit from financial activities, compared with the previous year.

FORMATION OF PROFIT FOR THE PERIOD *(in thousands of Euro)*	AMOUNTS AT		CHANGE	
	2014	2013	ABSOLUTE	%
Net profit from financial activities	**181.112**	**159.575**	**21.537**	**13,5%**
Operating costs	(69.685)	(54.952)	(14.733)	26,8%
Pre-tax profit from continuing operations	**111.427**	**104.623**	**6.804**	**6,5%**
Income tax expense for the period	(37.239)	(37.513)	274	(0,7)%
Net profit for the period	**74.188**	**67.110**	**7.078**	**10,5%**

In the first nine months, **operating costs** rose 26,8%, from 55 million Euro at 30 September 2013 to 69,7 million Euro, in view of the goal to strengthen some areas and services supporting the business and the scenario in which the Group operates.

The cost/income ratio stood at 33,1% compared to 28,3% at 30 September 2013 and 28,9% at 31 December 2013. The increase was mainly attributable to the 1,5 million Euro non-recurring provision for the share of the FITD's intervention, as described in the item Provisions for risks and charges, net of which the cost/income ratio is 32,3%. The ratio also rose due to the proportional stamp duty costs (the so-called "mini wealth tax") concerning retail funding, which grew by nearly 1 million Euro compared to the first nine months of 2013 following the hike in the tax rate for 2014 and that, as a result of the Bank's commercial policy, are not charged back to customers.

In the third quarter of 2014 operating costs totalled 23 million Euro, up 28,7% (or 5,1 million Euro) compared to the third quarter of 2013. This increase is both due to the 0,5 million Euro amount set aside in the quarter as required by FITD and to a trend in costs in line with that of the first nine months.

OPERATING COSTS *(in thousands of Euro)*	AMOUNTS AT		CHANGE	
	2014	2013	ABSOLUTE	%
Personnel expenses	31.528	27.236	4.292	15,8%
Other administrative expenses	35.310	27.999	7.311	26,1%
Net allocations to provisions for risks and charges	2.102	13	2.089	n.s.
Net impairment losses on tangible and intangible assets	2.373	2.072	301	14,5%
Other operating charges (income)	(1.628)	(2.368)	740	(31,3)%
Total operating costs	**69.685**	**54.952**	**14.733**	**26,8%**

Personnel expenses, totalling 31,5 million Euro at 30 September 2014, rose 15,8% compared to the prior-year period; this increase is essentially the result of the higher number of Group's employees, amounting to 602 at the end of the period (compared to 536 at 30 September 2013).

Other administrative expenses at 30 September 2014 reached 35,3 million Euro, compared to 28 million Euro in the first nine months of 2013 (+26,1%).

This increase was substantially due to the following factors: first, stamp duty costs for retail funding, which have been described above; also software and consulting fees rose due to the re-engineering of business processes and the internal audit system (the latter to comply with new prudential regulations for banks concerning the internal audit and IT system as well as business continuity); finally, an increase was registered also in costs relating to the Group's brands “Credi Impresa Futuro” and “CrediFamiglia”.

Please note that part of the expenses included in this item (in particular legal expenses and indirect taxes) is charged back to customers and the relevant revenue is recognised under other operating income. Net of this component, other administrative expenses totalled 33,2 million Euro, compared to 25,4 million Euro at 30 September 2013 (+30,9%).

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2014	2013	ABSOLUTE	%
Expenses for professional services	**11.822**	**10.393**	**1.429**	**13,7%**
Legal and consulting services	6.759	5.155	**1.604**	**31,1%**
Auditing	223	303	**(80)**	**(26,4)%**
Outsourced services	4.840	4.935	**(95)**	**(1,9)%**
Direct and indirect taxes	**8.310**	**6.108**	**2.202**	**36,1%**
Expenses for purchasing goods and other services	**15.178**	**11.498**	**3.680**	**32,0%**
Property expenses	2.608	2.522	86	3,4%
Customer information	2.243	1.416	827	58,4%
Software assistance and hire	2.195	1.056	1.139	107,9%
Car fleet management and maintenance	1.690	1.565	125	8,0%
Postage of documents	1.463	1.158	305	26,3%
Advertising and inserts	1.352	690	662	95,9%
Telephone and data transmission expenses	1.001	842	159	18,9%
Trips and business travel personnel	645	516	129	25,0%
Other sundry expenses	1.981	1.733	248	14,3%
Total administrative expenses	**35.310**	**27.999**	**7.311**	**26,1%**
Expense recoveries	(2.107)	(2.637)	530	(20,1)%
Total net other administrative expenses	**33.203**	**25.362**	**7.841**	**30,9%**

Outsourced services include fees paid to agents and debt collection companies for the collection of receivables in the DRL segment. The fees went from 3,9 million Euro at 30 September 2013 to 3,8 million Euro at 30 September 2014.

Net impairment losses on intangible assets largely refer to IT devices, and at 30 September 2014 stood at 1,4 million Euro, +10,5% compared to the prior-year period.

Net impairment losses on property, plant and equipment and investment property totalled 1 million Euro, compared to 0,8 million Euro at 30 September 2013 (+20,3%).

