Banca IFIS

HALF - YEAR REPORT 2004

Banca IFIS

Corporate Capital: euro 21.450.000 entirely paid
Number of Banks License: 3205
Tax Identification n. 02505630109
VAT n. 02992620274

REGISTERED OFFICE AND HEADQUARTERS
Via Terraglio, 65 – 30174 Mestre – Venezia
Internet Adress: *www.bancaifis.it*

BRANCHES
Piazza del Plebiscito, 55 – 60121 Ancona
Via C. Rosalba, 47/z – 70124 Bari
Viale Bonaria, 62 – 09125 Cagliari (Ca)
Via Lungarno Cellini, 25 – 50125 Florence
Via A. Costa, 62 – 40026 Imola (Bo)
Via Volta, 16 – 20093 Cologno Monzese (Mi)
Via G. Porzio, 4 – Centro Dir. Isola E7 – 80143 Naples
Viale America, 93 – 00144 Rome
Via G. L. Lagrange, 35 – 10123 Turin
Via Terraglio, 65 – 30174 Venice – Mestre

REPRESENTATIVE OFFICES
Boulevard Burebista, 3 – Bucharest (Romania)
Bajza U., 50 – Budapest (Hungary)

BOARD OF DIRECTORS

President	Sebastien Egon Fürstenberg
Vice President	Alessandro Csillaghy
CEO	Giovanni Bossi [1]
Board Members	Leopoldo Conti Roberto Cravero Andrea Martin
GENERAL DIRECTOR	Alberto Staccione

BOARD OF AUDITORS

President	Mauro Rovida
Active Auditors	Erasmo Santesso Dario Stevanato
Substitute Auditors	Luca Giacometti Francesca Rapetti
Auditing Firm	Deloitte & Touche S.p.A.

Member of Factors Chain International

(1) The CEO has powers for ordinary administration of the Company

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REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST HALF OF 2004

BOARD OF DIRECTORS' REPORT ON GROUP MANAGEMENT

Results and operating trend

Financing business to Small and Medium (SME) enterprises with factoring

The Banca IFIS Group (composed of the parent company Banca IFIS S.p.A. and subsidiary Immobiliare Marocco S.p.A.) profitably continued its business, aimed primarily at providing financing and management assistance to Italian and foreign small and medium enterprises using factoring. The Bank in this context acquires receivables generated by the customer enterprise, and manages their collection, distributing financing against the acquired receivables, for amounts, which in some cases, reach the entire counter-value of the receivable assigned by the enterprise. Lastly, upon request Banca IFIS evaluates the opportunity of assuming the risk of the debtor's failure to pay due to its insolvency.
Small and medium enterprises find Banca IFIS factoring to be a valid instrument for managing and financing current capital, even where circumstances linked to their economic and financial dimensions would make it difficult to access bank loans at the desired conditions.
Assigned receivables are the typical activity carried out by enterprise customers, they are high quality and at short-very short maturity (30-150 days), they are acquired in continuation with regular assignments notified to the debtor, which must settle their commitment exclusively with the Bank.
The typical customer is a small-medium enterprise with a turnover normally not exceeding 50 million euro, which with its industrial or commercial activity generates receivables with another enterprise. Both of the enterprises (the customer and its debtor) are subject to an in-depth risk assessment.
The factoring instrument is at its top efficiency when the credit standing of the debtor is better than the assigning customer and when the quality of the receivable is adequately documented. Banca IFIS selects its intervention by excluding operations where the quality of the credit is not suitable or the credit standing of the assigning customer is better than the debtor's. From the Bank's point of view there is no reduction of credit risk in both cases. In terms of credit risk, the operation in these cases assumes the typical features of bank financing or an advance on invoices in favour of the assigning customer, which is not of interest to the Bank.
Banca IFIS's business is developed in a segment heavily influenced by the trend of the economy. The small and medium enterprise sector frequently amplifies the general cyclical aspects compared to the traditional reference market of a generalist bank. Moreover, the accentuated dynamics which characterises the activity of Italian enterprises leads to the necessity to increasingly use information allowing the Bank to knowingly to assume risk.
For these reasons Banca IFIS instituted its own Internal Rating System (IRS) in 2002 specialised in the SME sector and aimed at factoring contracts. With the support of the Internal Rating System all the operations subject to Bank assessment are examined with an analytical approach, which allows the central structure of the bank to express an aware judgment of credit risk according to three criteria: relative debtor risk, relative assignor risk and risk related to the operation in its interests. The IRS, used by the area in charge of credit risk assessment and departments for the development of commercial transactions, is currently the platform used as a basis for the assumption, management and monitoring of credit risk.
It is also used to determine the minimum pricing of each operation or to optimise the application of economic conditions for the customer, based on the specific risk of each operation.

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During the first six months of 2004 business continued with significant growth rates, even if usual for Banca IFIS. The achieved development has been a consequence of the incessant selection of new operations in a still economic context with widespread enterprise crises.
The Bank's economic results in this economic environment appear particularly

positive and allow for a reasonable optimism on the capacity of the Institute to stably generate significant profit flows even in unfavourable economic contexts.

Profit and net equity

Over the course of the six months Banca IFIS was able to further increase its market share, as a result of an action aimed at developing the number of customers and improving relations with existing ones by focusing on products with higher added value.
Group profit reached 3,389 thousand euro at 30 June 2004, with an additional growth of 12.6% over the first six months of 2003. This result was produced in the presence of provisions and net adjustments on still significant bad debts, but with a slight decrease compared to the same period for 2003 (from 2,373 thousand euro at 30 June 2003 to 2,148 thousand euro at 30 June 2004, -9.5%).
ROE, annualised to 30 June 2004, amounting to 14.4%, improved compared to the 30 June 2003 figure of 13.9%, while it remained unchanged compared to the 31 December 2003 figure.

The organization group companies

The composition of the group did not undergo variations during the six months.
The group thus remains composed of Banca IFIS and the sole subsidiary Immobiliare Marocco S.p.A, an instrumental real estate company held at 100%.

Operating profit

The operating profit shows a further increase compared to the first six months of the previous fiscal year, increasing from 7,252 thousand euro to 8,140 thousand euro (+12.2%).
The interest income registered a significant increase, rising 11.8% compared to 30 June 2003, from 5,841 thousand euro to 6,532 thousand euro. Despite the presence of strong pressure on the decrease of the spreads applied to customers, the total absence of debt positions with fixed rate or slow variation made it possible to make avail of the low level reached by short term rates, activating commitment profit management policies strongly ties to the risk conditions implicit in existing financing operations.
Net commissions registered a brilliant performance, with an increase of 22,4% compared to the first half of the previous year, rising from 5,174 thousand euro to 6,334 thousand euro.
The increase is adequately counterbalanced in the growth of costs connected with underwriting and credit risk management, diluted primarily among the expenses for personnel. Brokerage margin registered an increase equal to 14,4% compared to 30 June 2003, increasing from 11,513 thousand euro to 13,176 thousand euro.
Total operating costs reached 5,036 thousand euro, with an increase equal to 18.2% compared to the first half of 2003. In particular, increases were registered for personnel (from 2,232 thousand euro in the first half of 2003 to 2,614 thousand euro in the first half of 2004, +17,1%) due to reinforcement of the commercial organization, upgrading of the risk assessment and credit management area and in general to reinforce the Head Office. The dynamics of other administrative expenses (from 1,709 thousand euro in 2004 in the first half of 2003 to 2,054 euro in the first half of 2004, +20,2%) is due to costs connected with further development of the business: consultancy and professional assistance, rents for branch offices, information technology system maintenance and assistance, supports for better selection and control of credit. Value adjustments on intangible fixed assets (from 320 thousand euro during the first half of 2003 to 368 thousand euro in the first half of 2004, +15%) also underwent an increase (primarily due to information technology supports) as well as tangible fixed assets (primarily due to industrial goods related to company offices).
The cost/income ration was 38.2% a slight increase over the 37.1% at 31 December 2003 and 36.9% of 30 June 2003, following the higher percentage in administrative expenses, due to reinforcement of the organisation to support growth, compared to the increase in revenue. The cost/income ratio is one of the best on the entire national banking scene.

Net profit

The dynamics of provisions and value adjustments was also sustained during the first half of 2004, reaching an ordinary profit equal to 5,992 thousand euro, for a

significant increase (+22,8%) over the result for the same period of the previous year equal to 4,879 thousand euro. Of note are the significant value adjustments on receivables for 2,148 thousand euro, only slightly less than the 2,373 thousand euro of the first half of 2003 (-9.5%).
Part of the gross profit is composed of net extraordinary charges of 30 thousand euro, against net extraordinary charges of 239 thousand euro in the first half of the year at 30 June 2003.
During the first half of 2004 the group took advantage of a tax amnesty pursuant to law no. 287 of 27 December 2002 for income tax and VAT, incurring a total charge of 111 thousand euro thus permanently closing 2002 for the purposes of income tax and VAT.
After income tax of 2,573 thousand euro (1,630 thousand euro at 30 June 2003) and with no third party profit, a net profit of 3,389 thousand euro was reached, for a growth of 12,6% compared to the 3,010 euro in 2003.

Commitments

During 2004 Banca IFIS redefined its strategy focusing even more intently on small and medium enterprises, and excluding financing to medium-large enterprises from its financing business. In addition to fractioning of credit risk, implementation of this strategy led to a slowdown in commitments to large entrepreneurs, to the advantage of small commitments.
The implementation of this strategy could have lead to a sharp slowdown in commitments; instead customer loans reached 335 million euro and dropped only 2.6% compared to 31 December 2003, while they underwent an increase of 14.9% compared to 30 June 2003 (equal to 344 and 292 million euro, respectively).
The quality of credit has remained the same in relation to 31 December 2003, with a ratio of net non-performing loans to commitments equal to 3.1%.

Raising of funds

The most significant source of financing for Banca IFIS is represented by short term deposits from other credits Institutions, created in a direct form, or even more significantly, via transactions regulated on e-mid, the deposit interbanking market, which the Bank has been a member of since 2003. Customer deposits is still limited item of deposits at 30 June 2004.
Lastly, the revolving securitisation program started in October 2003 still continues for performing credits against assigning debtors, for the original duration of 12 months renewable for a maximum of 5 times. The main reason for the program is to improve the Bank's funding.
Total deposits reached 373 million euro, with a decrease of 1.2% compared to 31 December 2003. In detail, 208 million euro were the result of transactions with banking counterparts, of which 57 million euro governed by e-mid, 42 million euro from customer deposits and 123 million euro from funding obtained from the securitisation program.

Organization

At the end of the half year the group had a staff of 99 employees, all concentrated in the parent company Banca IFIS S.p.A. Territorial breakdown in Italy includes 10 Branches (Ancona, Bari, Cagliari, Florence, Imola, Milan, Naples, Rome, Turin and Venice) and 2 Representative Offices (Bucharest and Budapest).

The new head office "Villa Marocco"

Work to complete the Bank's new head office in Marocco (Mestre-Venezia) continues, in a functional and prestigious context. The growth in size of the company has made the transfer to the new premises urgent. Completion of the infrastructures is scheduled for the end of 2004 and transfer to the new head office within the first months of 2005, unless there are unexpected occurrences related to logistic and operative aspects.

MAIN GROUP FIGURES

KEY FIGURES

CONSOLIDATED ASSETS AND LIABILITIES

(in thousands of euro)

	YEAR		CHANGES	
	30/06/2004	31/12/2003	ABSOLUTE	%
Receivables with banks	13,226	10,631	2,595	24.4%
Receivables with customers	393,074	404,333	(11,259)	(2.8)%
Assets	16,179	17,756	(1,577)	(8.9)%
Other asset items	11,170	12,464	(1,294)	(10.4)%
Total assets	**433,649**	**445,184**	**(11,535)**	**(2.6)%**
Payables with banks	330,972	318,897	12,075	3.8%
Payables with customers	41,609	58,251	(16,642)	(28.6)%
Net equity	50,495	49,248	1,247	2.5%
Other liability items	10,573	18,788	(8,215)	(43.7)%
Total liabilities	**433,649**	**445,184**	**(11,535)**	**(2.6)%**

CONSOLIDATED PROFIT AND LOSS STATEMENT FIGURES

(in thousands of euro)

	YEAR		CHANGES	
	30/06/2004	30/06/2003	ABSOLUTE	%
Brokerage margin	**13,176**	**11,513**	**1,663**	**14.4%**
Operating costs	5,036	4,261	(775)	18.2%
Operating result	**8,140**	**7,252**	**888**	**12.2%**
Value adjustments on loans	2,148	2,373	225	(9.5)%
Ordinary profit	5,992	4,879	1,113	22.8%
Net profit	**3,389**	**3,010**	**379**	**12.6%**

ECONOMIC-FINANCIAL INDEXES AND OTHER FIGURES

	30/06/2004	31/12/2003	CHANGES
Profit indexes			
ROE (1) (2)	14.4%	14.4%	---
ROA (2)	3.8%	3.4%	0.4%
Cost/income ratio	38.2%	37.1%	1.1%
Risk indexes			
Net bad loans/Receivables with customers	3.1%	3.1%	---
Net non-performing loans/Receivables with customers	4.4%	4.7%	(0.3)%
Solvency coefficients			
Base equity/Weighted activities for credit risk	14.3%	14.0%	0.3%
Regulatory capital/Weighted activities for credit risk	14.2%	13.8%	0.4%
Figures per employee (3) (4)			
Brokerage margin/Number of employees (2)	266.2	273.6	(7.4)
Total assets/Number of employees	4,380.3	5,117.1	(736.8)
Personnel cost/Number of employees (2)	52.8	49.6	3.2

(1) The assets used for the ratio is end of fiscal year (excluding fiscal year profit).
(2) Calculated using the projection on an annual basis of the profit and loss statement items.
(3) Number of employees-end of fiscal year.
(4) Ratios in thousands of euro.

RECLASSIFIED CONSOLIDATED BALANCE SHEET
(in thousands of euro)

ASSETS	YEAR 30/06/2004	YEAR 31/12/2003	CHANGES ABSOLUTE	CHANGES %
Cash on hand and liquid assets at central banks and post offices	10	7	3	42.9%
Receivables:				
- with Customers	393,074	404,333	(11,259)	(2.8)%
- with Banks	13,226	10,631	2,595	3.0%
Trading securities	782	782	---	---
Fixed assets:				
- intangible	682	627	55	8.8%
- tangible	15,497	17,129	(1,632)	(9.5)%
Other asset items	10,378	11,675	(1,297)	(11.1)%
Total assets	**433,649**	**445,184**	**(11,535)**	**(2.6)%**

LIABILITIES	YEAR 30/06/2004	YEAR 31/12/2003	CHANGES ABSOLUTE	CHANGES %
Payables:				
- with Customers	41,609	58,251	(16,642)	(28.6)%
- with Banks	330,972	318,897	12,075	3.8%
Provisions with specific utilisation:				
Employee severance indemnities	768	681	87	12.8%
Provisions for taxes	2,459	3,516	(1,057)	(30.1)%
Other liability items:	7,346	14,591	(7,245)	(49.7)%
Net equity:				
Capital, share premiums and reserves	47,106	43,041	4,065	9.4%
Net profit	3,389	6,207	(2,818)	(45.4)%
Total liabilities	**433,649**	**445,184**	**(11,535)**	**(2.6)%**

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS STATEMENT

(in thousands of euro)

	YEAR		CHANGES	
	30/06/2004	**30/06/2003**	**ABSOLUTE**	**%**
Net interest	8,754	5,849	2,905	49.7%
Dividends and other income	6	18	(12)	(66.7)%
Profits (Losses) from financial transactions	(2,228)	(26)	(2,202)	n.s.
Interest income	**6,532**	**5,841**	**691**	**11.8%**
Net commissions	6,334	5,174	1,160	22.4%
Other operating income	310	498	(188)	(37.8)%
Income from brokering and other	**6,644**	**5,672**	**972**	**17.1%**
Brokerage margin	***13,176***	***11,513***	***1,663***	***14.4%***
Personnel expenses	(2,614)	(2,232)	(382)	17.1%
Other administrative expenses	(2,054)	(1,709)	(345)	20.2%
Value adjustments of fixed assets	(368)	(320)	(48)	15.0%
Operating costs	**(5,036)**	**(4,261)**	**(775)**	**18.2%**
Operating result	***8,140***	***7,252***	***888***	***12.2%***
Net adjustments on receivables value	(2,148)	(2,373)	225	(9.5)%
Profit before extraordinary items	***5,992***	***4,879***	***1,113***	***22.8%***
Extraordinary Profit (Loss)	**(30)**	**(239)**	**209**	**(87.4)%**
Gross profit	***5,962***	***4,640***	***1,322***	***28.5%***
Income tax	(2,573)	(1,630)	(943)	57.9%
Net profit	***3,389***	***3,010***	***379***	***12.6%***

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS STATEMENT: QUARTERLY CHANGES

(in thousands of euro)

	YEAR 2004		YEAR 2003	
	2nd quarter	1st quarter	4th quarter	3rd quarter
Net interest	4,438	4,316	3,951	3,001
Dividends and other income	6	---	---	---
Profits (Losses) from financial transactions	(1,060)	(1,168)	(845)	11
Interest income	**3,384**	**3,148**	**3,106**	**3,012**
Net commissions	3,198	3,136	2,971	2,615
Other operating income	113	197	317	270
Income from brokering and other	**3,311**	**3,333**	**3,288**	**2,885**
Brokerage margin	***6,695***	***6,481***	***6,394***	***5,897***
Personnel expenses	(1,359)	(1,255)	(1,075)	(1,008)
Other administration expenses	(1,015)	(1,039)	(1,172)	(908)
Administrative expenses	**(2,374)**	**(2,294)**	**(2,247)**	**(1,916)**
Value adjustments of fixed tangible and intangible assets	(206)	(162)	(236)	(179)
Operating costs	**(2,580)**	**(2,456)**	**(2,483)**	**(2,095)**
Operating result	***4,115***	***4,025***	***3,911***	***3,802***
Net adjustments on receivables value	(627)	(1,521)	(2,813)	(1,150)
Profit before extraordinary items	***3,488***	***2,504***	***1,098***	***2,652***
Extraordinary Profit (Loss)	**(72)**	**42**	**(679)**	**(10)**
Gross profit	***3,416***	***2,546***	***419***	***2,642***
Income tax	(1,604)	(969)	1,216	(1,080)
Net profit	***1,812***	***1,577***	***1,635***	***1,562***

Market trends and group activity

Group position and programs

Banca IFIS in its role of factor is in competitive context dominated by operators belonging to the major banking groups, with a significant presence of industrial related brokers. The first four market operators produced 65% of the overall turnover of accumulated assigned receivables.
The distinct features of the various operators underline the different types of activities and services offered to the market by banks and other companies specialised in the factoring market. These approaches are primarily the result of two models plus a third one which includes elements of both of the previous ones:

- offer of factoring and financing services (with a relatively more marked presence of the without recourse portion) to excellent quality assignors and for which the short term credit risk on the assigning debtor is particularly limited or for assignors with a well-distributed receivables portfolio and apportioned according to a statistical approach based on criteria of overall flows and/or markets, maximisation of volumes and well-distributed portfolio. Remuneration for these types of transactions are in line with the underlying risk level;
- credit and financing management for SME's, based on a prompt and analytical assessment of both debtor and assignor risk. This approach requires the specific, and in some cases simultaneous, analysis of three subjects/elements: the assigning debtor, the type of acquired receivable and the assignor. The credit risk on the debtor, where assumed, is assessed based on specific analysis of the guaranteed debtor and is remunerated based on the inherent risk of the transaction in order to always guarantee an adequate risk/yield ratio. The remuneration requested by the factor against such activity (both for recourse and without recourse) is significantly higher than that from an analytical volume or insurance statistical approach;
- model where the two different approaches are used together.