Other net operating income totalled 1,6 million Euro (-31,3% compared to the first nine months of 2013) and refers mainly to revenue from the recovery of expenses charged to third parties. The relevant cost item is included in other administrative expenses, namely under legal expenses and indirect taxes.

Pre-tax profit for the period stood at 111,4 million Euro, an increase of 6,5% compared to 30 September 2013.

Pre-tax profit for the third quarter of 2014 amounted to 36,2 million Euro, unchanged from the prior-year period.

Income tax expense amounted to 37,2 million Euro, down 0,7% from the prior-year period (37,5 million Euro at 30 September 2013). The Group's tax rate fell from 35,9% at 30 September 2013 to 33,4% at 30 September 2014, mainly following the deduction of impairment losses on receivables from the taxable IRAP, and also due to the reduction of the IRAP ordinary rate.

Profit for the period totalled 74,2 million Euro, compared to 67,1 million Euro at 30 September 2013 (+10,5%).

Profit for the third quarter of 2014 amounted to 24,1 million Euro, up 4,6% compared to the third quarter of 2013.

In the absence of profit attributable to non-controlling interests, these results refer entirely to the Group.

Contribution of business segments to Group results

The organisational structure

The model for segment reporting is in line with the organisational structure used by the Head Office to analyse Group results and is broken down into the following segments: Trade Receivables, Distressed Retail Loans, Tax Receivables, Governance and Services.

The Governance and Services segment manages the Group's financial resources and allocates funding costs to operating segments and subsidiaries through the Group's internal transfer rate system. The internal transfer rate system was updated effective 1 July 2013 to correctly represent the contribution of the different segments to the Group's results, accounting for the changes in the current situation and outlook of financial markets.

Here below are the results achieved in the first nine months of 2014 by the various business segments, which will be analysed in the sections dedicated to the individual segments.

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Amounts at 30.09.2014	116.039	20.033	8.132	66.562	210.766
Amounts at 30.09.2013	*90.694*	*19.392*	*7.585*	*76.468*	*194.139*
Change %	*27,9%*	*3,3%*	*7,2%*	*(13,0)%*	*8,6%*
Net profit from financial activities					
Amounts at 30.09.2014	86.021	20.277	8.252	66.562	181.112
Amounts at 30.09.2013	*54.169*	*21.000*	*7.997*	*76.409*	*159.575*
Change %	*58,8%*	*(3,4)%*	*3,2%*	*(12,9)%*	*13,5%*

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Available for sale financial assets					
Amounts at 30.09.2014	-	-	-	414.768	414.768
Amounts at 31.12.2013	-	-	-	2.529.179	2.529.179
Change %	-	-	-	(83,6)%	(83,6)%
Held to maturity financial assets					
Amounts at 30.09.2014	-	-	-	5.094.994	5.094.994
Amounts at 31.12.2013	-	-	-	5.818.019	5.818.019
Change %	-	-	-	(12,4)%	(12,4)%
Due from banks					
Amounts at 30.09.2014	-	-	-	294.844	294.844
Amounts at 31.12.2013	-	-	-	415.817	415.817
Change %	-	-	-	(29,1)%	(29,1)%
Loans to customers					
Amounts at 30.09.2014	2.143.279	166.816	114.352	163.562	2.588.009
Amounts at 31.12.2013	1.938.415	127.945	90.282	140.291	2.296.933
Change %	10,6%	30,4%	26,7%	16,6%	12,7%
Due to banks					
Amounts at 30.09.2014	-	-	-	632.553	632.553
Amounts at 31.12.2013	-	-	-	6.665.847	6.665.847
Change %	-	-	-	(90,5)%	(90,5)%
Due to customers					
Amounts at 30.09.2014	-	-	-	7.317.589	7.317.589
Amounts at 31.12.2013	-	-	-	4.178.276	4.178.276
Change %	-	-	-	75,1%	75,1%

SEGMENT KPI (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)				
Amounts at 30.09.2014	5.800.054	n.a.	n.a.	n.a.
Amounts at 30.09.2013	3.904.399	n.a.	n.a.	n.a.
Change %	48,6%	-	-	-
Nominal amount of receivables managed				
Amounts at 30.09.2014	2.735.560	5.368.725	157.708	n.a.
Amounts at 31.12.2013	2.577.820	3.911.852	140.160	n.a.
Change %	6,1%	37,2%	12,5%	-
Net bad loans/Loans to customers				
Amounts at 30.09.2014	1,5%	49,4%	0,0%	n.a.
Amounts at 31.12.2013	2,6%	52,0%	0,6%	n.a.
Change %	(1,1)%	(2,6)%	(0,6)%	-
RWA (2)				
Amounts at 30.09.2014	1.638.571	166.816	33.687	207.304
Amounts at 31.12.2013	1.561.355	127.945	33.292	227.883
Change %	4,9%	30,4%	1,2%	(9,0)%

(1) Gross flow of the receivables sold by the customers in a specific period of time
(2) Risk Weighted Assets

Trade receivables

This item includes the following business areas:

- Italian Trade Receivables, dedicated to supporting the trade receivables of SMEs operating in the domestic market;
- Foreign Trade Receivables, for companies growing abroad or based abroad and working with Italian customers; this area includes IFIS Finance's operations in Poland;
- Pharma, supporting the trade receivables of local health services' suppliers.

The +27,9% rise in net banking income in the Trade Receivables segment (116 million Euro compared to 90,7 million Euro in the prior-year period) was due to the higher number of financed companies (+14,2%, over 4.100 SMEs)—the segment's turnover achieved 5,8 billion Euro, up 48,6%—and to the increase in interest on arrears related to the Pharma business area (14,8 million Euro compared to 4,3 million Euro in the prior-year period). Said interest includes 8,4 million Euro from non-judicial collection and 6,4 million Euro from judicial actions undertaken by the Bank against some healthcare agencies, which resulted in final injunctions. Said final injunctions ordered the debtors to pay both the principal and interest on arrears in full. The Bank expects to collect these receivables beyond one year, therefore they were discounted.

The Bank, based on historical data and available information, estimates that at least 20% of interest on arrears accruing from the estimated collection date can be recovered.

During 2013, the Bank assessed its operating instruments consistent with business, accounting and IT processes, intended to support the management of the ATD product and, therefore, the monitoring of the interest concerned. Following the implementation of said instruments, starting from 2014, the Bank recognises the interest on arrears estimated to be recoverable, i.e. 20% of the interest accrued from the receivables' estimated collection date. During the first nine months of 2014, 1 million Euro in interest on arrears was recognised in profit or loss.

At 30 September 2014 the Bank accrued, but did not recognise, interest on arrears—calculated from the invoice's original maturity date—related to already collected receivables (totalling approximately 32,2 million Euro) as well as non-collected receivables (approximately 31,9 million Euro) due from the Public Administration.

As mentioned in the paragraph Introductory notes on how to read the data, the Banca IFIS Group revised its methods of accounting for receivables purchased outright within the factoring activity (hereinafter "ATD", *a titolo definitivo* in Italian) in order to report them more accurately in the financial statements. Specifically, although most of these receivables are short-term, the Bank measured them at amortised cost and reported them accordingly in its accounts. To allow for like-for-like comparison, the seller's consideration at 30 September 2013 was reclassified from Commission income to Interest income for 22,9 million Euro.

The decrease in **net impairment losses on receivables** (from 36,5 million Euro in the first nine months of 2013 to 30 million Euro in the first nine months of 2014; -17,8%) shows the better quality of Bank's assets in a still negative reference market.

INCOME STATEMENT DATA (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2014	2013(1)	ABSOLUTE	%
Net interest income	68.375	44.673	23.702	53,1%
Total net commission income	47.664	46.021	1.643	3,6%
Net banking income	**116.039**	**90.694**	**25.345**	**27,9%**
Net impairment losses on loans and receivables	(30.018)	(36.525)	6.507	(17,8)%
Net profit from financial activities	**86.021**	**54.169**	**31.852**	**58,8%**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd QUARTER		CHANGE	
	2014	2013(1)	ABSOLUTE	%
Net interest income	21.479	18.082	3.397	18,8%
Total net commission income	15.942	15.232	710	4,7%
Net banking income	**37.421**	**33.314**	**4.107**	**12,3%**
Net impairment losses on loans and receivables	(7.571)	(8.981)	1.410	(15,7)%
Net profit from financial activities	**29.850**	**24.333**	**5.517**	**22,7%**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	30.09.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Bad loans	32.975	50.804	(17.829)	(35,1)%
Substandard loans	45.910	61.796	(15.886)	(25,7)%
Restructured loans	16.237	8.351	7.886	94,4%
Past due loans	29.516	41.658	(12.142)	(29,1)%
Total impaired loans to customers	**124.638**	**162.609**	**(37.971)**	**(23,4)%**
Net performing loans	2.018.641	1.775.806	242.835	13,7%
Total loans to customers (cash)	**2.143.279**	**1.938.415**	**204.864**	**10,6%**

Loans to customers of the segment are composed as follows: 24,3% receivables due from the Public Administration (compared to 27% at 31 December 2013) and 75,7% due from the private segment (compared to 73% at 31 December 2013). The aforementioned change is also due to the acceleration in payments registered from the second half of 2013, partly mitigated by the increase in turnover recorded in the first nine months of 2014.

Net impaired loans decreased 23,4% from 162,6 million Euro to 124,6 million Euro.

The ratio of net bad loans to loans in the Trade Receivables segment improved, falling from 2,6% to 1,5%, while that of net substandard loans to loans went from 3,2% to 2,1%.