Banca IFIS belongs to the second category of operators. The Bank is aimed at a well-defined market segment, composed of small and medium assignors characterised by receivables against assigning debtors with a higher credit standing. Thus the reference market is represented by average quality assignors which primarily appreciate the quality of service, and includes operators with little possibility of access to credit for the amount and quality desired in the traditional banking market. This is a particularly vast segment in Italy and Europe which is characterised by the relative absence of large banking operators, more oriented towards larger assignors with better credit standing.

In carrying out its business through the use of factoring, Banca IFIS is able to provide services and financing to customers in the SME segment while maintaining a lower risk profile by transferring the risk from the assignor to the assigning debtor. This transfer of risk is characterised by the strictest application of legal factoring rules, based on the quality of the acquired receivable.
Observance of the factoring rules allows Banca IFIS to accept small and medium dimension assignors basing its assessment primarily on the quality of the assigning debtor (which often confirms the quality of the assigned receivable) or on the quality of the receivable itself, assessing every single transaction through a simultaneous analysis of the assigning debtor, receivable to be assigned and assignor.
The established programs involve a further rapid increase in company size and number of customers.

The development of the Bank's business revolves around the following guidelines:

1) further strengthening of existing branches and opening new ones, with the aim of consolidating the position achieved in the factoring industry in favour of SME in the specific markets as well as strengthening the presence of the Bank in Italy;
2) development of new services, in part aimed at adequately complying with new regulations related to the assumption of credit risk by banks (Basel 2);
3) further enhancement of management, with particular reference to credit risk assessment and management, considering the risk the Bank is subject to as most important, and the back office, felt to be a key element for correct company operation and for general protection from risks;
4) development of factoring for enterprises located in European Union countries and in other non-EU countries both through Factor Chain International and direct transactions;
5) further integration of ICS (Internal Control System), an indispensable protection against the risks the Bank is exposed to;
6) increase in financing sources, specifically:
   - increase in e-mid transactions (at 30 June 2004 Banca IFIS had negotiated deposits on e-mid for 57 million euro, around 27.4% of the total of its payable bank deposits and 15.3% of total funds; 40.5% of funds raising are from interbanking funds not linked to e-mid, 11.2% from customer deposits and 33% funding from the securitisation transaction);
   - obtainment of significant lines of credit in traditional type interbanking transactions;
   - increase in direct deposits primarily from customer enterprises from large term deposits with at favourable interest rates for the depositors.

   It is important to note, that in its effort to stabilise and diversify its financing sources, Banca IFIS has instituted a convertible bond loan for an amount of 50 million euro, entirely subscribed during July 2004; this is discussed at length below in this Report.
7) enhancement of the technological infrastructure by introducing increasingly advanced IT supports and able to provide IT elements for decisions at all levels of the company organization, in real time, with reliability, simplicity and complete security;
8) renovation of the new head office of the Bank, destined to meet the increase in size and business in coming year. According to Management estimates, completion of the renovation work and transfer to the new head office is scheduled between the end of 2004 and first months of 2005.
9) possible increase in external lines by acquisition of national and international firms active in the factoring segment.

Risk control

Banca IFIS has continued its measurement, control and management activities for various types of risk. Particular emphasis has been placed on credit risk following evaluation of the Banks' specific situation, aimed at an aware assumption of risk in the enterprise financing area. Nevertheless, the other risks associated with the Bank's business were not underestimated.
Internal Control System (ICS) integration interventions have been continued in order to ensure a balance between profitability and underwritten risks.
The Internal Control System is considered as a set of procedures and actions for achieving the following goals:

- effective and efficient company processes (administration, production and distribution);
- safeguard the value of business and protection from losses;
- reliability and integrity of accounting and management information;
- operations which are in compliance with the applicable law, supervisory regulations as well as policies, plans, regulations and internal procedures.

Credit risk and the Internal Rating System (IRS)

Obtaining an effective management of credit risk is a strategic aim for Banca IFIS and this can be pursued by adopting integrated and consistent tools in order to guide credit management in all its phases (investigation, distribution, monitoring and management, intervention with problem credit). The Internal Control System is aimed at regulating credit risk through integration of line and risk management controls and internal auditing activity.
During the first half of 2004 Banca IFIS has continued to develop measuring, control and management activity for different types of risk, with particular reference to credit and operating risks, considered the risks the Bank is most exposed to, but without underestimating the other risks the Bank is exposed to. Internal System Control (ISC) integration interventions have been established by Banca IFIS in order to ensure adequate tools for allowing a balance between profitability and underwritten risks. Banca IFIS places priority on the Internal Control System, considered as a set of procedures and actions for achieving the following goals:
- effective and efficient company processes (administration, production and distribution);
- safeguard the value of business and protect from losses;
- reliability and integrity of accounting and management information;
- compliance of transaction with applicable law, supervisory regulations,
as well as policies, plans, regulations and internal procedures.
Considering the specific activity of the Bank (acquiring company accounts receivables), credit risk is the most significant risk for the group.
For this reason all phases of credit risk underwriting and control are concentrated at the Head Office, thus obtaining a high level of homogeneity in granting credit and strong monitoring of individual positions.
Protection against credit risk in particular is the responsibility of the Bank's Top Management due to its importance.
As for the assumption of credit risk (defined as risk which involve the Bank for an amount over 10% of its regulatory capital) the Board of Directors has asked Top Management to report and limit them as a conservative measure within an amount greatly more restricted compared what is allowed under current supervisory regulations. Top Management believes that it will be able to achieve total reduction of major risks within 100% of supervisory capital probably by the end of fiscal year 2004. Credit risks, which require a significant commitment of the Bank's equity, even if they are under the 10% of regulatory requisites, are systematically monitored.
Credit risk is also protected by the use of operating procedures able to quickly identify positions which present irregularities, and to monitor the evolution of the quality of the credit portfolio, by constant and diversified surveys in part based on the economic sector, on the type of assignor/debtor and transaction.
In an effort to anticipate the introduction of systems meeting the Basel 2 indications,

the Bank started an audit process of its own Credit Risk Management policies in the first half of 2002 which led to the creation and implementation of the new Internal Rating System (IRS).
The Internal Rating System (IRS) in operation since October 2003, is able to assign a credit standing to assignors, debtors and transactions used to:

- immediately identify the risk involved with individual financing transactions;
- establish adequate pricing for each class of risk from the transaction feasibility analysis phase;
- continuously monitor the progress of transactions with customers and debtors, automatically verifying the significant aspects of transactions on a monthly basis;
- when IRS is completely operational it will also be able to manage portfolio risk as an aggregation of risks inherent in single transactions;
- to benefit in the future from the advantages offered by the new minimum regulatory capital requirements, where it is possible to statistically determine default probability (rating qualification phase of the internal rating system).

IRS is a software of which Banca IFIS is the sole owner, and which interfaces with the bank management software normally used by the Bank in factoring activity. The operations of IRS completely reflect the logic of the credit risk assessment adopted by the Bank. The system is set up for an initial separate analysis of assignor-risk and debtor-risk used to make a correct counterpart risk assessment, followed by a combined assessment based on the characteristics of the receivable and the overall transaction.
Specifically, IRS makes it possible to assign a credit rating to the assignor, a rating to the debtor and a rating to the underlying credit transaction. The assignor and debtor "quality" study is based on the use of a financial statement analysis system profiled by industry of the counterpart, analysis of the industry, queries to the Centrale Rischi, external information and qualitative assessments. An assignment of a rating to the receivable and the overall transaction follows the rating assigned to the assignor and debtor. The transaction rating is always included between the assignor rating (usually the worst, based on the strategic decision aimed at giving priority to SME assignors) and debtor rating (usually the better of the two). The position of the transaction rating between the two extremes depends entirely on the credit quality, determined by algorithms established by Banca IFIS based on its twenty years of experience in the factoring sector.

Interest rate and liquidity risk

Underwriting interest and liquidity risks in principle is not involved with group management, which supplies itself with floating rate financial resources, primarily indexed, or fixed rate very short term, using them in a very short term (commitments with customers are all revocable).
Control of risks underwritten in the treasury area, in compliance with the strict limits established by the Board of Directors, is guaranteed by stringent operating procedures and by IT tools and reports aimed at further improving monitoring of potential risks that can be underwritten in this area.

Exchange rate risk

The assumption of exchange rate risk, intended as a management component potentially suited to improve treasury performance, represents a speculative instrument and thus in principle is not part of the Bank's financial policy. The Bank's currency operations basically involve transactions on behalf of customers and are normally correlated with typical factoring activity. In this framework each transaction is backed by an assigned receivable in the same currency thus eliminating the risk of losses connected with exchange rate fluctuations.

Market risk

The Bank does not assume any market risk, since its business is almost entirely within the sector of financing operating capital to SME's, using the factoring instrument without assuming market risk.

Operating risk

Operating risks are generally defined as economic loss risks due to malfunctions in internal processes, inadequate procedures, human error or external events. Management of operating risk requires the ability to identify the risk present in all significant products, activities, processes and systems which can compromise achieving the Bank's goals. Management of this type of risk is currently Top Management's responsibility. The analysis started in 2003 of single company processes continues in order to identify elements of loss and sources of risk of each process (risk mapping). Risk measurement instruments have also begun to be set up used to find any anomalies in operating processes.

The risk of economic loss resulting from facts which affect the only company held at 100%, Immobiliare Marocco S.p.A., a real estate company, are part of this category. Based on the type of business it carries out, Immobiliare Marocco is not involved in other risks (credit, interest, liquidity and market) which characterise the business of a credit institution. Currently monitoring of operating risk of the subsidiary is ensured by systematic communication of information to the parent company's Top Management, which makes decisions regarding the strategies of the subsidiary for risk as well.

Main equity aggregates

The dynamics of the main equity aggregates during the half year was characterized in part by the development of parent company operations (new customers, new services in new markets), and in part by the reflective period which characterized the world, and particularly, Italian economy.
The parent company is almost exclusively involved in the factoring industry and expresses its commitments as credit to customers. Financing of the activity comes primarily from the banking market, as well as a securitisation transaction on performing receivables, described in detail below, and lastly, marginally from direct customer deposits. Banca IFIS has also issued a convertible bond loan for a total of 50 million dollars, entirely subscribed in the month of July 2004, described in detail in the "Other Information" chapter.

MAIN ASSET AGGREGATES
(in thousands of euro)

	AMOUNTS			ABSOLUTE CHANGES BETWEEN	
	30/06/2004	31/12/2003	30/06/2003	06/04-12/03	12/03-06/03
Receivables with customers	393,074	404,333	291,653	(11,259)	112,680
Securities	782	782	782	---	---
Tangible and intangible fixed assets	16,179	17,756	21,893	(1,577)	(4,137)
Balance of other items	13,041	3,525	3,950	9,516	(425)
Total net assets	**423,076**	**426,396**	**318,278**	**(3,320)**	**108,118**
Payables with customers	41,609	58,251	74,899	(16,642)	(16,648)
Payables with banks	330,972	318,897	197,328	12,075	121,569
Net equity	50,495	49,248	46,051	1,247	3,197
Total net liabilities	**423,076**	**426,396**	**318,278**	**(3,320)**	**108,118**

Receivables with customers

At the end of the half year the total of receivables due from customers was 393 million euro, with a slight decrease in the figure compared to the end of 2003. Receivables due from customers include the asset backed portion from the revolving securitisation operation started on October 2003, equal to 58 million euro at 30 June 2004 as seen in the notes to the financial statement. Average commitments, net of the figure regards the securitisation were equal to 330 million euro for the first half of 2004 against the 259 million euro for all of 2003.
Performing loans which do not include bad loans were equal to 325 million euro at the end of the half year.

BANKING PRODUCTS
(in thousands of euro)

	YEAR		CHANGES	
	30/06/2004	**31/12/2003**	**ABSOLUTE**	**%**
Current accounts and other facilities	28,515	32,982	(4,467)	(13.5)%
Advance accounts for recourse assignment	184,185	141,523	42,662	30.1%
Advance accounts for non-recourse assignment	23,300	77,388	(54,088)	(69.9)%
Receivables with debtors for definitive acquisitions	84,581	76,343	8,238	10.8%
Loans	428	522	(94)	(17.9)%
Receivables for leasing contracts	3,556	4,529	(973)	(21.5)%
Total performing loans	**324,565**	**333,287**	**(8,722)**	**(2.6)%**
Net bad loans	10,478	10,597	(119)	(1.1)%
Receivables subordinate loans	58,031	60,449	(2,418)	(4.0)%
Total receivables with customers	**393,074**	**404,333**	**(11,259)**	**(2.8)%**

The breakdown of customers by geographic area in all micro regions of the country as well as abroad and the breakdown of the customers by product category is shown below.

BREAKDOWN OF CUSTOMERS BY GEOGRAPHIC AREA	INVEST-MENTS	TURNOVER
Northern Italy	41.4%	34.5%
Central Italy	32.6%	36.7%
Southern Italy	22.9%	14.6%
Abroad	3.1%	14.2%
Total	**100%**	**100%**

BREAKDOWN OF CUSTOMERS BY PRODUCT SECTOR		INVESTMENTS	TURNOVER
1	Agriculture, forestry and fish products	0.0%	0.0%
2	Energy products	0.3%	0.0%
3	Minerals and ferrous and non-ferrous metals	0.7%	1.1%
4	Minerals and mineral based products	0.9%	2.2%
5	Chemical products	1.0%	0.9%
6	Products in metal excluding machines and equipment	6.3%	5.1%
7	Agricultural and industrial machines	5.0%	4.0%
8	Machines for offices data processing and precision machinery	0.2%	0.1%
9	Electrical material and supplies	6.9%	7.9%
10	Transportation vehicles	0.6%	0.5%
11	Food and beverage products	2.9%	1.6%
12	Textile, leather, shoe and clothing products	4.0%	2.2%
13	Paper, printing and publishing	0.9%	1.4%
14	Rubber and plastic products	2.7%	2.4%
15	Other industrial products	0.8%	0.3%
16	Construction and public works	11.4%	14.8%
17	Wholesale and retail trade, recoveries and repair	11.5%	9.5%
18	Hotel and public establishment services	0.7%	0.6%
20	Maritime and air transportation services	2.3%	2.2%
21	Transportation related services	0.8%	1.3%
22	Telecommunications services	0.6%	0.3%
23	Other services for sale	15.7%	27.4%
0	Non classifiable	23.8%	14.2%
	of which non-resident subjects	*3.1%*	14.2%
	of which financial institutions	*0.3%*	---
	of which others	*20.4%*	---
	Total	**100%**	**100%**

Bad loans

The total bad loans with customers, net of writedowns, was 10,478 thousand euro at 30 June 2004 against 10,597 thousand euro at 31 December 2003 for a decrease of 1.1%, and against 8,074 thousand euro at 30 June 2003 for an increase of 29.8%. Including writedowns, bad loans totalled 24,549 thousand euro, against 22,141 thousand euro at the end of 2003 (+10.9%) and against 15,647 at 30 June 2003 (+56.9%). The hedging index for gross bad loans increased to 57.3% (52.1% at 30 December 2003, 48.4% at 30 June 2003). The combined effect at 30 June 2004 of the increase in gross bad loans and hedging index for them made it possible to stabilise the incidence of net bad loans in relation to commitments for 31 December 2003 (3.1%).

The total substandard loans with customers, net of presumed writedowns, was 4,157 thousand euro against 4,872 thousand euro at 31 December 2003 for a decrease of 14,7%, and against 6,856 thousand euro at 30 June 2003 for an decrease of 39,4%.

The total of net bad debts was therefore 14,971 thousand euro against 16,081 thousand euro at the end of 2003 (-6.5%) and against 15,057 thousand euro at 30 June 2003 (-0.6%). The total of net bad debts was equal to 29.6% of net equity at 30 June 2004.

The size and financial weakness of assigning customers, which are the primary target customers, expose the bank to bad debts which are generally higher than those found in financing activities aimed at more solid, larger enterprises.

Specifically, Banca IFIS's assigning customers are mainly small and medium companies. The possibility of finding themselves in trouble is generally greater compared to that of debtors, normally larger sized companies. This is the reason that the percentage of gross bad loans on Banca IFIS's commitments tends to be higher than that of traditional banks. Nevertheless, the correct application of the factoring concept often leads to bad debts on assignors, whose conditions deteriorate leading to insolvency, their complete recovery following an ordinary payment of the amount due by the debtor.

Given the insolvency status of the assigning customers as the condition necessary for classification of the bad loan, the factoring activity, carried out basically exclusively by Banca IFIS, classifies the bad loans, and more in general, the non-performing credits in the following categories

- *apparent bad loans* due to loans made towards assigning customers who became insolvent but backed by good quality receivables against solvent assigning debtors. This type of bad debt represents an exposure which does not correctly reflect the actual risk of the Bank, which maintains the right to collect payment for the receivable from the assigning debtor. The debtor cannot settle by paying the assignor directly. In the physiological case of payment by the debtor to Banca IFIS, the bad loan is closed with collection by the original debtor. This category of bad loan is generated when there are debtors with a high credit standing, carefully assessed by the Bank but above all able to regularly meet their obligations, and particularly weak assignors. However, *apparent bad loans* are classified as bad loans in keeping with banking regulations, for the entire amount financed to the customer on whom the classification is based;
- *bad loans due to disputes* are also the result of the tradition operations of Banca IFIS for its assigning customers which become insolvent on receivables not confirmed by the debtor although notified, or on receivables from contracts the completion of which has not yet been verified. In the event of assigning customers insolvency these transactions lead to situations where the assignor debtor may decide not to fulfil its obligation following effective or instrumental disputes. Generally, the recovery rate of these bad loans is higher than those of the normal bank-enterprise transaction; since normally the debtor is sufficient as a guarantee and able to meet with its obligations; in addition disputes on the quality of the receivable are not always suitable for justifying the failure to pay the entire debt. Thus Banca IFIS is generally able to obtain payment (total or

partial) from the debtor, reserving the right to proceed against the assigning customers or its guarantor for any difference. It is important to remember that generally financing against assignment of receivables ranges from 70% to 90% of the value of the receivable; this gives the Bank an additional space able to absorb, at least partly, any dispute on the quality of the receivable. However, *bad loans due to disputes* are classified as bad loans in keeping with banking regulations, for the entire amount financed to the customer on whom the classification is based;

- *typical bad loans* of the banking system, which occur in recourse transactions when the assigning customers insolvency is accompanied by non-existence of the assigned debt and/or insolvency of the debtor and in non-recourse transactions in the event of payment under guaranteed due to debtor insolvency. This type of bad loans is similar to those of banks in their normal financing activities. These events are also classified as bad loans in keeping with banking regulations, for the entire amount financed to the customer on whom the classification is based;

Based on the above, it is important to point out that for the types of bad loans related to typical factoring activity, the actual losses on this activity is significantly lower than the typical bad loans found in bilateral bank-enterprise transactions, with even zero losses in the case of apparent bad loans.

Thus in analysing the value of bad loans it is important to evaluate the composition in order to identify the real recovery rate of bad loans position, which in general is higher than that reported by the banking system.

CREDIT QUALITY
(in thousands of euro)

	AMOUNTS		CHANGES	
	30/06/2004	31/12/2003	ABSOLUTE	%
Bad loans	10,478	10,597	(119)	(1.1)%
Substandard loans	4,157	4,872	(715)	(14.7)%
Loans being rescheduled	---	---	---	---
Rescheduled loans	---	---	---	---
Receivables with countries at risk	336	549	(213)	(38.8)%
Total non-performing loans with customers	**14,971**	**16,018**	**(1,047)**	**(6.5)%**
Performing loans	320,072	327,866	(7,794)	(2.4)%
Total loans with customers	**335,043**	**343,884**	**(8,841)**	**(2.6)%**

By analysing the changes compared to December 2003 it is possible to note that against the stability of the net bad debt/net commitment ratio, equal to 3.1%, there was an improvement in the net value of bad debt loans (-1.1% compared to December 2003).
The ratio between bad debts and loans increased from 6.2% to 7.0% in terms of face value, while if writedowns are considered to ratio is 3.1%, unchanged compared to 31 December 2003. Writedowns were equal to 57.3% of gross bad loans (against 52.1% at the end of 2003). The incidence of substandard loans decreased, equal to 1,3% of nominal value credits at the end of the period and to 1,2% on the financial statement, against 1.5% and 1.4%, respectively.
It is important to point out the effect of the securitisation transaction was not taken into account when calculating the bad debts, loans and bad debt/loan ratio.

In terms of country risk, as of 30 June 2004 loans to customers located in countries at risk was of a marginal amount (0,1% of the total), since international business is carried out with operating techniques which only marginally involve recourse risks with countries other than Italy.

NON PERFORMING LOANS WITH CUSTOMERS
(in thousands of euro)

	BAD LOANS	SUBSTANDARD	COUNTRY RISK	TOTAL NON-PERFORMING
BALANCE AT 30/06/2004				
Nominal value of non-performing loans	24,549	4,619	338	29,506
Incidence on total loans	7.0%	1.3%	0.1%	8.4%
Value adjustments	14,071	462	2	14,535
Incidence on nominal value of non-performing loans	57.3%	10.0%	0.6%	49.3%
Balance sheet value of non-performing loans	10,478	4,157	336	14,971
Incidence on total loans	3.1%	1.2%	0.1%	4.4%
BALANCE AT 31/12/2003				
Nominal value of non-performing loans	22,141	5,414	549	28,104
Incidence on total loans	6.2%	1.5%	0.2%	7.8%
Value adjustments	11,544	542	---	12,086
Incidence on nominal value of non-performing loans	52.1%	10.0%		43.0%
Balance sheet value of non-performing loans	10,597	4,872	549	16,018
Incidence on total loans	3.1%	1.4%	0.2%	4.7%

Deposits from the banking system customers and securitisation

Banca IFIS basically obtains the resources necessary for financing its business from the interbanking market, customers and the liquid asset flow from the securitisation transaction effected starting in October 2003. Customer deposits, equal to 41,609 thousand euro, was remunerated at indexed conditions or short term maturity, advantageous for customers in comparison with alternative loans, and for the bank compared to the average deposit cost.
Payables with banks are composed of: deposits from the interbanking market for 207,972 thousand euro, with an increase of 11.1% compared to December 2003 and form funding from the securitisation transaction for 123,000 thousand euro (net of Class S Units subscribed by Banca IFIS and the discount withheld on the retransfer price of the loans, net liquidity was equal to 63,967 thousand euro).

Intangible and tangible fixed assets

Intangible fixed assets totalled 682 thousand euro, for a net increase compared to 31 December 2003 of 55 thousand euro (+8.8%). Gross increases of 172 thousand euro, were related to enhancing IT supports for 117 thousand euro.
Tangible fixed assets decreased by 9.5% to 15,497 thousand euro.
In December 2003, in order to sell some buildings not instrumental for the group's banking business, Banca IFIS had leased some units in Genoa located in the complex called "Corte Lambruschini" to Selco Immobiliare S.r.l. company. Specifically, units for office use, composed of the 13th and 14th floors as well as 5 rooms in the basement, 41 parking spaces for the property and 12 spaces for use.
On 20 July and 29 July 2004, following express request from the tenant a sale to sell the two floors and some parking spaces was started, creating a capital gain for Banca IFIS of 209 thousand euro.
With a deed dated 7 June 2004 Banca IFIS sold the remaining two floors of the building, the 15th and 16th as well as 21 parking spaces and 2 basement rooms to another bank, which in turned leased them to a third party. This sale resulted in a capital gain of 220 thousand euro. With a contract on the same date as the deed, Banca IFIS, agreed to guarantee the third party to the above leasing contract, an income from rentals up to a maximum amount of 260,000 per year and with a maximum total ceiling for a period of eight years of 780,000 euro, if the current or future tenants should fall in arrears with payments of the related rental contracts are terminated for any reason not ascribable to the third party. This contract has a duration of eight years from the date of the contract. In accordance with this contract, Banca IFIS has the right to participate, even through third parties, in the management of the rental transactions, even proposing subjects interested in renting the property, which cannot be refused without a justified cause and/or reason.
Some basement rooms and parking place are still property of the Bank.

The property entered among the consolidated tangible assets are representative office in Bucharest, the headquarters which houses Management in Mestre-Venice, renovated in 1999 and occupied in 2001, a rented office building in Padua, two buildings of residual value destined to be divested, the important historic building ("Villa Marocco") destined to become the permanent headquarters of the Bank starting in 2005. A renovation and expansion project has been created and approved by the Monuments Office for the region, the work is planned to be completed within 2004. Tangible fixed assets also include the cost incurred by Immobiliare Marocco S.p.A. for the renovation work completed to the date of the closing of the period.

Equity and solvency coefficient

In the absence of assets attributable to third parties, the net equity of the group as of 30 June 2004 was registered at 50,495 thousand euro, against 49,248 thousand euro at the end of the previous fiscal year. The increase is due to the fiscal year profit, this effect is in part compensated by the distribution of dividends related to fiscal year 2003.

NET EQUITY
(in thousands of euro)

Net equity at 31/12/2003	**49,248**
Increases: Profit of period	3,389
Decreases: Dividends distributed	**2,142**
Net equity at 30/06/2004	**50,495**

The consolidated Regulatory capital was 45,693 thousand euro. It is composed of base equity and negative elements of the supplementary equity affected by the flat rate writedown related to "country risk" only effected for calculation of the Regulatory capital. Based on the trend of weighted risk assets, the total consolidated solvency coefficient is 14,2%.
Assets surplus as of 30 June 2004, taking into account the 8% minimum required, was therefore equal to 19,902 thousand euro.

EQUITY COEFFICIENTS
(in thousands of euro)

	30/06/2004	31/12/2003
Regulatory capital		
Base equity	45,965	45,860
Supplementary equity	(272)	(335)
Elements to subtract	---	---
Total equity	**45,693**	**45,525**
Regulatory minimum requisites		
Credit risk	25,714	26,297
Market risk	76	70
Total minimum requisites	**25,790**	**26,367**
Solvency coefficients		
Base equity/Weighted activities for credit risk	14.3%	14.0%
Total equity/Weighted activities for credit risk	14.2%	13.8%
Base equity/Total weighted activities	14.3%	13.9%
Total equity/Total weighted activities	14.2%	13.8%
Equity surplus compared to minimum required	**19,903**	**19,158**

Profit and loss statement

Formation of operating result

The operating profit of the group remained positive over the first two quarters of 2004. Based on the overall trend of the sector and the result of development actions, Banca IFIS increased its market share in the sector and the number of customers and debtors during the first half of 2004.
The interest income continued to rise going from 5,841 thousand euro in the first half of 2003 to 6,532 thousand euro (+11.8%); net commissions grew significantly from 5,147 thousand in the first half of 2003 to 6,334 thousand euro (+22.4%), due to the expansion of operations and focus placed on collecting receivables, which was aided by the increased charges in this area of activity.
The composition of brokering margin is very significant with the growth in relative terms of the weight of the margin of only the commissions which exceeded 48.1% against the 49.6% represented by interest margin.
Operating costs registered an expansion, however in line with forecasts, due to the growth in activity and increases in staff at the branches and Head Office. There total was equal to 5,036 thousand euro (+18.2%).
These changes brought about a slight increase in the ratio between operating costs and brokering income (cost/income ratio) which reached 38.2% in the first half of 2004 compared to 37.1% of 31 December 2003 and 36.9% at 30 June 2003.

FORMATION OF OPERATING RESULT
(in thousands of euro)

	YEAR		CHANGES	
	30/06/2004	30/06/2003	ABSOLUTE	%
Net interest	8,754	5,849	2,905	49.7%
Dividends and other income	6	18	(12)	(66.7)%
Losses from financial transactions	(2,228)	(26)	(2,202)	n.s.
Interest margin	**6,532**	**5,841**	**691**	**11.8%**
Net commissions	6,334	5,174	1,160	22.4%
Other operating income	310	498	(188)	(37.8)%
Proceeds from brokering and other	**6,644**	**5,672**	**972**	**17.1%**
Brokerage margin	**13,176**	**11,513**	**1,663**	**14.4%**
Operating costs	(5,036)	(4,261)	(775)	18.2%
Operating result	**8,140**	**7,252**	**888**	**12.2%**

In detail, the **interest margin** of 6,532 thousand euro, underwent an increase of 11.8% compared to 30 June 2003. Despite the presence of strong pressure to decrease spreads applied to customers, the total absence of fixed rate or slow variation debt positions made it possible to make avail of the low level reached by short term rates, activating commitment profit management policies strongly tied to the risk conditions implicit in existing financing operations.

Net commissions registered an excellent performance, and demonstrated the capability of factoring activity to generate added value through management and service for credit; the added charges connected to this activity are diluted above all among personnel expenses.
Receivable commissions equal to 6,862 thousand euro primarily from factoring commissions on turnover generated by individual customers (non-recourse and recourse, in the flat or monthly formula) as well as other payments usually charged to

customers for services.
Payable commissions equal to 528 thousand euro resulted from:
- banking activity with designated banks which contact Banca IFIS because they do not have an in-house operating organization able to effectively and efficiently manage factoring activity;
- non-banking financial/insurance companies which submit factoring operations which are not part of their business.
- from credit broker activity;
- activities of debtors with whom there are agreements which entail writing off commissions against indication of new potential customers.

NET COMMISSIONS
(in thousands of euro)

	YEAR		CHANGES	
	30/06/2004	30/06/2003	ABSOLUTE	%
Signatory credit	2	(1)	3	n.s.
Management and brokerage services	(16)	(2)	(14)	n.s.
Collection and payment services	121	124	(3)	(2.4)%
Other services	6,227	5,053	1,174	23.2%
Total net commissions	**6,334**	**5,174**	**1,160**	**22.4%**

Other operating income equal to 310 thousand euro include, among other things, revenue from leasing group property.

OPERATING COSTS
(in thousands of euro)

	YEAR		CHANGES	
	30/06/2004	30/06/2003	ABSOLUTE	%
Personnel expenses	2,614	2,232	382	17.1%
Other administrative expenses	2,054	1,709	345	20.2%
Value adjustments on tangible and intangible fixed assets	368	320	48	15.0%
Total operating costs	**5,036**	**4,261**	**775**	**18.2%**

The trend of operating costs was also affected by expansion of business and increases in the organization, primarily in terms of quality human resources who joined the Banca IFIS project. In this regard particular attention was given to selecting resources dedicated to enhancing the sales staff and strengthening the area dedicated to management, control and recovery of credit. The total amount for this item reached 5,036 thousand euro with an increase of 18.2%.

The increase for **personnel expenses** (which total 2,614 thousand euro, +17.1%) is physiological and corresponds to forecast expectation, in part based on the systematic increase in the number of employees.

OTHER ADMINISTRATIVE EXPENSES
(in thousands of euro)

	YEAR		CHANGES	
	30/06/2004	30/06/2003	ABSOLUTE	%
Expenses for professional service	**741**	**627**	**114**	**18.2%**
Directors' fees	519	444	75	16.9%
Legal and consultation	193	155	38	24.5%
Auditing	29	28	1	3.6%
Indirect taxes and taxes	**162**	**110**	**52**	**47.3%**
Maintenance expenses	**26**	**26**	**---**	**---**
Vehicle fleet management and maintenance	**122**	**136**	**(14)**	**(10.3)%**
Expenses for purchasing non-professional goods and services	**601**	**514**	**87**	**16.9%**
Office management	218	196	22	11.2%
Telephone expenses	95	86	9	10.5%
Sundry office material	58	66	(8)	(12.1)%
Postage and tax stamp expenses	74	60	14	23.3%
Business travel	73	55	18	32.7%
Software assistance	83	51	32	62.7%
Other expenses	**402**	**296**	**106**	**35.8%**
Customer information	134	118	16	13.6%
Advertising and inserts	44	31	13	41.9%
Other different expenses	224	147	77	52.4%
Total other administrative expenses	**2,054**	**1,709**	**345**	**20.2%**

The increase in **other administrative expenses** (which reached 2,054 thousand euro +20.2%) is mainly due to the higher charges connected with higher volume and banking transactions.

Formation of net profit

The table below shows the details of the formation of the group's net profit starting from the operating result, described above and compared with the same period for the year before.

FORMATION OF NET PROFIT
(in thousands of euro)

	YEAR		CHANGES	
	30/06/2004	**30/06/2003**	**ABSOLUTE**	**%**
Operating result	8,140	7,252	888	12.2%
Balance of extraordinary income and charges	(30)	(239)	209	(87.4)%
Total liquid assets	**8,110**	**7,013**	**1,097**	**15.6%**
Net value adjustments on receivables and provisions for guarantees and commitments	(2,148)	(2,373)	225	(9.5)%
Gross profit	**5,962**	**4,640**	**1,322**	**28.5%**
of which profit before extraordinary items	***5,992***	***4,879***	***1,113***	***22.8%***
Income tax	(2,573)	(1,630)	(943)	57.9%
Net profit	**3,389**	**3,010**	**379**	**12.6%**

Extraordinary results with a decrease of 30 thousand euro (against a negative contribution of 239 thousand euro at 30 June 2003), were primarily generated by the net effects of the following entries:

- capital gain on the transfer of non-instrumental property (office buildings in Genoa owned by Immobiliare Marocco S.p.A.) for 220 thousand euro;
- charges connected with making avail of the tax amnesty under law no. 289 of 27 December 2002 for 111 thousand euro which permanently closed 2002 for the purposes of income tax and VAT;
- calculation differences on taxes of the previous year due in part to changes in tax laws for 160 thousand euro.

Net value adjustments on receivables equal to 2,148 thousand euro (-9.5% compared to 30 June 2003); the significant allocation is based on a high credit risk on the market of small and medium enterprise financing.
Banca IFIS has decided to assume a particularly strict position due to the worsening of credit quality, entering losses to the profit and loss statement in a timely manner as soon as conditions warranting such become evident. Information on the ability of small and medium enterprises to face the economic downturn make it likely that the strictness that characterises the Bank's attitude towards receivables entered as assets must continue for a fairly lengthy period of time.

Gross profit reached 5,962 thousand euro, a growth of 28.5% compared to 30 June 2003. Ordinary profit is equal to 5,992 thousand euro and grew 22.8% compared to the first half of 2003.

Income tax amounted to 2,573 thousand euro.

Net profit totalled 3,389 thousand euro, for an increase of 12.6% compared to 30 June 2003. In the absence of profits pertaining to third parties, the result is entirely referable to the group.

Other information

The Fitch rating

On 22 December 2003 Fitch Ratings Limited assigned Banca IFIS a Long Term Rating "BB+", Short Term Rating "B", Individual Rating "C/D" and Support Rating "5" with Outlook stable. On 15 June 2004 the Rating Company also rate the Convertible Bond Loan "BB+".

Corporate governance regulations

Banca IFIS transposed the principles of the Self Governance Code prepared by the committee for corporate governance of traded companies. The transposition was made by creating an organisational model in line with the recommendations of the Self Governance Code. Specifically, on 28 April the Board of Directors passed a resolution to establish a Internal Audit Committee and Committee for Board Members and Directors remuneration and for possible stock options plans for board members and Bank employees. The Internal Audit Committee makes proposals and provides advice on auditing matters.

Insider dealing regulations

Banca IFIS S.p.A.'s Board of Directors has adopted a Self-Regulatory Code for insider dealing. Specifically the Self-Regulatory Code governs the obligations of periodic reporting of significant transactions effected by subjects who can access price sensitive information, on traded financial instruments issued by the Bank of any connected financial instruments. Banca IFIS has instituted a Self-regulatory code aimed at regulating, in a legally binding manner, informative obligations and limitations related to operations effected by board members, auditors and managers on Bank shares. The limits established for reporting obligations have been lowered compared to those indicated by Borsa Italiana S.p.A. in order to take due account of the Bank's size and the liquidity on the market with reference to ordinary shares.
The Self-Regulatory Code is available at Borsa Italiana S.p.A., at the Company and on the company Internet website *www.bancaifis.it.*

Company Statute

As of 30 June 2004 the Bank's statute was in compliance with TUF (Testo Unico della Finanza) regulations and applicable laws. Banca IFIS in compliance with Bank of Italy guidelines, decided to adapt its statutory regulations by "degrees" to the statutory regulation of Legislative Decree no. 37/2004.
On 25 June 2004 the Extraordinary Shareholders' Meeting adopted the opportune statutory modifications in order to exclude the renunciation of shareholders in the event of extension of the duration of the Bank or the introduction and/or removal of constraints to the free circulation of shares. The additional modifications of the statute, required to be in compliance with the regulations of Legislative Decree no. 37/2004 will be submitted to the Bank's Board of Directors for approval in a subsequent Extraordinary Shareholders' Meeting which will be convened in time for the modifications to be adopted by 30 September 2004.

Information related to the changeover to new international accounting principles (IFRS)

Banca IFIS, like all groups in the E.U. which trade on a stock exchange, will be required to draft its financial statement for 2005 based on International Financial Reporting Standards (IFRS), to date better known as International Accounting Standards, in accordance with the Regulation of the European Commission no. 1606/02 and options granted by the Italian government through Community Law 2003. The adoption of IAS in preparing the financial statements will make it possible to improve communications with investors and increase the financial information in the financial statements both in terms of quantity and quality. The law has not yet been completely established, and in particular two important international accounting principles, IAS 32 and IAS 39, related to financial instruments and information on them, are still being tested by the European Commission. The main innovation introduced by the international accounting principles are described below, which based on current accounting entries or short term criteria, could have impacts in the group's consolidated financial statement:

- obligation to enter the value of derivatives in the financial statement balance sheet at their current value (fair value and the different and stricter procedure of certifying the effectiveness of hedging derivative transactions). At 30 June 2004 the group did not have any of this type of transaction.
- greater regulation of cases subject to impairment (deterioration) audit aimed at avoiding the continuance over time of latent losses in tangible and intangible assets. In calculating writedowns to apply to these elements, when their market price is not available, the residual financial flows they are able to generate and discounting rate must be used. Similarly, for loan recovery forecasts which show signs of impairment, for example bad loans, the time in which recovery flows occur in order to discount them must be used.
- accounting according to the line-by-line method for leasing income and expense transactions. The group started entering these transactions in the consolidated financial statement according to the IAS method in 2002.
- the introduction of new information requirements on financial instruments and their connected risks and more information on the equity and economic nature on various company business sectors in order to provide a better representation of the risks and procedures to create value through the financial statement.

At the date of the changeover to the IAS, the overall effects from application of the new international accounting principles should be booked as adjustments to net equity at the opening of 1 January 2004.