TRADE RECEIVABLES IMPAIRED LOANS *(in thousands of Euro)*	BAD LOANS (1)	SUBSTANDARD	RESTRUCTURED	PAST DUE	TOTAL
BALANCE AT 30.09.2014					
Gross amount	246.881	55.421	18.359	29.975	350.636
Incidence on gross total receivables	*10,4%*	*2,3%*	*0,8%*	*1,3%*	*14,8%*
Adjustments	213.906	9.511	2.122	459	225.998
Incidence on gross value	*86,6%*	*17,2%*	*11,6%*	*1,5%*	*64,5%*
Net amount	32.975	45.910	16.237	29.516	124.638
Incidence on net total receivables	*1,5%*	*2,1%*	*0,8%*	*1,4%*	*5,8%*
BALANCE AT 31.12.2013					
Gross amount	234.681	72.302	9.395	42.432	358.810
Incidence on gross total receivables	*11,0%*	*3,4%*	*0,4%*	*2,0%*	*16,8%*
Adjustments	183.877	10.506	1.044	774	196.201
Incidence on gross value	*78,4%*	*14,5%*	*11,1%*	*1,8%*	*54,7%*
Net amount	50.804	61.796	8.351	41.658	162.609
Incidence on net total receivables	*2,6%*	*3,2%*	*0,4%*	*2,1%*	*8,4%*

(1) As far as **bad loans** are concerned, it should be noted that Banca IFIS enters its gross bad loans, recognised in the financial statements net of the related specific value adjustments, up to the point in which all legal credit collection procedures have been entirely completed.

KPI	30.09.2014	30.09.2013	CHANGE	
			ABSOLUTE	%
Turnover	5.800.054	3.904.399	1.895.655	48,6%
Net banking income / Turnover	2,0%	2,3%	-	(0,3)%

KPI y/y	30.09.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Net bad loans/Loans to customers	1,5%	2,6%	-	(1,1)%
Coverage ratio on gross bad loans	86,6%	78,4%	-	8,2%
Impaired loans/Loans to customers	5,8%	8,4%	-	(2,6)%
Total RWA per segment	1.638.571	1.561.355	77.216	4,9%

The following table shows the nominal value of receivables purchased (operating data not recognised in the statements) for factoring transactions outstanding at the end of the period (Total Receivables), broken down into receivables with or without recourse and receivables purchased outright. Please note that the breakdown of purchased receivables in the following table is based on the contract form used by the Bank.

TOTAL RECEIVABLES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.09.2014	31.12.2013	ABSOLUTE	%
Receivables without recourse	130.183	146.515	(16.332)	(11,1)%
of which due from the Public Administration	*11.912*	*17.986*	*(6.074)*	*(33,8)%*
Receivables with recourse	1.926.144	1.832.762	93.382	5,1%
of which due from the Public Administration	412.322	*394.179*	*18.143*	*4,6%*
Outright purchases	679.233	598.543	80.690	13,5%
of which due from the Public Administration	516.717	*525.951*	*(9.234)*	*(1,8)%*
Total receivables	**2.735.560**	**2.577.820**	**157.740**	**6,1%**
of which due from the Public Administration	***940.951***	***938.116***	***2.835***	**0,3%**

The breakdown of customers by geographic area in Italy, with a separate indication for those abroad, is as follows:

BREAKDOWN OF CUSTOMERS BY GEOGRAPHIC AREA	COMMITMENTS	TURNOVER
Northern Italy	49,0%	53,2%
Central Italy	23,2%	29,5%
Southern Italy	24,8%	12,6%
Abroad	3,0%	4,7%
Total	**100,0%**	**100,0%**

Distressed Retail Loans

This is the Banca IFIS Group's segment dedicated to non-recourse factoring and managing distressed retail loans. It serves households under the new CrediFamiglia brand.

The business is closely associated with recovering impaired loans. Loans in the DRL segment are classified as bad and substandard loans: in particular, those loans are initially attributed the same classification as that assigned by the invoice seller, provided the latter is subject to the same law as Banca IFIS; otherwise, if the Bank has not ascertained the debtor's state of insolvency, those loans are classified as substandard.

After initial recognition, at an amount equal to the price paid, receivables are measured at amortised cost, calculated using the effective interest rate method; the effective interest rate is calculated as the rate at which the present value of the expected cash flows (Internal Rate of Return, hereafter IRR), for principal and interest, is equal to the price paid.

Specifically, receivables in the DRL segment are measured and recognised through the following steps:

1. at the time of their acquisition, receivables are recognised at their purchase price and measured at cost. Subsequently, the Bank assesses the account receivable's documentation, as well as whether it is past the statute of limitations, in order to either seek recourse from the seller or write off the receivable, if required. At the end of this phase, and after notifying the account debtor of the sale, the Bank can start taking action to recover the receivable;
2. once the collection process begins, they are measured at amortised cost using the effective interest rate method;