Transactions with non-consolidated group companies and associated parties

Existing transactions as of 30 June 2004 with non-consolidated group companies and associated parties are shown below:

(in thousands of euro)	RECEIVABLES WITH	PAYABLES WITH	GUARANTEES ISSUED
Parent company:			
La Scogliera S.p.A.	---	353	393
Total	**---**	**353**	**393**

During the first half of 2004, the current account with parent company La Scogliera S.p.A. continued. The loan existing at 31 December 2003 has been fully paid by the parent company by collection of dividends. Banca IFIS's payable balance as of 30 June 2004 was equal to 353 thousand euro. The remaining guarantee, issued by the bank for La Scogliera S.p.A. in favour of Tax Authorities for a tax debt of the former 100% liquidated subsidiary totalled 393 thousand euro. Transactions with La Scogliera S.p.A. are governed by market conditions.
Financing for insignificant amounts in the form of overdrafts were also paid to employees. The revocable financing bear interest above the Bank's marginal deposit cost.
As of 30 June 2004 no guarantees other than those mentioned above existed for the parent companies, non-consolidated subsidiaries or associated companies.

In order to concentrate operations for SME's, the Board of Directors on 14 June 2004 passed a resolution to limit financing to associated companies, with the exception of Immobiliare Marocco, to a total of 7.5% of consolidated regulatory capital.
The exclusion of Immobiliare Marocco is based on the fact that the subsidiary carries out solely instrumental activity in the interest of the Bank, and limiting its financing for operation could indirectly cause negative effects on the group's operations.

Operating powers to the Board of Directors

The extraordinary assembly of Banca IFIS on 30 April 2002 gave the Board of Directors powers to execute an increase in capital to pay 2,145,000 shares at face value with share premium as an option to shareholders and 2,145,000 shares free of charge, to be effected within 5 years from the date of the resolution. The Board did not decide to avail itself of the delegations based on the existing levels of

for increases in capital: free and paid

capitalisation and market opportunities. If the expansion of business continues at the same rate as recent years, even in the presence of instruments able to mitigate of remove part of the absorption of capital against credit risk, and if the stock market improves, it is possible that the Board of Directors will consider it reasonable to make avail of such powers.

Operating powers to The Board of Directors for increases in capital: stock option plans

The Extraordinary Shareholders' Assembly of Banca IFIS on 30 April 2002 gave the Board of Directors to power to effect one or more increases in capital from stock option plans for a total of 429,000 shares, to assign to Bank board members and employees.
In a partial enforcement of these powers, the Board of Directors on 27 March 2003, assigned options in favour of the board members and all of the employees for subscription of an increase in capital for a total of 214,500 shares, equal to 1% of the share capital subscribed and paid up. The stock option plan has an option exercise price of 9.43 euro per share. The period for exercising the option is between 1 January 2006 and 31 December 2006.
In complete execution of these powers, the Board of Directors on 5 May 2004, assigned options in favour of the board members and all of the employees for subscription of an increase in capital for an additional total of 214,500 shares, equal to 1% of the share capital subscribed and paid up. The stock option plan has an option exercise price of 9,58 euro per share. The period for exercising the option is between 1 January 2007 and 31 December 2007.
Moreover the Extraordinary Shareholders' Assembly in 17 December 2003, after excluding the option right former art. 2441, paragraph 5 of the Italian Civil Code, passed a resolution giving the Board the right to increase, in one or more times, within a maximum period of five years from the resolution, share capital up to a maximum face amount of 429,000 euro by issuing a maximum number of 129,000 ordinary shares with a face value of 1 euro each for a total of 129,000 euro to be offered for subscription to board members and a maximum number of 300,000 ordinary shares with a face value of 1 euro each for a total of 300,000 euro to be offered for subscription to all Bank employees as part of the Stock Option Plan at current market prices as of the date it is granted.
As of 30 June 2004 the Board of Directors had not exercised these powers, even in part, conferred by the Shareholders' Meeting on 17 December 2003.

Convertible bond loan: resolution of the Extraordinary Shareholders' Meeting of 17 December and employee council resolutions

The Extraordinary Shareholders' Assembly of 17 December 2003 with the purpose of diversifying the Bank's deposits and enlarging the shareholder base, passed a resolution giving the Board of Directors the right, to be exercised by 31 December 2004, to issue, for a total amount not exceeding 100 million euro, a bond loan convertible in Banca IFIS shares with exclusion of the option right with correlated increase in share capital for a total amount not over 20 million euro.
With the resolutions passed by the Board of Directors on 5 May 2004, 14 June 2004 and 2 July 2004 as well as the determination of the C.E.O. assumed immediately after the closing of the offer period, in complete execution of the Extraordinary Shareholders' Meeting on 17 December 2003, the following was decided:

I. to issue, with the exclusion of the option right former art. 2441, paragraph 5 of the Civil Code, a bond loan convertible in Banca IFIS S.p.A. shares called "Banca IFIS 2004-2009 convertible loan" for 50 million euro composed of 4 million convertible bonds with correlated increase in share capital for a total amount of 4 million euro, composed of 4 million ordinary shares of Banca IFIS for the conversion of the convertible bonds, offered for subscription in a Public Subscription Offering aimed at the general public in Italy and a Private Placing in Italy aimed at Italian professional and/or foreign institutional investors; the convertible bonds offered in subscription at par, had an issue price of 12.50 euro and the conversion rate was established as one share for each convertible bond submitted at the conversion, the shares for the conversion have a price equal to 12.50 euro of which 11.50 euro for the share premium;

II. to calculate the interest rate of the bonds for the bond loan convertible in Banca IFIS S.p.A. shares called "Banca IFIS 2004-2009 convertible loan" at 4.375% gross.

On 30 June 2004 Consob with notice no. 4061556, issued approval for the publication of the Informative Prospectus related to the Public Offering for subscription to the Convertible Bonds of the Bond Loan "Banca IFIS 2004-2009"; in addition the Borsa Italian, on 28 June 2004 with provision no. 2497 approved admission for trading on the Convertible Bond.
The convertible bond loan was entirely subscribed during the month of July. In particular, on 9 July 2004 the period for participating in the Overall Offer of no. 4,000,000 bonds of the "Banca IFIS 2004-2009" Loan was closed.

Since 16 July 2004 the Banca IFIS 2004-2009 convertible bonds have been regularly traded on Borsa Italiana's MTA market.

Transactions on own shares

The Assembly of Banca IFIS shareholders on 28 April 2004 renewed the authorization to acquire and transfer own shares according to articles 2357 and subsequent of the Italian Civil Code as well as Italian Legislative Decree 58/98, establishing a price range within which the shares may be acquired between a minimum of 3 euro and a maximum of 30 euro for a maximum amount of 4,000,000. The Meeting also established a deadline for the duration of the authorization equal to 18 months from the date the deliberation was made.
The balance of shares at 31 December 2003 was equal to 68,045 shares, entered at a total value of 623 thousand euro and a face value equal to 68,045 euro.
During the half year to 30 June 2004 Banca IFIS acquired an additional 397,052 own shares for a value of 3,736 thousand euro, at an average price of 9.41 euro, and sold 165,025 own shares for a value of 1,568 thousand euro, at the average price of 9.50 euro, for a net profit of 15 thousand euro. Due to the effect of operations during the half year, the balance is equal to 300,072 shares, entered at a total value of 2,791 thousand euro and a face value equal to 300,072 euro. The value of the shares at the end of the half year included a value adjustment of them for a total amount of 15 thousand euro.

Shareholders

The share capital of the parent company totals 21,540,000 euro and is broken down into 21,450,000 shares with a face value of 1 euro.
Shareholders who have declared stakes over 2% of Company capital are as follows:

	NUMBER OF SHARES	% SHARE CAPITAL
La Scogliera S.p.A.	15,455,741	72.05%
Giovanni Bossi	543,750	2.5%

Privacy measures

In keeping with the provisions of appendix B of Legislative Decree 196/2003 (new Privacy code) which entered into force 1 January 2004, at the time that this report was written, the Programmatic Security Document is being updated and should be completed by the legally required deadline (31 December 2004).

Research and development

Due to its specific activity, the group does did not undertake research and development activities during the fiscal year requiring express indication of the cost in asset entries due to its organization or size.

Factors subsequent to half year

Operation continued normally in the period between the close of the half year and the date the six monthly report was drafted, no significant factors occurred after closing that are not explained elsewhere. Of particular note is the entire subscription and

closing

trading of the "Banca IFIS 2004-2009" convertible bond loan, the process for which had started at the end of 2003. A specific chapter has been dedicated to the loan in this Report.

Forecast evolution of operations

Forecast on the trend of the economy for the second half of 2004 show modest signs of improvement compared to the previous two years. The banking system's attitude for financing SME's will probably continue to be modest, generating presumable tensions on the financial situation of enterprises but providing ample room for factoring operations aimed at acquiring market shares in the small and medium enterprise sector, in a context highly affected by credit risk

The prospects for Banca IFIS are comforting and permit an optimistic outlook for the overall operating trend, despite the remaining uncertainties related to the macroeconomic situation for industrial SMEs, the Bank's typical customer.

Venice-Mestre, 6 August 2004

The President
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

CONSOLIDATED FINANCIAL STATEMENT AS AT 30th JUNE 2004

CONSOLIDATED BALANCE SHEET

(in thousands of euro)

ASSETS

		30/06/2004		31/12/2003		30/06/2003	
10	**Cash on hand and liquid assets at central banks and post offices**		**10**		**7**		**7**
30	**Receivables with banks**		**13,226**		**10,631**		**4,201**
	(a) on sight		12,941		9,053		3,634
	(b) other receivables		285		1,578		567
40	**Receivables with customers**		**393,074**		**404,333**		**291,653**
50	**Bond and other receivables securities**		**433**		**433**		**433**
	(a) issued by government		433		433		433
60	**Share, stakes and other capital securities**		**349**		**349**		**349**
110	**Intangible fixed assets**		**682**		**627**		**511**
	of which:						
	- cost of systems	55		71		87	
120	**Tangible fixed Assets**		**15,497**		**17,129**		**21,382**
140	**Own shares and stakes**		**2,791**		**623**		**108**
	euro nominal values	300,072		68,045		13,321	
150	**Other assets**		**5,594**		**9,151**		**4,336**
160	**Prepayments and accrued income**		**1,993**		**1,901**		**372**
	(a) prepayments		234		44		134
	(b) accrued income		1,759		1,857		238
	TOTAL ASSETS		**433,649**		**445,184**		**323,352**

LIABILITIES

		30/06/2004	31/12/2003	30/06/2003
10	**Payables with banks:**	**330,972**	**318,897**	**197,328**
	(a) on sight	81,576	89,919	118,495
	(b) term or upon notice	249,396	228,978	78,833
20	**Payables with customers:**	**41,609**	**58,251**	**74,899**
	(a) on sight	41,609	58,251	74,899
50	**Other liabilities**	**7,118**	**14,558**	**2,466**
60	**Accrued expenses and deferred income:**	**228**	**33**	**146**
	(a) accrued expenses	214	22	95
	(b) deferred income	14	11	51
70	**Employee severance pay (TFR)**	**768**	**681**	**611**
80	**Provisions for risks and charges:**	**2,459**	**3,516**	**1,851**
	(b) tax funds	2,459	3,516	1,851
150	**Capital**	**21,450**	**21,45**	**21,45**
160	**Share premiums**	**13,450**	**13,45**	**13,45**
170	**Reserves:**	**11,709**	**7,848**	**7,848**
	(a) legal reserve	1,232	1,161	1,162
	(b) reserve for own shares or stakes	4,000	4,000	4,000
	(d) other reserves	6,477	2,687	2,686
190	**Profits (losses) carried forward**	**497**	**293**	**293**
200	**Profits (losses) for the period**	**3,389**	**6207**	**3,01**
	TOTAL LIABILITIES	**433,649**	**445,184**	**323,352**

	GUARANTEES AND COMMITMENTS	30/06/2004		31/12/2003		30/06/2003	
10	**GUARANTEES GIVEN**		**2,823**		**2,823**		**2,912**
	of which:						
	- other guarantees	2,823		2,823		2,912	
20	**COMMITMENTS**		**138,181**		**54,623**		**59,538**

CONSOLIDATED PROFIT AND LOSS STATEMENT

(in thousands of euro)

		30/06/2004		30/06/2003		31/12/2003	
10	**Receivable interest and similar proceeds**		**13,323**		**9,062**		**19,644**
	of which:						
	- on receivables with customers	10,011		9,035		18,475	
	- on payable securities	3,174		5		11	
20	**Payable interest and similar charges**		**(4,569)**		**(3,213)**		**(6,843)**
	of which:						
	- on payables with customers	(331)		(110)		(735)	
30	**Dividends and other proceeds:**		**6**		**18**		**18**
	(a) on shares, stakes		6		18		18
40	**Receivable commissions**		**6,862**		**5,480**		**11,545**
50	**Payable commissions**		**(528)**		**(306)**		**(785)**
60	**Profits (losses) from financial operations**		**(2,228)**		**(26)**		**(860)**
70	**Other operating proceeds**		**310**		**498**		**1,085**
80	**Administrative expenses:**		**(4,668)**		**(3,941)**		**(8,104)**
	(a) expenses for personnel		(2,614)		(2,232)		(4,315)
	of which:						
	- wages and salaries	(1,947)		(1,653)		(3,185)	
	- social security charges	(533)		(451)		(886)	
	- severance pay (TFR)	(123)		(117)		(222)	
	(b) other administrative expenses		(2,054)		(1,709)		(3,789)
90	**Value adjustments on intangible and tangible fixed assets**		**(368)**		**(320)**		**(735)**
120	**Value adjustments on receivables and funds for guarantees and commitments**		**(2,260)**		**(2,373)**		**(6,336)**
130	**Writebacks of loans and funds for guarantees and commitments**		**112**		**---**		**---**
180	**Profit (loss) on ordinary activity**		**5,992**		**4,879**		**8,629**
190	**Extraordinary proceeds**		**363**		**211**		**234**
200	**Extraordinary charges**		**(393)**		**(450)**		**(1,162)**
210	**Extraordinary profits (losses)**		**(30)**		**(239)**		**(928)**
240	**Income tax**		**(2,573)**		**(1,630)**		**(1,494)**
260	**Profit (loss) for the period**		**3,389**		**3,010**		**6,207**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

The purpose of the Notes is to illustrate and analyse the figures in the consolidated balance sheet and consolidated profit and loss statement, and they contain information required by Decree no. 87/92 and Instructions for the Bank of Italy no. 166 of 30 July 1992 and subsequent modifications. They also provide all of the additional information deemed appropriate for integrating the representation of the figures contained in the consolidated balance sheet and consolidated profit and loss statement which have not yet been envisaged by law.

The prospectus of changes in the consolidated net equity and consolidated financial report and accounting tables of the parent company accompany the consolidated six monthly statement. The consolidated six monthly statement was submitted for limited auditing by Deloitte & Touche S.p.A.

The consolidated Notes are divided into four parts:

Part A – Valuation criteria
Section 1 – Description of valuation criteria
Section 2 – Adjustments and provisions for taxes
Section 3 – Modifications to classification criteria

Part B – Information on the consolidated Balance Sheet
Section 1 – Receivables
Section 2 – Securities
Section 3 – Equity investments
Section 4 – Tangible and intangible fixed assets
Section 5 – Other asset items
Section 6 – Payables
Section 7 – Provisions
Section 8 – Capital, reserves, provisions for general banking risks and subordinated debt
Section 9 – Other liability items
Section 10 – Guarantees and commitments
Section 11 – Concentration and distribution of assets and liabilities
Section 12 – Management and brokering for third parties

Part C – Information on the consolidated Profit and Loss Statement
Section 1 – Interest
Section 2 – Commissions
Section 3 – Profits and losses from financial transactions
Section 4 – Administrative expenses
Section 5 – Adjustments, writebacks and provisions
Section 6 – Other Profit and Loss Statement items
Section 7 – Other information on the Profit and Loss Statement

Part D – Other information
Section 1 – Board members and statutory auditors

Area of consolidation

The consolidated six month report is prepared based on the six month reports at 30 June 2004 drafted by the Board Members of the companies included in the consolidated area.
The consolidated six monthly report also includes the financial report of the parent company Banca IFIS S.p.A and that of the subsidiary Immobiliare Marocco S.p.A. according to the line-by-line method. The main information from the six monthly report of the subsidiary is shown below.

	Office	Net equity	Net result as of 30/06/04	% direct equity investment
Immobiliare Marocco S.p.A.	Mestre (VE)	180	(115)	100

Main consolidation principles

The book value of the equity investments is eliminated during the consolidation against the net equity of the subsidiary, based on the assumption of assets and liabilities of the subsidiary according to the line-by-line method. Any positive differences which emerge from this elimination (cost of the equity investment higher than the pertinent share of net equity) are booked where possible to the subsidiary's asset and liability items and the remainder to reserves. Where the difference involves asset items, it is amortised or depreciated according to the criteria for the specific item.
An increase totalling 7,854 thousand euro attributed to buildings emerged from the line-by-line consolidation process compared to the parent company's six monthly report. This greater value is posted in the consolidated balance sheet as item 120 "Tangible fixed assets".
In addition, the effect in accordance with the line-by-line method illustrated in IAS accounting principle no. 17 for leasing operation assets and liabilities pertaining to the parent company were included during the consolidation. The effects on the balance sheet and consolidated profit and loss statement items compared to the report of the consolidated companies from application of this method are described in section 4 of part B in the "Tangible fixed assets" item.

PART A VALUATION CRITERIA

SECTION 1 DESCRIPTION OF VALUATION CRITERIA

The valuation criteria used to draft the consolidated financial statement are described below.

1.1 Receivables, guarantees and commitments

Receivables

Receivables are booked at their presumed realisation value making a distinction between current receivables, substandard loans and bad loans
Current receivables and substandard loans are booked by setting aside an adjustment provision; this provision is composed by applying a percentage of presumed reduction which takes into account the so-called physiological risk inherent in all loans, making a distinction between current receivables and substandard loans.
Bad loans are instead valued analytically. Analytical value adjustments are broken down into direct and indirect devaluations. A direct devaluation is made on receivables when there is a certain and definitive decrease in value; the amount of the loss eliminates all or part of the receivable. An indirect devaluation occurs when there is an undefined, still opportune decrease in value; the amount of the devaluation goes into an adjusting analytical provision pertinent to the receivable.
If the value adjustments are related to receivables classified as current or substandard at the end of the previous year, or receivables which emerged during the year, they are booked as a decrease of the adjusting provision set aside in previous years and the excess amount of the provision is entered in the profit and loss statement.

Receivable transfer operations

Receivables for financing granted to customers for assignment of receivables in accordance with Law no. 52/91 are entered as assets. The nominal value of acquired receivables is only shown in the consolidated Notes in "Receivables with customers for factoring operations".
Receivables permanently acquired are entered as assets at their acquisition value. If they are assumed for a value under their nominal value, the acquisition value is entered in assets, while the nominal value of these receivables is shown in the consolidated Notes in "Receivables with customers for factoring operations".
Receivables which are only collected are not included in the consolidated financial statement and are indicated at their nominal value in the Notes in "Receivables with customers for factoring operations".
Receivables from financing contracts were booked as assets for the amount paid out. The nominal value of receivables subject to securitisation is only shown in the consolidated Notes in "Receivables with customers for factoring operations".

Guarantees and commitments

Credit risks related to guarantees and commitments are valued with the same criteria as credit valuation.
Guarantees are booked at the contractual value of the commitment assumed towards the beneficiary.

1.2 Off balance sheet securities and transactions (other than those on currencies)

Investment securities

The group does not have a investment security portfolio.

Trading securities

Securities not destined to stable company investments are booked at the lower of purchase cost and market value.

1.3 Holdings

Holdings

Minor holding are booked at cost, determined on the basis of the purchase or sub-

scription price. The cost is decreased by permanent loss of value if the holding sustains losses with no profits foreseen in the immediate future to absorb such losses. The holding has the right to at least one tenth of the rights to vote in the ordinary shareholder assembly.

1.4 Currency asset and liability items (including off balance sheet transactions)

Currency asset and liability items

Currency asset and liability items are converted into euro at the year end exchange rate.
The effect of these valuations is entered in the profit and loss statement in the item ”Profits/loss from financial transactions”. Costs and revenue in currency are entered at the exchange rate at the time of booking.

1.5 Tangible Fixed Assets

Tangible Fixed Assets

Tangible fixed assets are booked at purchase cost, including direct charges as well as expenses of an increasing nature and are systematically depreciated using specific reference rates for the useful life of the assets. The depreciation process is interrupted for assets to be divested with a net book value presumably lower not lower than their market value. Depreciations on the property being renovated to house the new group headquarters have not been calculated. A 50% depreciation rate is applied for the asset the year it foes into service.
Ordinary maintenance and repair operation are booked to the profit and loss statement.

Leasing income and charges

Leasing entries are made according to the line-by-line method described in IAS accounting principle no. 17. Leased assets include two management offices and related assets in Genoa.
Assets assumed by the group under leasing contracts are represented by the management office, currently the premises of the parent company Banca IFIS and another building located in San Donà di Piave (VE) and destined to be sold.
Again in this case the line-by-line method prescribed by IAS no. 17 is used.
The effects on the balance sheet and profit and loss statement from the application of the line-by-line method for the consolidated company financials statements is shown in the Balance sheet in Section 4.

1.6 Intangible Fixed Assets

Intangible Fixed Assets

These are booked in the balance sheet at their incurred cost and amortised by the straight-line method over a period not exceeding 5 years.

1.7 Other aspects

Own shares

Own shares are booked at the lower between purchase cost and market value.
The cost is determined by applying the lifo method.

Accruals and deferrals

These are calculated according to the accrual method of accounting, in order to correctly identify the economic components of the period.

Payables

Payables are entered at their nominal value.

Provisions for severance pay

This item includes the indemnity matured by employees at the end of the year, calculated in compliance with legal provisions and current labour contracts.

Provisions for risks and charges

Provisions and charges are set aside to cover losses, charges and payables of a determinant nature, with a probable or certain existence, but which the amount and date of occurrence is unknown at the close of the year.
The provisions for taxes includes allocations for current taxes and deferred taxes accrued during the period.

Costs and revenue

Interest and commission as well as other costs and revenue are booked according to the accrual method.

Income tax

Current income tax is calculated in line with current tax rates taking into account exemptions and tax relief.
The criteria used to book differed taxes is the income statement liability method.
Deferred tax liabilities originate from temporary taxable differences and represent taxes which will be paid in subsequent years. Prepaid tax assets originate from temporarily deductible differences and represent taxes paid in advance and recovered in subsequent years.
Accounting of the deferred tax liability is subject to a probability test, i.e. verifications that the circumstances exist whereby the underlying tax charge will translate into an effective charge; then only allocations for deferred tax liabilities related to temporary difference are allocated with a pre-set "inversion" time.
Prepaid tax assets are entered against temporary differences with pre-set "inversion" times if the "reasonable certainty" requirement of their recovery is met.
Theoretical rates are applied to the nominal values of the temporary differences which are applicable at the time the differences reverse. Calculations for Irpeg and Irap are made separately. A 33% rate is applied for Irpeg on taxable income for 2004 and subsequent years. A 4.25% rate is applied for Irap for 2004 and subsequent years.

SECTION 2 ADJUSTMENTS AND PROVISIONS FOR TAXES

2.1 Value adjustments effected solely for the purpose of applying tax laws

Following the reform of corporate law, transposed for bank financial statement by Legislative Decree no. 37 of 6 February 2004, art. 15, paragraph 3 and art. 39 paragraph 2 of Legislative Decree no. 87/92 have been repealed which allowed banks "to effect value adjustments and allocation solely for the purpose of applying tax laws".
Parent company Banca IFIS has made avail of this option in previous years to write-down the equity stake in the instrumental subsidiary Immobiliare Marocco S.p.A.
Therefore the accounting tables of parent company Banca IFIS reflect the repeal of these articles (so-called tax decontamination), restoring the original entered value of the equity investment and booking the effect to item 180 "Extraordinary income" of the profit and loss statement.
This profit item has been eliminated from the consolidated tables, as in previous years the writedown solely for tax purposes was also eliminated. The resulting tax benefit, as in the two previous years, was maintained.

2.2 Provisions effected solely for the purpose of applying tax laws.

No provisions solely for tax purposes were made in compliance with the reform of corporate law, transposed for banking financial statements by Legislative Decree no. 37 of 6 February 2004, which repealed art. 15, paragraph 3 and art. 39 paragraph 2 of Legislative Decree 87/92.

SECTION 3 OTHER DATA

3.1 Modifications to classification criteria

In order to bring the securitisation transaction started in the final quarter of 2003 into line with the contractual and legal requirements for the transaction, the items listed below were reclassified of the year closing 31 December 2003.
The net amount of 336 thousand euro for "Interest and similar charges" and the net amount of 17 thousand euro for "Payable commissions: have been classified gross of the amounts which compose the following items:

- "Interest and similar income: for 1,076 thousand euro for interest matured on the Class S Units subscribed by Banca IFIS for the securitisation transaction;
- "Interest and similar charges" for 579 thousand euro for the share of the discount withheld on the retransfer price on the loan portfolio for the securitisation;
- "Losses from financial transactions" for 850 thousand euro for the negative difference of the value on the Class S Units subscribed by Banca IFIS due to a advance reimbursement on these securities below break-even.

The discount withheld on the retransfer price of the loans was also reclassified for the part not accrued during the period for an amount of 1,052 thousand euro, in "Other assets" at the item "Deferred charges".

PART B INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

The amounts indicated in the tables are expressed in euro unless otherwise stated.

ASSETS

SECTION 1 RECEIVABLES

Composition of item 10 "Cash on hand and liquid assets at central banks and post offices"

		30/06/2004	31/12/2003
(a)	Cash and coins	10	7
	Total	**10**	**7**

Composition of item 30 "Receivables with banks"

		30/06/2004	31/12/2003
	On sight	**12,941**	**9,053**
(a)	Current accounts	12,941	9,053
	Other receivables	**285**	**1,578**
(b)	Receivables with central banks	285	1,578
	Total	**13,226**	**10,631**

1.1 Breakdown of item 30 "Receivables with banks"

		30/06/2004	31/12/2003
(a)	Receivables with central banks	285	1,578
(b)	Bills eligible for refinancing by central banks	---	---
(c)	Operations for repurchase agreements	---	---
(d)	Loan of securities	---	---

The amount in point (a) represents the balance of an asset management account for the obligatory reserve at the bank of Italy.
The receivables with banks do not have any bad credit, therefore tables 1.2, 1.3 and 1.4 were not used.

Composition of item 40 "Receivables with customers"

		30/06/2004	31/12/2003
(a)	Bank accounts and other subsidies	43,452	42,367
(b)	Advance accounts for transfer of recourse receivables	185,789	142,937
(c)	Advance accounts for transfer of non-recourse receivables	23,503	78,161
(d)	Receivables with debtors for settled securities purchases	85,318	77,105
(e)	Advance accounts for transfer of future receivables	9,860	13,087
(f)	Mortgage loans	432	527
(g)	Other receivables	3,556	4,529
(h)	Receivable subordinate loans	58,031	60,449
(i)	Value adjustments	(16,867)	(14,829)
	Total	**393,074**	**404,333**

Receivables with customers are entered at their presumed realisation value determined according to the procedure described in Part A – Section 1 of these notes.
"Other receivables" implicit receivables granted in leasing to third party users, as entered in the "Fixed tangible assets" item.
Receivable subordinate loans, equal to 58.031 euro, refer to the asset backed portion, subscribed by Banca IFIS following the securitisation operation of the portfolio of performing credits from factoring operations, as described in section 11.8 of these notes.

1.5 Breakdown of item 40 "Receivables with customers"

		30/06/2004	31/12/2003
(a)	Bills eligible for refinancing by central banks	---	---
(b)	Operations for repurchase agreements	---	---
(c)	Loans of securities	---	---

1.6 Guaranteed receivables with customers

		30/06/2004	31/12/2003
(a)	From mortgages	2,634	2,012
(b)	From pledges on:		
	1. Cash deposits	370	18,312
	2. Securities	---	---
	3. Other assets	---	---
(c)	From guarantees from:		
	1. States	---	---
	2. Other public bodies	---	---
	3. Banks	---	---
	4. Other financial brokers	122,674	105,216
	Total	**125,678**	**125,540**

For receivables partly backed by guarantees only the guaranteed part is indicated.

Bad and doubtful loans (including default interest)

	30/06/2004	31/12/2003
Bad loans	10,478	10,597

The amount of net bad loans out of total customer loans booked at 30 June 2004 was equal to 3.1% (3,1% at 31 December 2003).

Default interest receivables

		30/06/2004	31/12/2003
(a)	Bad loans	121	125
	Total	**121**	**125**

1.7 Analysis of customer loans

The customer loan situation at 30 June 2004 is shown below by level of risk, as well as the changes in non-performing loans and overall value adjustments for the half year.

Category / Values		Gross exposure	Value adjustments	Net exposure
A.	**Non-performing loans**	**29,506**	**14,535**	**14,971**
A.1	Bad loans	24,549	14,071	10,478
A.2	Substandard loans	4,619	462	4,157
A.3	Loans being rescheduled	---	---	---
A.4	Rescheduled loans	---	---	---
A.5	Unguaranteed loans with countries at risk	338	2	336
B.	**Performing loans**	**322,404**	**2,332**	**320,072**
	Total	**351,910**	**16,867**	**335,043**

1.8 Changes in non-performing loans with customers

Reasons/Categories		Bad loans	Sub standard	Loans being restructured	Restructured loans	Unsecured loans to countries at risk	Total
A.	**Initial gross exposure**	**22,141**	**5,414**	**---**	**---**	**549**	**28,104**
A.1	of which: *Default interest*	*1,213*	---	---	---	---	*1,213*
B.	**Increases**	**3,606**	**2,058**	**---**	**---**	**35**	**5,699**
B.1	inflows from performing loans	1,636	1,198	---	---	---	2,834
B.2	default interest	121	---	---	---	---	121
B.3	transfer from other non-performing loan category	1,744	---	---	---	---	1,744
B.4	other increases	105	860	---	---	35	1,000
C.	**Decreases**	**1,198**	**2,853**	**---**	**---**	**246**	**4,297**
C.1	outflows to performing loans	800	128	---	---	227	1,155
C.2	write-offs	139	---	---	---	---	139
C.3	collections	259	953	---	---	19	1,231
C.4	realisation from transfer	---	---	---	---	---	
C.5	transfers to other categories of doubtful loans	---	1,744	---	---	---	1,744
C.6	other decreases	---	28	---	---	---	28
D.	**Final gross exposure**	**24,549**	**4,619**	**---**	**---**	**338**	**29,506**
D.1	of which: *for default interest*	*1,283*	---	---	---	---	*1,283*

1.9 Overall value adjustment with customers

Reasons/Categories		Bad loans	Substandard	Loans being restructured	Restructured loans	Unsecured loans to countries at risk	Performing loans	Total
A.	**Initial overall adjustments**	**11,544**	**542**	**---**	**---**	**---**	**2,743**	**14,829**
A.1	of which: *for default interest*	*1,088*	---	---	---	---	---	*1,088*
B.	**Increases**	**2,777**	**---**	**---**	**---**	**2**	**1,394**	**4,173**
B.1	value adjustments	1,061	---	---	---	2	1,314	2,377
B.1.1	of which: *for default interest*	*118*	---	---	---	---	---	*118*
B.2	utilisation of credit risk reserves	---	---	---	---	---	---	---
B.3	transfer to other loan categories	1,716	---	---	---	---	---	1,716
B.4	other increases	---	---	---	---	---	80	80
C.	**Decreases**	**250**	**80**	**---**	**---**	**---**	**1,805**	**2,135**
C.1	writebacks from valuations	112	---	---	---	---	---	112
C.1.1	of which: *Default interest*	---	---	---	---	---	---	---
C.2	writebacks from collection	---	---	---	---	---	---	---
C.2.1	of which: *Default interest*	---	---	---	---	---	---	---
C.3	write-offs	137	---	---	---	---	89	226
C.4	transfer to other non-performing loan category	---	---	---	---	---	1,716	1,716
C.5	other decreases	1	80	---	---	---	---	81
D.	**Final overall adjustments**	**14,071**	**462**	**---**	**---**	**2**	**2,332**	**16,867**
D.1	of which: *Default interest*	*1,162*	---	---	---	---	---	*1,162*

Overall value adjustments represent all of the direct and indirect writedown booked on loans, as defined in the Supervision Instructions for compiling Balance Sheets
Presumptive writedown were attributed to performing loans, as in previous years, not considering the asset item "receivable subordinate loans with customers". The amount to subscribe as Class S Units, included in the receivable subordinate loans, is calculated based on mathematical reserves, using a Standard & Poor's model, which takes into account the concentration of assigned receivables portfolio and operating risks from collection management by Banca IFIS as transaction servicer. Presumed writedowns must be proportionally booked to performing loans since the risk of loss directly connected to the loans remains, as it would without the securitisation transaction.

Receivables from customers for factoring operations

The table below shows the breakdown of existing transaction at the end of the period for factoring activity:

		30/06/2004	31/12/2003
A.	**Existing receivables**	**569,601**	**534,447**
	of which securitised	***121,043***	***116,127***
(a)	Current recourse receivables	379,687	292,534
	of which securitised	*115,990*	*94,548*
(b)	Current non-recourse receivables	92,701	153,704
	of which securitised	*4,409*	*15,404*
(c)	Permanently acquired receivables	89,831	80,913
	of which securitised	*644*	*6,175*
(d)	Managed receivables	7,382	7,296
B.	**Advances**	**304,470**	**311,290**
	on securitised receivables	***97,420***	***86,305***
(a)	On current recourse receivables	185,789	142,937
	of which securitised receivables	*95,328*	*71,253*
(b)	On current non-recourse receivables	23,503	78,161
	of which securitised receivables	*1,448*	*8,877*
(c)	On permanently acquired receivables	85,318	77,105
	of which securitised receivables	*644*	*6,175*
(d)	On future receivables	9,860	13,087

SECTION 2 SECURITIES

The securities held by the Banca IFIS group are classified as follows:

		30/06/2004	31/12/2003
A.	**Debt securities**	**433**	**433**
	Treasury Bonds and similar eligible for refinancing by central banks	---	---
	Bonds and other debt securities	433	433
B.	**Shares, stakes and other capital securities**	**349**	**349**
	Total	**782**	**782**

of which:

		30/06/2004	31/12/2003
1.	Investment security portfolio	---	---
2.	Trading security portfolio	782	782
	Total	**782**	**782**

Composition of item 50 "Bonds and other debt securities"

	30/06/2004	31/12/2003
Treasury Certificates	433	433
Total	**433**	**433**

The securities in this item are primarily tied up to guarantee banks sureties issued to third parties upon request of the parent company in its own interest and that of its customers.

Composition of item 60 "Shares, stakes and other capital securities"

	30/06/2004	31/12/2003
500 Banca di Genova e S. Giorgio shares	1	1
9,075 Banca Antoniana Popolare Veneta shares	61	61
62,500 Banca Passadore & C. shares	287	287
Total	**349**	**349**

The "Banca Antoniana Popolare Veneta" shares existing at 30 June 2004 are tied up to guarantee banks sureties issued to third parties upon request of the parent company in its own interest and that of its customers.

2.1 Investment securities

Investment securities are held for a stable company investments.
At 30 June 2004 group did not hold investment securities, nor did it hold them at 31 December 2003. Therefore tables 2.1 and 2.2 were not used.

2.3 Trading securities

		Book value	Market value
1.	**Debt securities**	**433**	**436**
1.1	Treasury bills	433	436
	- listed	433	436
	- not listed	---	---
1.2	Other securities	---	---
	- listed	---	---
	- not listed	---	---
2.	**Capital securities**	**349**	**476**
	- listed	61	154
	- not listed	288	322
	Total	**782**	**912**

The comparison between share purchase cost and market value at 30 June 2004 gave rise to an underlying capital gain of 130 thousand euro.

2.4 Changes in trading securities during the half year

A.	**Initial amounts**	**782**
B.	**Increases**	**---**
B1.	Purchases	---
	- Debt securities	---
	+ treasury bills	---
	+ other securities	---
	- Capital securities	---
B2.	Writebacks and revaluations	---
B3.	Transfers from investment security portfolio	---
B4.	Other variations	---
C.	**Decreases**	**---**
C1.	Sales and reimbursements	---
	- Debt securities	---
	+ treasury bills	---
	+ other securities	---
	- Capital securities	---
C2.	Value adjustments	---
C3.	Transfers to investment security portfolio	---
C5.	Other variations	---
D.	**Inventory**	**782**

SECTION 3 EQUITY INVESTMENTS

3.1 Significant equity investments

	Name	Head office	Type of relationship	Net Equity	Profit/Loss	Ratio of holding		Votes at Ordinary Meeting	Con.Statement Value
						Investor company	Stake %		
A	Companies included in consolidation								
A.1	Line-by-line method:								
1.	Immobiliare Marocco S.p.A.	Mestre (VE)	(1)	180	(115)	Banca IFIS S.p.A.	100.00	100.00	---
A.2	Propor-tional method:	---	---	---	---	---	---	---	---
B.	Holdings valued at net equity:	---	---	---	---	---	---	---	---
C.	Other major holdings:	---	---	---	---	---	---	---	---

(1) = held per art. 2359 Italian Civil Code, paragraph 1, no. 1

3.2 Assets and liabilities with group companies

Banca IFIS did not book assets or liabilities with group companies at 30 June 2004 because the group does not possess equity investments in group companies not consoli-

dated with the line-by-line method. Therefore table 3.2 was not used.

3.3 Assets and liabilities with investee companies (other than group companies)

Banca IFIS did not book assets or liabilities with investee companies other than group companies at 30 June 2004, there fore table 3.3 was not used.

3.4 Composition of item 70 "Holdings"

The group holds a minor stake, equal to 19.5% of share capital, in an unlisted company Cofin Aviation S.r.l. in liquidation, the entire booked value of the equity investment has been written down.

3.5 Composition of item 80 "Equity investments in group companies"

At 30 June 2004 the Banca IFIS group did not have equity investments in non-consolidated group companies, therefore table 3.5 was not used.

3.6 Annual changes in holdings

3.6.1 Equity investments in group companies

At 30 June 2004 the Banca IFIS group did not have equity investments in non-consolidated group companies, therefore table 3.6.1 was not used.

3.6.2 Other equity investments

A.	**Initial amounts**	**---**
B.	**Increases**	**---**
B1.	Purchases	**---**
B2.	Writebacks	**---**
B3.	Revaluations	**---**
B4.	Other variations	**---**
C.	**Decreases**	**---**
C1.	Sales	**---**
C2.	Value adjustments	**---**
	of which:	
	- permanent devaluations	**---**
C3.	Other variations	**---**
D.	**Inventory**	**---**
E.	**Total revaluations**	**---**
F.	**Total adjustments**	**25**

SECTION 4 TANGIBLE AND INTANGIBLE FIXED ASSETS

Composition of item 120 "Tangible fixed assets"

Tangible assets held directly by the group are indicated in this item.