3. the effective interest rate is calculated on the basis of the price paid, the transaction costs, if any, and the estimated cash flows and collection time calculated using either a proprietary statistical model (point 5), analytical estimates made by managers, or, in the case of bills of exchange or agreements finalised with the creditor (the so-called settlement plans or expression of willingness), the relevant repayment plans;
4. the effective interest rate as set out in the previous point is unchanged over time;
5. the cash flows and collection time are estimated using a statistical model, on the basis of historical time series on revenues from similar portfolios over a statistically significant period of time;
6. repayment plans referring to bills of exchange or agreements finalised with the creditor are adjusted by a historical proportion of unpaid accounts;
7. at the end of each reporting period, interest income accrued on the basis of the original effective interest rate is recognised under Interest Income. Said interest is calculated as follows: Amortised Cost at the beginning of the period x IRR/365 x days in the period;
8. in addition, at the end of each reporting period the expected cash flows for each position are re-estimated;
9. should events occur (higher or lower revenues realised or expected compared to forecasts and/or a change in collection times) which cause a change in the amortised cost (calculated by discounting the new cash flows at the original effective rate compared to the amortised cost in the period), this change is also recognised under Interest Income, except in the situation set out in the following point;
10. should the loans be classified as bad loans, all the changes as set out in the previous point are recognised under Impairment losses/reversals on receivables;
11. should loans be classified as substandard, or should they be objectively impaired, the changes as set out in point 9) are recognised under item Impairment losses/reversals on receivables; if an impairment loss had already been recognised, reversals can be recognised up to the amount of said impairment loss, recognising the surplus under Interest Income.

It is important to bear in mind that the recognition of the various economic elements under Interest Income and Impairment losses/reversals is purely for accounting purposes, since it is connected to the classification of receivables; on the other hand, from the viewpoint of business, the economic effects shall be considered on the whole and divided into two macro-categories: interest generated by the measurement at amortised cost (point 7) and the economic components due to the changes in cash flows (points 8-9-10-11).

DRL RECEIVABLES PERFORMANCE	(in thousands of Euro)
Receivables portfolio at 31.12.2013	**127.945**
Purchases	41.180
Interest income from amortised cost	20.156
Other components of net interest income from change in cash flow	2.849
Losses/Reversals of impairment losses from change in cash flow	244
Collections	(25.558)
Receivables portfolio at 30.09.2014	**166.816**

INCOME STATEMENT DATA (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2014	2013	ABSOLUTE	%
Interest income from amortised cost	20.157	17.615	2.542	14,4%
Other interest income	2.849	4.553	(1.704)	(37,4)%
Funding costs	(2.973)	(2.776)	(197)	7,1%
Net banking income	**20.033**	**19.392**	**641**	**3,3%**
Net impairment losses/recoveries on loans and receivables	244	1.608	(1.364)	(84,8)%
Net profit from financial activities	**20.277**	**21.000**	**(723)**	**(3,4)%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd QUARTER		CHANGE	
	2014	2013	ABSOLUTE	%
Interest income from amortised cost	7.266	6.127	1.139	18,6%
Other interest income	884	(696)	1.580	(227,0)%
Funding costs	(1.081)	(890)	(191)	21,5%
Net banking income	**7.069**	**4.541**	**2.528**	**55,7%**
Net impairment losses/recoveries on loans and receivables	(1.110)	714	(1.824)	(255,5)%
Net profit from financial activities	**5.959**	**5.255**	**704**	**13,4%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	30.09.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Bad loans	82.450	66.505	15.945	24,0%
Substandard loans	84.366	61.440	22.926	37,3%
Restructured loans	-	-	-	-
Past due loans	-	-	-	-
Total impaired loans to customers	**166.816**	**127.945**	**38.871**	**30,4%**
Net performing loans	-	-	-	-
Total loans to customers (cash)	**166.816**	**127.945**	**38.871**	**30,4%**

KPI	30.09.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	5.368.725	3.911.852	1.456.873	37,2%
Total RWA per segment	166.816	127.945	38.871	30,4%

During the period, the counterparties settled their debt mainly according to the following methods:

- in cash (postal orders, bank transfers, etc.);
- by signing bills of exchange;
- settlement plans agreed with the debtors.

In particular, 25,6 million Euro in cash were collected, essentially in line with expectations; as for the bills of exchange, the new bills amounted to 38,3 million Euro, down compared to 59 million Euro in the prior-year period. This fall was expected due to the change in the credit collection method which, with an expected increase in debtor's underwriting, now prefers settlements plans agreed with debtors. This choice led, in the first nine months of 2014, to the establishment of settlement plans for an amount of 68,3 million Euro. It should be noted that total above-mentioned financial instruments reached 106,6 million Euro in the first nine months of 2014 and 59 million Euro in the first nine months of 2013.

The economic performance in the period was affected by the aforementioned trends in collection. In particular the collection from settlement plans, due to the conservative approach adopted by the

Bank to calculate the amortised cost, impact the income statement about one quarter after the date they are signed, i.e. when the customer has paid an amount at least equal to three monthly instalments.

The purchases made in the period led to the acquisition of financial receivables portfolios with a par value of 1.526 million Euro at a price of 41,2 million Euro (i.e. 2,7% of the par value), consisting of 159.337 cases.

With these purchases, the portfolio managed by the DRL segment covers 748.062 cases, for a par value of 5.368,7 million Euro.

For the sake of completeness, it should be noted that the costs relating to debt collection operations undertaken by agents and collection companies, recognised under "other administrative expenses", amounted to 3,8 million Euro, compared to 3,9 million Euro in the first nine months of the previous year.

Tax receivables

It is Banca IFIS Group's segment specialised in purchasing tax receivables arising from insolvency proceedings; it operates under the Fast Finance brand and offers to buy both accrued and accruing tax receivables on which repayment has already been requested or which shall be requested in the future, and that arose during insolvency proceedings or in prior years. As a complement to its core business, this segment seldom acquires also trade receivables from insolvency proceedings.

Since the Public Administration is the counterparty, tax receivables are classified as performing; trade receivables, on the other hand, may be classified as impaired loans, if required.

TAX RECEIVABLES PERFORMANCE	(in thousands of Euro)
Receivables portfolio at 31.12.2013	**90.282**
Purchases	28.948
Interest income from amortised cost	7.195
Other components of net interest income from change in cash flow	2.821
Losses/Reversals of impairment losses from change in cash flow	120
Collections	(15.014)
Receivables portfolio at 30.09.2014	**114.352**

INCOME STATEMENT DATA (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2014	2013	ABSOLUTE	%
Net interest income	8.132	7.585	547	7,2%
Total net commission income	-	-	-	-
Net banking income	**8.132**	**7.585**	**547**	**7,2%**
Net impairment losses on loans and receivables	120	412	(292)	(70,9)%
Net profit from financial activities	**8.252**	**7.997**	**255**	**3,2%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd QUARTER		CHANGE	
	2014	2013	ABSOLUTE	%
Net interest income	3.765	2.067	1.698	82,1%
Total net commission income	-	-	-	-
Net banking income	**3.765**	**2.067**	**1.698**	**82,1%**
Net impairment losses on loans and receivables	195	27	168	622,2%
Net profit from financial activities	**3.960**	**2.094**	**1.866**	**89,1%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	30.09.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Bad loans	-	499	(499)	(100,0)%
Substandard loans	-	-	-	-
Restructured loans	-	-	-	-
Past due loans	-	-	-	-
Total impaired loans to customers	**-**	**499**	**(499)**	**(100,0)%**
Net performing loans	114.352	89.783	24.569	27,4%
Total loans to customers (cash)	**114.352**	**90.282**	**24.070**	**26,7%**

KPI	30.09.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	157.708	140.160	17.548	12,5%
Total RWA per segment	33.687	33.292	395	1,2%

Net banking income is generated by the interest accrued according to the amortised cost method and funding costs allocated to the segment; the contribution to profit or loss of positions acquired following the acquisition of the former Toscana Finanza Group by Banca IFIS—whose returns are higher than those on the receivables held in the portfolio at the acquisition date—accounted for about 75% of net banking income.

Net banking income in the Tax Receivables segment was up 7,2% (8,1 million Euro compared to 7,6 million Euro in the prior-year period). The result at 30 September 2013 included the impact of the revision of estimated cash flows, higher than expected, and debt collection time, shorter than expected, worth 3,5 million Euro. A non-recurring item was recognised also in the first nine months of 2014 (1,2 million Euro). It refers to the collection of an impaired loan of the former Fast Finance. Net of these non-recurring items, net banking income for the first nine months of 2014 was up 68,3%, from 4,1 million Euro in 2013 to 6,9 million Euro in 2014.

During the period, 15 million Euro were collected, in line with estimates; 235 receivables were acquired at an average price of 28,9 million Euro, i.e. approximately 69,6% of the par value of the tax receivables net of enrolments (i.e. 41,6 million Euro).

With these purchases, the portfolio managed by the segment covers 4.850 cases, for a par value of 157,7 million Euro.

Governance and services

Within the scope of its management and coordination activities, the Governance and Services segment exercises strategic, managerial, and technical-operational control over operating segments and subsidiaries.

Furthermore, it provides the operating segments and subsidiaries with the financial resources and services necessary to perform their respective business activities. The Internal Audit, Compliance, Risk Management, Communications, Strategic Planning and Management Control, Administration and General Affairs, Human Resources, Organisation and ICT functions, as well as the structures responsible for raising, allocating (to operating segments and subsidiaries), and managing financial resources, are centralised in the Parent Company. Specifically, this segment includes both the contribution of the securities portfolio to net interest income for the period, amounting to 82,6 million Euro, and the cost of retail funding exceeding core loans and held in order to guarantee an adequate level of liquidity under economic stress scenarios.

INCOME STATEMENT DATA (in thousands of Euro)	AMOUNTS AT		CHANGE	
	2014	2013	ABSOLUTE	%
Net interest income	70.242	79.337	(9.095)	(11,5)%
Total net commission income	(4.082)	(3.253)	(829)	25,5%
Dividends and similar income and net loss from trading	402	384	18	4,7%
Net banking income	**66.562**	**76.468**	(9.906)	(13,0)%
Net impairment losses on available for sale financial assets	-	(59)	59	(100,0)%
Net profit from financial activities	**66.562**	**76.409**	(9.847)	(12,9)%

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	3rd QUARTER		CHANGE	
	2014	2013	ABSOLUTE	%
Net interest income	20.854	23.421	(2.567)	(11,0)%
Total net commission income	(1.349)	(1.240)	(109)	8,8%
Dividends and similar income and net loss from trading	16	294	(278)	(94,6)%
Net banking income	**19.521**	**22.475**	(2.954)	(13,1)%
Net impairment losses on available for sale financial assets	-	(12)	12	(100,0)%
Net profit from financial activities	**19.521**	**22.463**	(2.942)	(13,1)%