	31/12/2003	Increases:	Decreases:	30/06/2004
Buildings				
- historic cost	17,052	1,485	(3,613)	14,924
- depreciation reserve	(830)	(46)	469	(407)
- net value	16,222	1,439	(3,144)	14,517
Furniture and furnishing				
- historic cost	502	28	---	530
- depreciation reserve	(339)	(36)	---	(375)
- net value	163	(8)	---	155
Machinery and other equipment				
- historic cost	80	11	---	91
- depreciation reserve	(53)	(7)	---	(60)
- net value	27	4	---	31
Electronic office machines				
- historic cost	546	70	(4)	612
- depreciation reserve	(403)	(62)	3	(462)
- net value	143	8	(1)	150
Vehicles				
- historic cost	952	216	(114)	1,054
- depreciation reserve	(378)	(100)	68	(410)
- net value	574	116	(46)	644
Total				
- Historic cost	**19,132**	**1,810**	**(3,731)**	**17,211**
- Depreciation reserve	**(2.003)**	**(251)**	**540**	**(1,714)**
- Net value	**17,129**	**1,559**	**(3,191)**	**15,497**

The item buildings refers to the building where Banca IFIS has its registered office, the building in Mestre (VE) currently under renovation owned by the subsidiary Immobiliare Marocco which will become the new head office of the group, the building in Bucharest (Romania) office of the parent company's agency, another office building in Padua and other buildings of a residual value.
The increase in the buildings item refers to renovation work on the property destined to house the new head office of the Bank scheduled for completion by the end of 2004. Therefore the building was not depreciated.
The significant decrease in the buildings item refers to the sale on 7 June 2004 of two floors and related appurtances of the building located in Genoa owned by Banca IFIS to another back which in turn leased it to a third party which will sublet with the existing rental contract. This sale resulted in a capital gain of 220 thousand euro. Banca IFIS has signed an agreement to guarantee the third party the income for rents as explained in section 10.2 of these notes.
The sale enacted a Board of Directors resolution to transfer the buildings in Genoa and Padua, which is the reason depreciation on these buildings was interrupted in previous years, based on the fact that the booked value is not less than the market value.

As for the booked tangible fixed assets it is important to note that revaluation in accordance with special laws have not been effected in the past with the exception of the building in Padua, its net value is broken down as follows:

- historic cost	207
- merger deficit	258
- extraordinary maintenance	10
-adjustments for depreciation	(130)
Net value	**345**

The effects on net equity and profits from the application for building leased and given for lease of the line-by-line method prescribed by IAS no. 17 detailed per item.
In detail, leased assets, booked for the implicit receivable in "Receivables with customers" are composed of two office buildings and related appurtances in Genoa. On 7 June, by joint agreement with the tenant, the leasing contract was terminated for some appurtances which were sold to third parties by Banca IFIS. As explained in the report on operations, the two office buildings were later transferred on 30 June 2004 without economic effects.
Early termination of a leasing contract for an industrial building in Palmanova (UD) was carried out on 31 March 2004.
Assets assumed by the group under leasing contracts booked to "Tangible fixed assets" are represented by the management office, currently the premises of the parent company Banca IFIS and another building located in San Donà di Piave (VE) and destined to be sold.

	Balance sheet items	Positive effect	Negative effect
	Balance sheet		
	Assets		
40	Receivables with customers	3,556	---
110	Intangible Fixed Assets	---	271
120	Tangible Fixed Assets	---	681
160 b	Accrued income	---	607
	Liabilities		
10	Payables with banks	---	1,184
60 b	Deferred income	111	---
80 b	Provisions for taxes	---	329
	Effects on net equity		
190	Profits (losses) carried forward	497	---
200	Fiscal year profits (losses)	98	---
	Profit and Loss Statement		
10	Receivable interest and similar income	116	---
20	Payable income and similar charges	---	22
70	Other operating income	---	298
90	Value adjustments on intangible and tangible fixed assets	248	
110	Other operating charges	175	---
190	Extraordinary proceeds	---	41
240	Income taxes	---	80
	Effects on profit		
.260	Fiscal year profits (losses)	98	---

The positive effect on net profit and consolidated net equity during the period is equal to 98 thousand euro and 595 thousand euro, respectively.

4.1 Changes in tangible fixed assets during the six months

The changes in tangible fixed assets for the half year are shown below:

A.	**Initial amounts**	**17,129**
B.	**Increases**	**1,810**
B.1.	Purchases	1,806
B.2.	Writebacks	---
B.3.	Revaluations	---
B.4.	Other variations	4
C.	**Decreases**	**3,442**
C.1.	Sales	3,191
C.2.	Value adjustments	
	of which:	
	a) depreciations	*251*
	b) permanent devaluations	---
C.3.	Other variations	---
D.	**Inventory**	**15,497**
E.	**Total revaluations**	**---**
F.	**Total adjustments**	**1,714**
	a) depreciations	1,714
	b) permanent devaluations	---

Composition of item 110 "Intangible fixed assets"

	31/12/2003	Increases	Decreases	30/06/2004
Installation costs and software purchases	279	117	(58)	338
Cost of systems and expansion	71	---	(16)	55
Costs for improving third party goods	93	14	(16)	91
Other intangible fixed assets	184	41	(27)	198
Total	**627**	**172**	**(117)**	**682**

The "other intangible fixed assets" are related to 124 thousand euro for costs incurred for starting internal rating procedures implemented during 2003 and discussed in the report on operations.

4.2 Changes in intangible fixed assets during the six months

		Cost of systems	Other intangibles	Total
A.	**Initial amounts**	**71**	**556**	**627**
B.	**Increases**	**---**	**172**	**172**
B1.	Purchases	---	172	172
B2.	Writebacks	---	---	---
B3.	Revaluations	---	---	---
B4.	Other variations	---	---	---
C.	**Decreases**	**16**	**101**	**117**
C1.	Sales	---	---	---
C2.	Value adjustments	16	101	117
	of which:			
	a) depreciations	*16*	*101*	*117*
	b) permanent devaluations	---	---	---
C3.	Other variations	----	---	---
D.	**Inventory**	**55**	**627**	**682**
E.	**Total revaluations**	**---**	**---**	**---**
F.	**Total adjustments**	**102**	**477**	**579**
	a) depreciations	102	457	559
	b) permanent devaluations	---	20	20

SECTION 5 OTHER ASSET ITEMS

5.1 Composition of item 150 "Other asset items"

		30/06/2004	31/12/2003
(a)	**Credits with tax offices**	**5,020**	**7,362**
	- Receivables for prepaid taxes	2,744	3,123
	- Ires prepayment	1,043	---
	- Irpeg prepayment	---	2,175
	- Other prepayments	667	668
	- Irap prepayment	307	512
	- VAT credit	177	801
	- Irpeg credit brought forward	75	76
	- Other credits	7	7
(b)	**Deposits**	**44**	**46**
(c)	**Debtors for invoices**	**191**	**290**
(d)	**Other entries**	**339**	**1,453**
	Total	**5,594**	**9,151**

In order to bring the securitisation transaction started in the final quarter of 2003 into line with the contractual and legal requirements for the transaction, for the year closing 31 December 2003 the amount of 1,052 euro was reclassified from the item "Other assets – other entries" to "Accrued income". This amount refers to the discount withheld on the receivable retransfer price for the portion not accrued during the period.

5.2 Composition of the item "Prepayments and accrued income"

		30/06/2004	31/12/2003
	Accrued Income on interest and amounts related to:	**234**	**44**
(a)	Subordinate lending	151	---
(b)	Mortgages, financing and other loans to customers	29	---
(c)	Debt securities	6	4
(d)	Other transactions	48	40
	Accrued income on interest and amounts related to:	**1,759**	**1,857**
(a)	Costs to organise securitisation transactions	1,555	1,657
(b)	Commissions on financing	30	60
(c)	Interest on pre-lease instalments	38	42
(d)	Other transactions	136	98
	Total	**1,993**	**1,901**

The accrued income in item a) refers to 1,002 thousand euro for the portion not accrued during the period of the discount withheld by Calyon on the retransfer price of receivables, as described in section 11.8 of the balance sheet and in section 3.1 of the profit and loss statement of these notes.
In order to bring the securitisation transaction started in the final quarter of 2003 into line with the contractual and legal requirements for the transaction, for the year closing 31 December 2003 the amount of 1,052 euro was reclassified from the item "Other assets – other entries" to "Accrued income". This amount refers to the discount withheld on the receivable retransfer price for the portion not accrued during the period.

5.3 Adjustments for accrued income and prepaid expenses

The adjustments entered for accrued income and prepaid expenses to asset and liability items are shown below.

		30/06/2004	31/12/2003
	Accrued income on interest and amounts related to:	**---**	**33**
(a)	Transactions with banks	---	4
(b)	Transactions with customers	---	29
	Total	**---**	**33**

5.4 Distribution of subordinated assets

		30/06/2004	31/12/2003
(a)	Due from banks	---	---
(b)	Customer loans	58,031	60,449
(c)	Bonds and other debt instruments	---	---
	Total	**58,031**	**60,449**

The amount in point (b) refers to receivable subordinate loans corresponding to the asset backed portion subscribed by Banca IFIS following the retransfer transaction of the performing credit portfolio resulting from factoring activity, as described in section 11.8 of these Notes.

SECTION 6 PAYABLES

Composition of item 10 "Payables with banks"

		30/06/2004	31/12/2003
	On sight	**81,576**	**89,919**
(a)	Current accounts	9,066	6,056
(b)	Advance accounts	72,510	83,863
	Term or upon notice	**249,396**	**228,978**
(a)	Financing or other subsidies	126,396	228,978
(b)	Other payables	123,000	---
	Total	**330,972**	**318,897**

The "other payables" refer to the reclassification of the securitised receivables existing at 30 June 2004 for 121,043 thousand euro which represents Banca IFIS's debt with the arranger for payments to receive from the assigning debtors, as well as the debt for payments already received by Banca IFIS and not yet transferred to the arranger for 1,957 thousand euro.

6.1 Breakdown of item 10 "Payables with banks"

		30/06/2004	31/12/2003
(a)	Operations for repurchase agreements	---	---
(b)	Loans of securities	---	---

Composition of item 20 "Payables with customers"

		30/06/2004	31/12/2003
	On sight	**41,609**	**58,251**
(a)	Current accounts	18,545	58,169
(b)	Payables for permanently acquisitions	64	82
(c)	Deposits cash savings	23,000	---
		41,609	**58,251**

6.2 Breakdown of item 20 "Payables with customers"

		30/06/2004	31/12/2003
(a)	Operations for repurchase agreements	---	---
(b)	Loans of securities	---	---

SECTION 7 PROVISIONS

Changes in during the half year in item 70 "Severance indemnity"

(a)	**Initial amounts**	**681**
(b)	**Increases**	**123**
	- Allocations	123
	- Other changes	---
(c)	**Decreases**	**36**
	- Utilisations	35
	- Other changes	1
(d)	**Inventory**	**768**

7.1 Composition of item 90 "Provision for credit risks"

As of 30 June 2004 Banca IFIS had not booked provisions for credit risks, thus tables 7.1 and 7.2 were not used.

7.3 Composition of item 80 "Provisions for risks and charges"

		30/06/2004	31/12/2003
(a)	Provisions for retirement benefits and	---	---
(b)	Provision for taxation	2,459	3,516
(c)	Provisions for risks and charges: other provisions	---	---
	Total	**2,459**	**3,516**

The breakdown of the above provisions and their changes is shown below for the period.

Sub item a) "Provisions for retirement benefits"

Banca IFIS has not instituted any type of internal pension fund.

- Subitem b) "Provisions for taxes"

Composition of item 80 b) "Provisions for taxes"

		30/06/2004	31/12/2003
(a)	Ires	1,641	---
(b)	Irpeg	---	2,607
(c)	Irap	473	628
(d)	Deferred taxes	345	281
	Total	**2,459**	**3,516**

The prepayment for taxes paid during the period, equal to 1,043 thousand euro for Ires and 307 thousand euro for Irap is entered in item 150 "Other assets".

Changes during the half year in item 80 b)"Provisions for taxes"

(a)	**Initial amounts**	**3,516**
(b)	**Increases**	**2,194**
	- Allocations	2,194
	- Other changes	---
(c)	**Decreases**	**3,251**
	- Utilisations	3,251
	- Other changes	---
(d)	**Inventory**	**2,459**

- Subitem c) Funds for risks and charges: other provisions"

Banca IFIS group, deeming that the conditions did not exist, sis not set aside provisions for risks and charges due to the facts described below.

- A legal dispute is currently underway with the tax authorities related to a financing company belonging to the group currently liquidated.
  The dispute was opened by two separate notifications from the Como Revenue Service Office and Milan 6 Revenue Service Office, both related to two tax periods which the former holding had closed in 1997. The former subsidiary has challenged both notifications. The first dispute originated with a recent negative sentence for the company. A date for a hearing to discuss the second dispute has not been established yet. Appeals for the Company and liquidator were filled with the Regional Tax Commission of Milan in 29 July 2004. In the event of a complete loss the liabilities would be equal to 9,202 thousand euro. In the event of a partial loss, involving the recalculation of minimum legal sanctions, the liability would be equal to 6,983 thousand euro. The case regards the distribution of dividends, by companies with traded shares, in favour of the former subsidiary which is being audited. The contestation of the tax authorities is related to disavowal of tax credits, as the operations which generated them were deemed as false by the Administration. The former subsidiary, following the first level decisions on the first audit notification, made avail of a leading tax service, which confirmed the lack of foundation of the contestation and considered the loss improbable and thus every debt as final.
  The Tax Administration could consider some connected or accessory liability of the Banca IFIS in this incident. There are sound arguments suitable for excluding the Bank from liability.

- The trustee in bankruptcy of a former assignor in business until September 2001, sued the Bank with a summons on 21 March 2003, to ascertain: (i) principally, the non-opposition to the Bankruptcy, or alternatively, revocation of the receivables invoiced to the assigning debtor which the Bankruptcy quantifies as 16,248 thousand euro and the additional assigned and not invoiced receivables as well as sentencing the Bank to reimburse the received sums plus revaluations and interest; (ii) as subclaim that non-opposition to the Bankruptcy is declared or, alternatively, revocation of the assignments of receivables the payments for which occurred in the year before the bankruptcy verdict as well as sentencing the Bank to reimburse the received sums plus revaluations and interest; (iii) as subclaim that the Bankruptcy has the right to receive all the sums collected by the Bank after 13 June 2002 and thus sentence the Bank to paying the sums received after that date plus revaluations and interest.
  Banca IFIS appeared before the court on 28 July 2003 radically contesting the legitimacy of the petition for Bankruptcy.
  The Bank, backed by the opinion of it attorney, feels that the petition for Bankruptcy (voidness or revocation of the assignments effected during the entire course of the relationship) is totally groundless, instead believing that the assignments themselves are exceptional to the proceeding both in accordance with the Factor-

ing Law and code regulations.
Therefore, the Bank deems that they could exist only in relation to the receivables assigned in the year prior to the bankruptcy declaration, i.e. after 13 June 2001. Since the first signs, noticeable from the outside, of the insolvency of the former assignor were after the middle of July 2001, any action for revocation would only regard the transactions effected over a period of not more than two months, with a theoretical risk for the Bank estimated by its attorney of a maximum of around 592 thousand euro.

7.4 Changes during the half year in "Prepaid tax assets"

1.	**Initial balance**	**3,123**
2.	**Increases**	**---**
	2.1 Prepaid taxes during the Half year	---
	2.2 Other increases	---
3.	**Decreases**	**379**
	3.1 Prepaid taxes cancelled during the Half year	379
	3.2 Other decreases	---
4.	**Final balance**	**2,744**

Prepaid taxes entered or cancelled during the period are booked, with the relevant algebraic sign, in "Income taxes for the half year"
The main types of prepaid taxes are shown below.

Receivables for prepaid taxes	
Value adjustments on receivables with customers deductible over various years	1,109
Value adjustments on financial assets deductible over various years	1,629
Other	6
Total	**2,744**

7.5 Changes during the half year in "Liabilities for deferred taxes"

1.	**Initial balance**	**281**
2.	**Increases**	**80**
	2.1 Deferred taxes during the Half year	80
	2.2 Other increases	---
3.	**Decreases**	**16**
	3.1 Deferred taxes cancelled during the Half year	16
	3.2 Other decreases	---
4.	**Final balance**	**345**

The main types of liabilities for deferred taxes are shown below:

Liabilities for deferred taxes	
Capital gain instalments from asset transfer	15
Net adjustments from entry of leased assets according to IAS no. 17	330
Total	**345**

It is important to note that no assets for prepaid taxes and liabilities for deferred taxes were charged to net equity.

SECTION 8 CAPITAL, RESERVES, PROVISIONS FOR GENERAL BANKING RISKS AND SUBORDINATED LIABILITIES

Consolidated net equity at the end of the period was as follows:

		30/06/2004	31/12/2003
150	Capital	21,450	21,450
160	Share premiums	13,450	13,450
170	Reserves	11,709	7,848
190	Profit carried forward	497	293
200	Fiscal year profit	3,389	6,207
	Total consolidated net equity	**50,495**	**49,248**

The following comments can be made on the individual items:

Breakdown of item 150 "Capital"

		30/06/2004	31/12/2003
150	Corporate Capital	21,450	21,450
	Number of ordinary shares	21,450,000	21,450,000
	Nominal value of ordinary shares	1 euro	1 euro

Breakdown of item 160 “Share premiums”

		30/06/2004	31/12/2003
160	Share premiums	13,450	13,450

Breakdown of item 170 "Reserves"

		30/06/2004	31/12/2003
(a)	Legal reserve	1,232	1,161
(b)	Reserve for own shares	4,000	4,000
(c)	Statutory reserve	---	---
(d)	Other reserves	6,477	2,687
	Total	**11,709**	**7,848**

- Breakdown of item 190 “Profit (Loss) carried forward”

		30/06/2004	31/12/2003
190	Profit carried forward	497	293

Breakdown of item 200 “Profit (loss)”

		30/06/2004	31/12/2003
200	Fiscal year profit	3,389	6,207

Breakdown of item 140 "Shares or own shares"

The table below shows the breakdown of own shares acquired or sold by the group during the period.

		Number of shares	Book value
A.	**Initial amounts**	**68,045**	**623**
B.	Purchases	397,052	3,736
C.	Sales	165,025	1,553
D.	Devaluation	---	15
E.	**Inventory**	**300,072**	**2,791**

8.1 Equity and regulatory minimum requisites

The table below shows the breakdown of equity and regulatory minimum requisites at 30 June 2004:

	Categories/Amounts	30/06/2004	31/12/2003
A.	**Regulatory assets**		
A.1	Base assets	45,965	45,860
A. 2	Supplementary assets	(272)	(335)
A.3	Elements to deduct	---	---
A.4	Regulatory assets	45,693	45,525
B.	**Prudential regulatory requisites**		
B.1	Credit risks	25,714	26,297
B.2	Market risks	76	70
	of which:		
	- risks in trading portfolio	*76*	*70*
	- exchange rate risk	---	---
B.3	3rd level subordinate loans	---	---
B.4	Other regulatory requisites		---
B.5	Total prudential requirements	25,790	26,367
C.	**Other risks assets and regulatory factors**		
C.1	Weighted risk assets	322,381	329,590
C. 2	Base Equity/Weighted activity	14.3%	13.9%
C. 3	Base Equity/Weighted activity	14.2%	13.8%

SECTION 9 OTHER LIABILITY ITEMS

9.1 Breakdown of item 50 "Other liabilities"

		30/06/2004	31/12/2003
(a)	Sums available to customers	356	249
(b)	Payables with suppliers	1,112	1,662
(c)	Payables with personnel	792	392
(d)	Payables to Inland Revenue and Social Security Agencies	401	1,440
(e)	Other payables	4,457	10,815
	Total	**7,118**	**14,558**

The other payables are composed of 4,416 thousand euro from the amount of non-liquid entries to be credited to customers for effects with an economic value which has not yet matured.