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	30.09.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Available for sale financial assets	414.768	2.529.179	(2.114.411)	(83,6)%
Held to maturity financial assets	5.094.994	5.818.019	(723.025)	(12,4)%
Due from banks	294.844	415.817	(120.973)	(29,1)%
Loans to customers	163.562	140.291	23.271	16,6%
Due to banks	632.553	6.665.847	(6.033.294)	(90,5)%
Due to customers	7.317.589	4.178.276	3.139.313	75,1%

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	30.09.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Bad loans	-	-	-	-
Substandard loans	-	-	-	-
Restructured loans	-	-	-	-
Past due loans	-	-	-	-
Total impaired loans to customers	**-**	**-**	**-**	**-**
Net performing loans	163.562	140.291	23.271	16,6%
Total loans to customers (cash)	**163.562**	**140.291**	**23.271**	**16,6%**

KPI	30.09.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Total RWA per segment	207.304	227.883	(20.579)	(9,0)%

Loans to customers in the Governance and Services segment increased from 140,3 million Euro to 163,6 million Euro (+16,6%); this change was due, on the one hand, to the decrease of reverse repurchase agreements with Cassa di Compensazione e Garanzia to the tune of 52,7 million Euro, and on the other hand, to the increase in margin lending related to repurchase agreements in Government bonds on the MTS platform to the tune of 77,5 million Euro (+96,8%).

Significant subsequent events

Banca IFIS transparently and timely discloses information to the market, constantly publishing information on significant events through press releases. Please refer to the "Investor Relations\Press Releases" section on the website for complete details.

http://www.bancaifis.com/Media-room/Press-releases

Here below is a summary of the most important events:

Cancellation of Government-backed bonds

On 15 October 2014 Banca IFIS, after having obtained the necessary authorisations, cancelled its bonds backed by the Italian Government in full. Such bonds, issued in January 2012 for a total amount of 207 million Euro, had been bought back in full by the Bank at the time of issue and were never placed on the market.

There were no other significant events after the reporting date and up to the approval of this Interim report.

Outlook

The Group's prospects for the end of 2014 remain steadily positive, despite growth in the macroeconomic scenario in which the Bank operates is expected to resume only in 2015.

On the economic front, expectations are still definitely negative. GDP is expected to increase only in 2015; inflation is largely below the ECB's expectations and targets and unemployment, mainly among the young, is still at alarming levels.

As for the European monetary policy, after the recent actions aimed at reducing the cost of money for the banks operating in the Eurosystem, the ECB will intervene more actively in the market: the impact on the availability of lending to the real economy and the costs/returns of debt and assets will need to be assessed. The current imbalance in the Eurozone would require a price growth trend, notably in Northern countries. Based on the political issues analysed, this scenario is not likely to occur, entailing a more severe restructuring process for Southern countries. However, within this context, supply-focused policies may not be sufficient, if they are not supported by demand-side measures. Furthermore, the EU common policy will seemingly not generate positive systematic solutions.

The Bank can count on sustainable margins thanks to the soundness and flexibility of its business model.

Operations in support of businesses could be positively influenced by the opportunities to acquire new customers and new loans. A key factor is the protracted scarce availability of lending to businesses. This is attributable both to non-specialist banks' use of conventional credit instruments in supporting businesses, and to the credit system's intention to improve equity ratios, aimed at reducing risks or capital absorption of loans of operators with lower credit rating. The performance will in any case depend on the trend in credit quality, a key variable for the banking market in challenging economic times. Should the excellent signs of improvement be confirmed, it would bolster the Group's operations as far as lending to SMEs is concerned. This could both prompt the Bank to step up its efforts and positively impact returns on loans net of credit costs.

As far as Non-Performing Loans are concerned, following the conclusion of transactions recognised in the third quarter, the Bank will continue to pay attention to the several portfolios of receivables due from households that originators are expected to place on the market. The outcome of bids will also be influenced by the attention paid by international operators to offers and prices.

The Bank will relentlessly continue to buy the portfolios offered by the sellers in all segments, adopting also innovative direct approaches to intervene faster.

As far as the management of portfolios is concerned, the focus on debt sustainability and the possibility of extending payments terms will most probably be crucial to boost the turnover and profitability of this business area, which operates in a social segment that has been badly hit by the crisis. In this segment, the introduction of new position collection and management instruments and the necessarily conservative accounting of expected cash flows temporarily influenced the business area’s results in the first part of the year. Expected acceleration will depend on the continuation of this negative trend and on any difficulties arising from the implementation of the new collection methods, through which the Bank can often sharply improve the quality of its portfolios, with long-term effects, following particularly strict margin recognition policies.

As for the Tax Receivables segment, which is strongly dependent on the time it takes for the Italian Treasury to make payments, the Bank is very actively acquiring often sizeable positions, given the good medium-term profitability of these investments.