9.2 Breakdown of item 60 "Accrued expenses and deferred income"

		30/06/2004	31/12/2003
	Accrued expenses on interest and amounts related to:	**214**	**22**
(a)	Securitisation transaction costs	137	4
(b)	Transactions with customers	4	9
(c)	Other transactions	73	9
	Deferred income on interest and amounts related to:	**14**	**11**
(a)	Transactions with customers	13	11
(b)	Other transactions	1	---
	Total	**228**	**33**

9.3 Adjustments for accrued expenses and deferred income

The adjustments entered for accrued expenses and deferred income to asset and liability items are shown below.

		30/06/2004	31/12/2003
	Accrued expenses on interest and amounts related to:	**137**	**705**
(a)	Transactions with banks	94	705
(b)	Transactions with customers	43	---
	Total	**137**	**705**

SECTION 10 GUARANTEES AND COMMITMENTS

10.1 Breakdown of item 10 "Guarantees given"

		30/06/2004	31/12/2003
(a)	**Commercial signatory credit**	**---**	**---**
	- documentary credits	---	---
	- endorsements of a commercial nature	---	---
	- backing and sureties of a commercial nature	---	---
(b)	**Financial signatory credits**	**2,823**	**2,823**
	- backing and sureties of a financial nature	2,823	2,823
	- endorsements of a financial nature	---	---
(c)	**Total assets as guarantees**	**---**	**---**
	Total	**2,823**	**2,823**

Signatory credits of a financial nature refer to 759 thousand euro for guarantees issued in previous periods by banks in favour of third parties upon request of the parent company IFIS Bank in its own interest or that of its customers; these sureties for 600 thousand euro are counter-guaranteed by the market value of treasury bills and shares. They also refer to 2,026 thousand euro to sureties issued directly by Banca IFIS, in favour of its parent company La Scogliera S.p.A. for 393 thousand euro, in favour of its subsidiary Immobiliare Marocco S.p.A. for 857 thousand euro and in favour of other companies for 776 thousand euro. Lastly they refer to 38 thousand euro to pledges to insurance companies against guarantee policies issued for tax credit refunds.

10.2 Composition of item 20 "Commitments"

		30/06/2004	31/12/2003
(a)	**Commitments to provisions of certain use**	**---**	**---**
(b)	**Commitments to provisions of uncertain use**	**138,961**	**54,623**
	- approvals on non-recourse credit	138,181	54,623
	- other commitments	780	---
	Total	**138,961**	**54,623**

With reference to the transfer of the two floors and related appurtances of the building complex located in Genoa, discussed in section 4 of these Notes, the commitment to guarantee rents for a maximum amount of 780 thousand euro for a period of eight years starting from the contract date was entered in the item "other commitments to grant funds for uncertain use".

10.3 Assets guaranteeing own debts

At 30 June 2004 the Banca IFIS group did not possess assets guaranteeing own debts.

10.4 Margins available on credit lines

		30/06/2004	31/12/2003
(a)	Central banks	---	---
(b)	Other banks	112,289	105,365

10.5 Repurchase agreements

No repurchase agreements existed at the end of the period. Therefore, the specific table has been omitted.

10.6 Derivative contracts on loans

No derivative contracts on loans existed at year end. Therefore, the specific table has been omitted.

SECTION 11 CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

11.1 Major exposures

		30/06/2004
(a)	amount	50,515
(b)	number	9

11.2 Distribution of customer loans by category of borrower

		30/06/2004
(a)	States	506
(b)	Other public bodies	69,547
(c)	Non-financial companies	258,831
(d)	Financial companies	59,447
(e)	Family businesses	3,392
(f)	Other financial brokers	1,351
	Total	**393,074**

11.3 Distribution of loans to family businesses and non-financial companies resident in Italy

		30/06/2004
(a)	Other services for sale	55,027
(b)	Sales, collection and repair services	37,302
(c)	Construction and public works	34,462
(d)	Electrical material and supplies	23,801
(e)	Metal product excepting machine	21,980
(f)	Other branches	79,118
		251,690

11.4 Distribution of guarantees given by category of counterpart

		30/06/2004
(a)	States	---
(b)	Other public bodies	---
(c)	Banks	---
(d)	Non-financial companies	1,633
(e)	Financial companies	393
(f)	Family businesses	---
(g)	Other financial brokers	---
	Total	**2,026**

The amounts shown refer to guarantees given directly by the parent company.

11.5 Geographical distribution of assets and liabilities

	Items/Countries	Italy	Other countries of the E.U.	Other countries
1.	**Assets**	**338,236**	**67,721**	**1,125**
1.1	Receivables with banks	13,226	---	---
1.2	Receivables with customers	324,228	67,721	1,125
1.3	Securities	782	---	---
2.	**Liabilities**	**367,754**	**23**	**4,804**
2.1	Payables with banks	327,572	---	3,400
2.2	Payables with customers	40,182	23	1,404
2.3	Payables represented by securities	---	---	---
2.4	Other accounts	---	---	---
3.	**Guarantees and commitments**	**141,784**	**---**	**---**

11.6 Distribution of assets and liabilities by maturity

Item/residual duration	Fixed maturity							Unspecified duration
	On sight	Up to 3 months	Over 3 months and up to 12 months	Over 1 year and up to 5 years		Over 5 years		
				Fixed rate	Indexed rate	Fixed rate	Indexed rate	
1. Assets								
1.1 Refinanceable Treasury Bills	---	---	---	---	---	---	---	---
1.2 Receivables with banks	12,941	---	---	---	---	---	---	285
1.3 Receivables with customers	64,346	90,175	66,686	14	1,857	---	59,298	110,698
1.4 Bonds and other debt securities	---	---	---	---	433	---	---	---
1.5 Off balance sheet transactions	---	---	---	---	---	---	---	---
Total Assets	**77,287**	**90,175**	**66,686**	**14**	**2,290**	**---**	**59,298**	**110,983**
2. Liabilities								
2.1 Payables with banks	81,575	110,973	117,543	---	1,044	---	---	19,837
2.2 Payables with customers	41,609	---	---	---	---	---	---	---
2.3 Payables: represented by:								
securities								
- bonds	---	---	---	---	---	---	---	---
- certificates of deposit	---	---	---	---	---	---	---	---
- other securities	---	---	---	---	---	---	---	---
2.4 Liability subordinated	---	---	---	---	---	---	---	---
2.5 Off balance sheet transactions	---	---	---	---	---	---	---	---
Total liabilities	**123,184**	**110,973**	**117,543**	**---**	**1,044**	**---**	**---**	**19,837**

The table shows the breakdown of assets and liabilities in reference to their residual life, meaning the difference between the reference date of the six monthly report and the maturity of the single transaction, taking into account any modifications to the original agreements. For transaction with amortisation schemes the breakdown has been effected taking into account the residual life of the single instalments.
The compulsory reserve deposit is included in receivables with banks of "unspecified duration".
Bad loans and other loans due with customers are shown in the receivables with customers with "unspecified duration".
The "at sight" subitem includes all receivables and payables with banks and customers entered in the balance sheet in the "at sight" subitems. Liabilities due are considered "at sight".

11.7 Assets and liabilities in foreign currencies

		30/06/2004	31/12/2003
(a)	**Assets**	**6,005**	**12,792**
	1. Receivables with banks	500	350
	2. Receivables with customers	5,465	12,442
	3. Securities	---	---
	4. Holdings	---	---
	5. Other accounts	---	---
(b)	**Liability**	**5,280**	**12,418**
	1. Payables with banks	5,234	4,884
	2. Payables with customers	46	7,534
	3. Payables represented by securities	---	---
	4. Other accounts	---	---

11.8 Securitisation transactions

During the last quarter of 2003, Banca IFIS together with Calyon, Milan branch (previously Crèdit Agricole Indosuez SA), acting as arranger (hereinafter referred to as "**CAI Milano**" or "**CAI**" or the "**Arranger**") and Sella Corporate Finance S.p.A. acting as co-arranger, started a revolving securitisation program with an annual duration renewable for a maximum of five years which involves non-recourse retransfer of a portfolio of performing receivables of assigning debtors by Banca IFIS in accordance with the Factoring Law.

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

- the Receivables Purchase Agreement and Servicing Agreement, signed on 20 October 2003 and later partly modified on 20 April 2004 between Banca IFIS (as seller and servicer) and CAI Milano (as purchaser), which governs the assignment of receivables and servicing of the transaction;
- "FCC Rialto Classes A2 and S Units Subscription Agreement", signed on 20 October 2003 between Banca IFIS (as Additional Subscriber), Eurotitrisation s.a. (as FCC Manager) and Calyon's Paris branch (as Custodian). "FCC Rialto Classes A2 and S Units Subscription Agreement" establishes the procedure for calculating the amount of the Classes A2 and Classes S Units to be issued by Fonds Commun de Creances under French law, created specifically for the transaction ("FCC Rialto"), in compliance with the regulations of the same fund ("FCC Rialto Regulations") as well as commitments subscribed by Banca IFIS of "asset backed securities".

The assignment price for the receivables portfolio is equal to the face value minus a discount of 0.80%.
Part of the payment collected by Banca IFIS against the receivables it assigned was used by the Bank to subscribe Class S Units issued by FCC Rialto.
The amount of Class S Units that Banca IFIS subscribes is calculated based on a model from Standard & Poor's.
Specifically, this model involves that, to guarantee the risks on the portfolio of receivables assigned for the program and operating risks connected with the program, a mathematical reserve is calculated the overall result of which determines the amount of Class S Units that are then issued by FCC Rialto and subscribed by Banca IFIS.

The maximum dimension of the program, which is the net funding for Banca IFIS is 150 million euro.
The net funding for Banca IFIS from the transaction is equal to the face value of the assigned credits on a time to time basis, minus the discount and the amount of Class S Units the Bank subscribes.
If the net funding exceeds the program size (150 million euro), the extra amount will be used by Banca IFIS to subscribe Class A2 Units.
A ceiling for the receivable portfolio of assigned debtors that can be acquired by CAI Milan has been established at 300 million euro with the possibility of a future increase in the size of the program.

The program involves the assignment of commercial receivables of assigning debtors. These receivables are backed by all recourse rights and/or guarantees originally due to Banca IFIS in relation to the assigning customers for factoring contracts signed with the customers. It is important to note that these receivables are not booked to Banca IFIS's assets, in keeping with the regulations for credit institution financial statements.
Only receivables which as of the date of assignment meet certain "Selection Criteria" can be assigned for the program.
Specifically, in addition to the usual certainty, liquidity and collectable requirements, the receivables assigned for the program must also meet the following requirements;

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

The above shows that the receivables with assigning debtors for the securitisation program must meet strict requirements concerning their quality to ensure that the assigned portfolio has a positive performance.

Te reassignment of receivables with assigning debtors by Banca IFIS to CAI Milano is non-recourse, no matter whether the receivables have been assigned non-recourse/recourse by the assigning customer to Banca IFIS. Assignment for the securitisation program is also effected in a non-notification form, and thus without notification to the assigning debtor of the new assignment to CAI Milano by Banca IFIS, which continues to manage the receivable as transaction servicer.
The program complies with the Bank of Italy instructions (Bank of Italy Gazette no. 2 of February 2003) with reference to the so-called call option in securitisation transactions. For this purpose there are some limits to potential reacquisition of receivables by Banca IFIS, in relation to technical needs connected to a regular execution of contractual transaction by Banca IFIS with the purchaser bank and its own customers.
There is also a put option in favour of the purchaser bank in order to permit reassignment to Banca IFIS of any receivables which do not meet the contractual Selection Criteria, following a subsequent verification. However, this is a technical hypothesis of modest applicability, aimed at permitting the elimination of a error in the transaction in the event that a receivable not meeting the Selection Criteria is mistakenly added.

The securitisation program, as mentioned above, has a one year duration and can be renewed from year to year for a maximum of five years as long as: (i) CAI annually renews the cash credit line made available by the Arranger in favour of Hexagon Finance a.r.l. (Special Purpose Vehicle multiseller with head office in Jersey) for the purposes of operation of the program (ii) the securitised receivable portfolio maintains positive performances and (iii) no trigger events have occurred.
At the end of each year of duration of the program if it is not renewed, or if one or more trigger events occur, the receivable assignment transactions for the program will be terminated and a so-called "amortisation period" will begin aimed at collecting the remaining receivable portfolio, liquidating the transaction as well as payment by Banca IFIS of all remaining costs and expenses related to the program.
For the entire duration of the program, CAI Milano will acquire receivables, every fifteen days, at each reference day prescribed by the program and in the absence of trigger events, within the limit of available funds and based on certain allocation criteria for these funds.

The assignment and servicing relationship between Banca IFIS and CAI, governed by the Receivables Purchase Agreement and Servicing Agreement, as well as the commitment to subscribe the securities generated by the program, governed by the "FCC Rialto" Classes A2 and S Units Subscription Agreement", are only two of the elements of the securitisation transaction, which is implemented along with another series of relationships governed by contracts between subjects other than Banca IFIS, creating a more complex and distinct structure for the transaction, described in greater detail below.
Specifically CAI Milano, in turn assigns the portfolio acquired from Banc IFIS to CAI's Luxembourg branch, which acquires the receivables completely counter-guaranteed by CAI's Paris branch, through a deposit previously set up for an amount equal to the ceiling of receivables with assigning debtors which can be acquired in the program (300 million euro). This way the risk for failure to collect related to the transaction is transferred to the deposit. CAI's Paris branch, in turn assigns the deposit, and all its rights and risks, to FCC Rialto, managed by Eurotitrisation s.a. as FCC Manager. In order to acquire this deposit, FCC Rialto uses financial resources from the periodic issue of various classes of asset backed securities. The essential condition for FCC Rialto to periodically acquire the deposit is subscription by Banca IFIS of Class S Units at fixed maturities for an amount equal to the mathematical reserves created to guarantee operation of the program, and Class A2 Units, when conditions requiring such exist.
In the event that the portfolio performance characteristics worsen, reaching the level of the prescribed trigger, the amount of the mathematical reserves, and thus Class S Units subscribed by Banca IFIS, are proportionally increased. In the event that the portfolio performance characteristics improve, the amount of the mathematical reserves, and thus Class S Units subscribed by Banca IFIS, are proportionally decreased.
Then FCC issues the following classes of asset backed securities against the securitised portfolio: (i) Class A0 Units, for an amount equal to the portion of the deposit unused by CAI Luxembourg to acquire the receivables to be subscribed by CAI Luxembourg; (ii) Class A1 Units, for the remaining amount of the securitised portfolio not covered by subscription of Class A2 or Class S Units, to be subscribed by Hexagon Finance a.r.l., which finances the acquisition by issuing Billets de Tresorerie on the French market; (iii) Class A2 Units, for an amount equal to the positive difference between the amount of net funding and the amount of the program equal to 150 million euro, to be subscribed, if conditions warrant it, by Banca IFIS; (iv) Class S Units for an amount equal to the sum of the reserves guaranteeing the various risk profiles (operating and portfolio) of the transaction, minus the discount for the receivables portfolio existing at the calculation date and plus any receivables past due over 120 days or with due date over 150 days (ineligible receivables), to be subscribed by Banca IFIS.
The above asset backed securities issued for the program are not traded in any regulated market. The Billets de Tresorerie issued by Hexagon Finance a.r.l against the

Class A1 Units have been rated A1+ by Standard & Poor's.

Tranche	Amount at 30/06/2004 (in thousands of euro)	Percentage
Class A0 Senior Units	170,777	56.9%
Class A1 Senior Units	71,192	23.7%
Class A2 Senior Units	---	---
Class S Units (subordinated)	58,031	19.4%
Total program	**300,000**	**100.0%**

The maximum theoretical loss Banca IFIS can undergo in relation to the securitisation transaction is represented by the amount of Class A2 Units and Class S Units it subscribes.
The Class A2 Units, moreover subordinated compared to Class S Units, have a loss risk that proceeds at the same pace as the loss risk of Class A1 units subscribed by Hexagon Finance a r.l, against which Billets de Tresorerie with an A1+ rating by Standard & Poor's, are issued.
Nevertheless, it is necessary to point out that a loss on the Class S Units could occur only in the event of failure to collect payment for the receivable with the assigning debtor:

- in the event of recourse assignment (primary activity for Banca IFIS), if insolvency of the assigning debtor is accompanied by the inability of the assignor customer to completely reimburse the received advances, and exclusively for the non-reimbursed part;
- in the event on non-recourse assignment, when Banca IFIS definitively takes responsibility for the insolvency of the debtor if conditions warrant it and only for the related amount.

Class A0 Units are not exposed to a risk of failure to collect the related face value. Reimbursement of the face value of Class A1 and A2 Units is tied to the performance of the assigned receivable portfolio for the program. Reimbursement of Class S Units subscribed by Banca IFIS is subordinate to the entire reimbursement, inter alia, of the Class A0, A1 and A2 Units.
The above asset backed securities issued for the program produce annual interest. Specifically, the securities to be subscribed by Banca IFIS: Class A2 Units produce interest equal to the Euribor at 1 year and Class S Units produce interest equal to the Euribor +8% per annum.
In particular, for the entire duration of the securitisation program, the funds for collection of the assigned receivables for the program are allocated according to the following priority scale:

- payment of program costs and expenses;
- payment of Class A0 Unit interest;
- payment of Class A1 and A2 Unit interest;
- reimbursement of face value of Class A0 Units;
- reimbursement of face value of Class A1 and A2 Units;
- payment of Class S Unit interest;
- reimbursement of face value of Class S Units;

The final maturity of the Class S Units coincides with the "Liquidation Date" of the FCC Rialto fund. In compliance with French law, the FCC Manager will liquidate the fund within six months from the first to occur of the dates below ("Liquidation Date"): a) the date on which all the receivables and other rights assigned for the program have been repaid; b) the date on which all the receivables and other rights assigned for the program and not yet collected have been assigned to a third party financial institution (possibly indicated by Banca IFIS). The liquidity from such assignment of the above receivables and rights shall be used to meet the receivables for capital and interest of the owners of asset backed securities, other than the owners of Class S Units, and the expenses, costs and charges of the program and re-

mainder will be used to meet the receivables of the owners of Class S Units.
However, from an operating standpoint, since the mathematical reserves for the transaction are recalculated every fifteen days, the Class S Units will be reimbursed ahead of time and reissued for a new amount.
It is also important to note, that the interest on the Class S Units is also paid every fifteen days at the same time as the above reimbursement.

At 30 June 2004 Banca IFIS had subscribed to Class S Units for 58,031 thousand euro. This subordinate asset is booked to item 40 "receivables with customers" in the balance sheet assets.

Also of note, as of 30 June 2004, no writedown had been effected on the Class S Units due to losses on receivables, nor does the Bank estimate, based on currently available information, to have to do so during this fiscal year.

The item "accrued income" refers to 1,002 thousand euro for the portion not accrued during the half year of the discount withheld by Calyon on the receivable retransfer price.