The Group will continue to develop its two brands, Credi Impresa Futuro and CrediFamiglia, dedicated to financing companies operating in the domestic market and ensuring households settle their financial debts, respectively. Both brands will grow further thanks to their increasingly sophisticated web presence and, especially in the case of Credi Impresa Futuro, the fast ways to communicate with customers.

As for funding, the reduction in interest rates paid to customers due to market changes caused a further significant fall in the average cost of funding, and will continue to do so in the fourth quarter, also as a result of term deposits with high interest rates coming to maturity. The closely monitored decrease in funding is slight in absolute terms compared to the initial very high levels, and retail funding shall not increase further in order to prevent economic imbalances deemed unnecessary in the current scenario.

The current trends in market rates have made it no longer profitable for the Bank to continue purchasing Government bonds, a policy which ended at the end of 2013. The portfolio will continue to shrink over time as the bonds mature.

Therefore, the Group can reasonably expect a positive profit trend in the near future.

Other information

Bank of Italy inspection

The Bank of Italy carried out an inspection at the Bank's Head Office from 1 August to 14 December 2012, pursuant to art. 54 of Legislative Decree no. 385 of 1.9.1993.

The inspection was a follow-up on the checks performed by the Supervisory Board in the period 27/09/2010 – 27/12/2010.

On 13 March 2013, the Bank's senior management received the inspection report. Based on the outcome of the inspection, Banca IFIS drew up and submitted to the Bank of Italy, with a communication dated 10 May 2013, an action plan that was already implemented in part during 2013 and includes measures—some of which already included by the Bank in its own development plans—aimed at relentlessly updating processes as well as enhancing the organisational structure and operating systems.

Following the administrative sanction procedure of the Bank of Italy, the ruling dated 14 January 2014 imposed administrative sanctions totalling 342,5 thousand Euro to the members of the Board of Directors, of the Board of Statutory Auditors and to the General Manager.

Adoption of Opt-Out Option Pursuant To Consob Regulation 18079 of 20 January 2012

On 21 January 2013, Banca IFIS's Board of Directors resolved, as per art. 3 of Consob Regulation no. 18079 of 20 January 2012, to adopt the opt-out option pursuant to art. 70, paragraph 8 and art. 71, paragraph 1-bis, of Consob's Regulation on Issuers, thus exercising the right to depart from the obligations to publish information documents required in connection with significant operations like mergers, spin-offs, capital increases by contribution in kind, acquisitions and sales.

Privacy measures

In compliance with art. 34, paragraph 1, letter g) of Leg. Decree no. 196 of 30 June 2003 (the Personal Data Protection Code), the Group periodically updates its 'Security Policy Document' setting out the measures taken to guarantee the protection of processed personal data.

Parent Company management and coordination

Pursuant to arts. 2497 to 2497 sexies of the Italian Civil Code, it should be noted that the Parent Company La Scogliera S.p.A. does not carry out any management and coordination activities with respect to Banca IFIS, notwithstanding art. 2497 sexies of the Italian Civil Code, since the management and coordination of investee financial companies and banks is expressly excluded from La Scogliera's corporate purpose.

National consolidated tax regime

Banca IFIS, together with the parent company, La Scogliera S.p.A., opted for the application of group taxation (tax consolidation) in accordance with arts. 117 et seq. of Presidential Decree 917/86.

Transactions between these companies were regulated by means of a private written agreement between the parties, signed in the month of May 2013. This agreement lapses after three years. Banca IFIS has an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.p.A., the consolidating company.

Transactions on treasury shares

The Ordinary Shareholders' Meeting of 17 April 2014 renewed the authorisation to purchase and sell treasury shares, pursuant to art. 2357 et seq. of the Italian Civil Code, as well as art. 132 of Legislative Decree 58/98, establishing a price interval within which the shares can be bought between a minimum of 4 Euro and a maximum of 25 Euro, for a total amount of 40 million Euro. The Meeting also established that the authorisation lapses after 18 months from the date the resolution was passed.

At 31 December 2013, the bank held 1.083.583 treasury shares recognised at a market value of 7,9 million Euro and a par value of 1.083.583 Euro.

During the period it sold, at an average price of 13,96 Euro, 196.418 treasury shares with a market value of 2,7 million Euro and a par value of 196.418 Euro, making profits of 1,5 million Euro which, in compliance with international accounting standards, were recognised under capital reserves.

The remaining balance at the end of the period was 887.165 treasury shares with a market value of 6,7 million Euro and a par value of 887.165 Euro.

Venice - Mestre, 28 October 2014

For the Board of Directors

The Chairman
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

Declaration as per art. 154-bis of Legislative Decree 58 of 24 February 1998

GruppoBancaIFIS

Statement by the 'Manager responsible for preparing corporate financial documents'

The undersigned, Carlo Sirombo, 'Manager responsible for preparing corporate financial documents' for Banca IFIS S.p.A. declares, as per paragraph 2, article 154 bis of the Consolidation Act on financial intermediation, that the financial information contained in the present consolidated Interim Report as at 30 September 2014 corresponds to the documentable figures and results contained in Banca IFIS's accounting and bookkeeping documents, books and registers.

Manager responsible for preparing corporate financial documents

Carlo Sirombo

Mestre, 28 October 2014