The "payables with banks" refer to the reclassification of the securitised receivables existing at 30 June 2004 for 121,043 thousand euro which represents Banca IFIS's debt with the Calyon for payments to receive from the assigning debtors, as well as the debt for payments already received by Banca IFIS and not yet transferred to the purchaser bank for 1,957 thousand euro.

"Interest and similar income" includes 3,169 thousand euro for interest matured on the Class S Units subscribed by Banca IFIS.

The item "interest and other charges" includes 1.863 thousand euro for the portion accrued during the half year of the discount withheld by Calyon on the receivable assignment price.

"Payable commissions" include commissions for organising and managing the securitisation transaction for 39 thousand euro.

"Profits/losses from financial transactions" include 2,246 thousand euro for the negative difference of the value on the Class S Units subscribed by Banca IFIS due to a advance reimbursement on these securities below break-even against receivable interest calculated at the Euribor rate + 8%. Banca IFIS believes that this trend, physiologically correlated to the organisation of the securitisation program, is destined to repeat itself for the entire duration of the transaction in same order of magnitude.

The tables below show some of the principle figures related to the securitisation transaction (at 30 June 2004).

Breakdown by residual life

Due dates	**Remaining receivable portfolio** (in thousands of euro)	**Distribution %**
up to 3 months	84,062	69.5%
over 3 months and up to 12 months	17,099	14.1%
over 1 year and up to 5 years	45	0.0%
over 5 years	---	---
due	19,837	16.4%
Total	**121,043**	**100.0%**

Breakdown by geographical distribution

Country	Remaining receivable portfolio (in thousands of euro)	Distribution %
Italy	121,043	100.0 %
Other E.U. country	---	---
Rest of the World	---	---
Total	**121,043**	**100.0 %**

Target goals and aims

The main reason for the program is to improve the bank's funding, both in terms of deposit cost and the possibility of its increase based on the growth of operating dimensions.

Type of financial instruments held

The table below shows the type of classes held in reference to the Bank's securitisation program and the total amount of the securitised assets as of 30 June 2004.

Class	Gross amount	Value adjustments	Balance sheet value
Subordinated loans:			
Junior	---	---	---
Mezzanine	58,031	---	58,031
Senior	---	---	---
Total	**58,031**	**---**	**58,031**

Securitised assets	Quality of securitised assets	Gross amount	Value adjustments	Balance sheet value
Receivables acquired for factoring transactions				
	Bad loans	---	---	---
	Substandard	---	---	---
	Other assets	121,043	---	121,043
Total		**121,043**	**---**	**121,043**

SECTION 12 MANAGEMENT AND BROKERING FOR THIRD PARTIES

The group does not directly manage assets for third parties. Thus the related breakdown tables were not used.

PART C INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS STATEMENT

SECTION 1 INTEREST

1.1 Composition of item 10 "Interest and similar income"

		30/06/2004	30/06/2003
(a)	On receivables with banks	14	10
	of which:		
	- on receivables with central banks	*7*	*5*
(b)	On receivables with customers	10,011	9,035
	of which:		
	- on receivables with third party funds in administration	---	---
(c)	On debt securities	5	5
(d)	Other receivable interest	3,293	12
(e)	Positive balance on hedging operation differentials	---	---
	Total	**13,323**	**9,062**

Interest on receivables with customers include interest on arrears maturing during the half year on bad loans for 120 thousand euro and other positions for 37 thousand euro; the portion matured during the half year adjusted in the profit and loss statement as deemed unrecoverable totals 118 thousand euro.
Other interest income refers to 3,169 thousand euro for interest matured on a subordinate loan subscribed by Banca IFIS for the securitisation transaction described in section 11.8 of the balance sheet and section 3.1 of the profit and loss statement of these Notes.

1.2 Composition of item 20 "Interest and similar charges"

		30/06/2004	30/06/2003
(a)	On payables with banks	4,238	3,103
(b)	On payables with customers	331	110
(c)	On payables represented by securities	---	---
	of which:		
	- on certificates of deposit	---	---
(d)	On third party funds in administration	---	---
(e)	On subordinate liabilities	---	---
(f)	Negative balance on hedging operation differentials	---	---
	Total	**4,569**	**3,213**

Interest of payables with banks include 1,863 thousand euro for the portion of discount accrued during the half year withheld by the arranger on the retransfer price of the performing receivable portfolio effected following the securitisation transaction discussed in section 11.8 of these Notes. This discount is booked to the profit and loss statement based on the effective duration of the securitised receivable portfolio it refers to.

1.3 Breakdown of item 10 "Interest and similar income"

		30/06/2004	30/06/2003
(a)	On assets in currency	137	70

1.4 Breakdown of item 20 "Interest and similar charges"

		30/06/2004	30/06/2003
(a)	On liabilities in currency	55	21

SECTION 2 COMMISSIONS

2.1 Composition of item 40 "Commission income"

		30/06/2004	30/06/2003
(a)	Guarantees issued	2	1
(b)	Derivatives on loans	---	---
(c)	Management, brokering and consultation services:		
	1. negotiation of securities	---	---
	2. negotiation of currencies	---	---
	3. asset management	---	---
	3.1 individual	---	---
	3.2 collective	---	---
	4. custody and administration of securities	---	---
	5. deposit bank	---	---
	6. placement of securities	---	---
	7. order collection	---	---
	8. consultation	---	---
	9. distribution of third party services	---	---
	9.1. asset management	---	---
	9.1.1. individual	---	---
	9.1.2. collective	---	---
	9.2. insurance products	---	---
	9.3. other products	---	---
(d)	Collection and payment services	146	143
(e)	Servicing services for securitisation transactions	---	---
(f)	Tax collection	---	---
(g)	Other services	6,714	5,336
	Total	**6,862**	**5,480**

Receivable commission on other services refer to 6,382 thousand euro for factoring transaction commissions.

2.2 Breakdown of item 40 "Commission income":

	Distribution channels of products and services	30/06/2004	30/06/2003
(a)	At own branches:	---	---
	1. asset management	---	---
	2. placement of securities	---	---
	3. third party products and services	---	---
(b)	Off-site	---	---
	1. asset management	---	---
	2. placement of securities	---	---
	3. third party products and services	---	---

2.3 Composition of item 50 "Commission expense"

		30/06/2004	30/06/2003
(a)	Guarantees received	---	2
(b)	Derivatives on loans	---	---
(c)	Management and brokerage services		
	1. negotiation of securities	---	---
	2. negotiation of currencies	---	---
	3. asset management	---	---
	3.1. own portfolio	---	---
	3.2. third party portfolio	---	---
	4. custody and administration of securities	16	2
	5. placement of securities	---	---
	6. off-site securities, products and services	---	---
(d)	Collection and payment services	25	19
(e)	Other services	487	283
	Total	**528**	**306**

Commission expense on other services refers to 353 thousand euro for commission for brokering charges on transactions with customers and 39 thousand euro for commissions for managing and organising the securitisation transaction discussed in section 11.8 of these Notes.

SECTION 3 PROFITS AND LOSSES FROM FINANCIAL TRANSACTIONS

3.1 Composition of item 60 "Profits/losses from financial transactions"

	Items/transactions	Transactions on securities	Transactions on currencies	Other transactions
A.1	Revaluations	---	---	---
A.2	Devaluations	(15)	---	(2,246)
B.	Other profits/losses	15	18	---
	Total	**---**	**18**	**(2,246)**
1.	Treasury bills	---		
2.	Other debt securities	---		
3.	Capital securities	---		
4.	Derivative contracts on securities	---		

"Profits/losses from financial transactions" include 2,246 thousand euro for the negative difference of the value on the Class S Units subscribed by Banca IFIS due to an advance reimbursement on these securities below break-even. This item needs to be viewed together with the interest on the subordinate loan equal to 3,169 thousand euro and the cost for the discount applied by the arranger on the retransfer of the performing receivable portfolio, equal to 1,863 thousand euro. The net effect of the profit and loss statement items for the securitisation transaction, equal to 940 thousand euro, represents the financial cost of the transaction.

SECTION 4 ADMINISTRATIVE EXPENSES

4.1 Average number of employees by category

	Average number of employees	30/06/2004
a)	Managers	2
b)	Middle management 3rd and 4th level	14
c)	Remaining personnel	77
	Total	**93**

The average number of employees of the group at 30 June 2004 was calculates as the arithmetic average of employees working at the beginning of the half year (87) and end of the period (99).

Breakdown of subitem 80) "Personnel expenses"

		30/06/2004	30/06/2003
(a)	Wages and salaries	1,947	1,653
(b)	Social security charges	533	451
(c)	Severance pay (TFR)	123	117
(d)	Pension and similar funds	---	---
(e)	Other personnel expenses	11	11
	Total	**2,614**	**2,232**

Breakdown of subitem 80 b) "Other administrative expenses"

The subitem, totalling 2,054 thousand euro, is composed as follows:

		30/06/2004	30/06/2003
(a)	**Expenses for professional services**	**741**	**627**
	- Company officers	519	444
	- Legal expenses and consultation	193	155
	- Auditing	29	28
(b)	**Indirect taxes and taxes**	**162**	**110**
(c)	**Maintenance expenses**	**26**	**26**
(d)	**Car management and maintenance**	**122**	**136**
(e)	**Expenses to purchase non-professional goods and services**	**518**	**463**
	- Headquarters offices and branch operation	218	196
	- Telephone expenses	95	86
	- Various office supplies	58	66
	- Postal and tax stamp expenses	74	60
	- Business travel	73	55
(f)	**Other expenses**	**485**	**347**
	- Customer information	134	118
	- Advertising and inserts	44	31
	- Software assistance	83	51
	- Other sundry expenses	224	147
	Total	**2,054**	**1,709**

SECTION 5 ADJUSTMENTS, WRITEBACKS AND PROVISIONS

Composition of item 90 "Adjustments to intangible and tangible fixed assets"

As also expressed in the tables in Part B – Section 4, the following value adjustments have been charged to the profit and loss statement for amortisation on intangibles and depreciation on tangibles.

		30/06/2004	30/06/2003
(a)	Intangible Fixed Assets	117	82
(b)	Tangible Fixed Assets	251	238
	Total	**368**	**320**

Depreciation has been calculated on the basis of the following rates, which are considered to reflect the residual useful life of the tangible fixed assets in question:

	%
Buildings	3
Furniture and furnishing	12-24
Machinery and other equipment	15-30
Electronic office machines	20-40
Vehicles	12.5 - 25
Work on third party goods	20
Software installation and purchase costs	20
Cost of systems and expansion	20
Other intangible fixed assets	20

5.1 Composition of item 120 "Writedown of loans and provisions for guarantees and commitments"

		30/06/2004	30/06/2003
(a)	**Value adjustments on credits**	**2,260**	**2,373**
	of which:		
	- presumable adjustments for country risk	---	---
	- other presumable adjustments	*1,316*	*1,076*
(b)	**Provisions for guarantees and commitments**	**---**	**---**
	of which:		
	- presumable provisions for country risk	---	---
	- other presumable provisions	---	---
	Total	**2,260**	**2,373**

Composition of item 130 "Writebacks of loans and provisions for guarantees and commitments"

The item equal to 112 thousand euro refers to writebacks effected on bad loans written down in previous years.

SECTION 6 OTHER PROFIT AND LOSS STATEMENT ITEMS

6.1 Composition of item 70 "Other operating income"

The item refers to the following components:

		30/06/2004	30/06/2003
(a)	Recovery of third party expenses	187	165
(b)	Rental income	123	315
(c)	Other income	---	18
	Total	**310**	**498**

6.3 Composition of item 190 "Extraordinary income"

The item is composed as follows:

		30/06/2004	30/06/2003
(a)	Overprovisions	126	205
(b)	Income from disposal of tangible fixed assets	237	6
	Total	**363**	**211**

Income from tangible fixed assets includes 220 thousand euro for the capital gain from sale of the two floors and related appurtances of the building in Genoa owned by Banca IFIS as discussed in section 4 of the balance sheet and these Notes.

6.4 Composition of item 200 "Extraordinary charges"

		30/06/2004	30/06/2003
(a)	Non-operating losses	282	188
(b)	Losses from disposal of tangible fixed assets	---	12
(c)	Charges related to tax amnesty	111	250
	Total	**393**	**450**

Non-operating losses and non-existent assets refer to 160 thousand euro for calculation difference on taxes for the previous year. The amount in point c) refers to the tax amnesty under law no. 289 of 27 December 2002 and subsequent modifications which permanently closed 2002 for the purposes of income tax and VAT;

6.5 Composition of item 240 "Income taxes for the half year"

The item, totalling 1,630 thousand euro is broken down as follows:

		Ires	Irap	Other taxes	Total
(a)	Current taxes	(1,641)	(473)	---	(2,114)
(b)	Variations in prepaid taxes	(368)	(11)	---	(379)
(c)	Variations in deferred taxes	(71)	(9)	---	(80)
(d)	Income taxes	(2,080)	(493)	---	(2,573)

SECTION 7 OTHER INFORMATION ON THE PROFIT AND LOSS STATEMENT

7.1 Geographical distribution of income

The table below shows the distribution by geographic market of the income related to items 10, 30, 40, 60 and 70 of the profit and loss statement.

	30/06/2004
Italy	19,307
Abroad	1,194

7.2 Figures for contribution to the National Guarantee Fund

The group does not carry out any securities brokering. Therefore this figures are not supplied.

PART D OTHER INFORMATION

SECTION 1 BOARD MEMBERS AND STATUTORY AUDITORS

1.1 Remuneration

In accordance with Consob regulation no. 11971/99, the remuneration in thousands of euro paid to the Board Members, Statutory Auditors and Managing Directors at 30 June 2004 is shown below.

Remuneration paid to Board Members, Statutory Auditors and Managing Directors

BOARD OF DIRECTORS

Full name	Office held	Term of office	Remuneration	Fringe benefits	Bonuses and other incentives	Other compensation
Fürstenberg Sebastien Egon	Chairman	Approval financial statement at 31/12/06	63	---	---	---
Csillaghy Alessandro	Vice Chairman	Approval financial statement at 31/12/06	108	---	25	---
Bossi Giovanni	CEO	Approval financial statement at 31/12/03	155	---	72	---
Conti Leopoldo	Board Member	Approval financial statement at 31/12/03	7	---	---	13*
Cravero Roberto	Board Member	Approval financial statement at 31/12/06	7	---	---	4**
Martin Andrea	Board Member	Approval financial statement at 31/12/06	7	---	---	5**

*consultation
** attendance fees and expense account

BOARD OF STATUTORY AUDITORS

Full name	Office held	Term of office	Remuneration	Fringe benefits	Bonuses and other incentives	Other compensation
Rovida Mauro	Chairman	Approval financial statement at 31/12/03	13	---	---	1*
Santesso Erasmo	Auditor	Approval financial statement at 31/12/03	3	---	---	---
Stevanato Dario	Auditor	Approval financial statement at 31/12/03	3	---	---	---

* attendance fees and expense account

MANAGING DIRECTOR

Full name	Office held	Term of office	Remuneration	Fringe benefits	Bonuses and other incentives	Other compensation
Staccione Alberto	Managing Director	indeterminate	75	1	36	---

Equity investments held by Board Members, Statutory Auditors and the Managing Director

BOARD OF DIRECTORS

Surname and name	Subsidiary	Number of shares held at the end of the previous period	Number of shares bought	Number of shares sold	Number of shares held at the end of the period
Fürstenberg Sebastien Egon	---	---	---	---	---
Csillaghy Alessandro	---	---	---	---	---
Bossi Giovanni	Banca IFIS S.p.A	543,750	---	---	543,750
Conti Leopoldo	---	---	---	---	---
Cravero Roberto	---	---	---	---	---
Martin Andrea	---	---	---	---	---

BOARD OF STATUTORY AUDITORS

Surname and name	Subsidiary	Number of shares held at the end of the previous period	Number of shares bought	Number of shares sold	Number of shares held at the end of the period
Rovida Mauro	---	---	---	---	---
Santesso Erasmo	---	---	---	---	---
Stevanato Dario	---	---	---	---	---

MANAGING DIRECTOR

Surname and name	Subsidiary	Number of shares held at the end of the previous period	Number of shares bought	Number of shares sold	Number of shares held at the end of the period
Staccione Alberto	Banca IFIS S.p.A.	18,750	---	---	18,750

1.2 Credit facilities and Guarantees given

At the end of the period no credit facilities or guarantees had been granted to Board Members and Statutory Auditors of the Bank and subsidiaries.

Venice-Mestre, 6 August 2004

for the Board of Directors

The President
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

ATTACHMENTS TO THE HALF-YEAR CONSOLIDATED FINANCIAL STATEMENT

PROSPECTUS OF VARIATIONS IN CONSOLIDATED NET EQUITY
IN HALF YEAR ENDING 30 JUNE 2004 (in thousands of euro*)*

	Corporate capital	Share premium	Legal reserve	Own share reserve	Other reserves	Profits (Loss) carried forward	Net profit	Total
BALANCE AS OF 31/12/2003	**21,450**	**13,450**	**1,161**	**4,000**	**2,687**	**293**	**6,207**	**49,248**
Destination of 2003 profit								
- to legal reserve			71				(71)	---
- to dividends					(802)		(1,340)	(2,142)
- to extraordinary reserve					4,592		(4,592)	---
- profit carried forward						204	(204)	---
Net income at 30/06/2003							3,389	3,389
BALANCE AS OF 30/06/2004	**21,450**	**13,450**	**1,232**	**4,000**	**6,477**	**497**	**3,389**	**50,495**

CONSOLIDATED FINANCIAL REPORT
AS OF 30 JUNE 2004
(in thousands of euro)

	30/06/2004
GENERATED AND COLLECTED FUNDS	
FUNDS GENERATED FROM OPERATIONS	
Net profit	3,389
Value adjustments on receivables	2,148
Value adjustments on intangible and tangible fixed assets	368
Provisions for unused vacation and leave	101
Provisions for severance pay (TFR)	123
Net provisions for taxes	2,557
Total provisions generated	**8,686**
OTHER PROVISIONS COLLECTED :	
Decreases in receivables with clients	9,111
Decreases in tangible fixed assets	1,381
Decreases in other liabilities	3,178
Increases in payables with banks	12,075
Increases in accrued expenses and deferred income	195
Total other provisions collected	**25,940**
Total provisions generated and collected	**34,626**
PROVISIONS UTILISED	
Increases in cash on hand and receivables with banks	2,598
Increases in intangible fixed assets	172
Increases in own shares	2,168
Increases in prepayments and accrued income	92
Decreases in payables with clients	16,642
Decreases in other payables	7,541
Uses of severance pay fund (TFR)	36
Uses of tax fund	3,235
Distributed dividends	2,142
Total provisions used	**34,626**

INDEPENDENTAUDITORS' REPORT REVIEW ON THE CONSOLIDATED FINANCIAL STATEMENT

Deloitte.

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AUDITORS' REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2004

To the Shareholders of
BANCA IFIS S.p.A.

1. We have reviewed the accompanying interim financial information for the six months ended June 30, 2004, made up of the accounting consolidated schedules (consolidated balance sheet and income statement), and of the related footnotes of **BANCA IFIS S.p.A.** These financial information are the responsibility of the Company's management. Our responsibility is to issue a report on these financial information based on our review. In addition, we have verified the consistency of the footnotes with the related information contained in the above accounting schedules.

2. Our review was carried out in accordance with the auditing standards recommended by Consob under Resolution n. 10867 of July 31, 1997. Our review consisted principally in applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied and making enquiries of management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with auditing standards. Accordingly, unlike our report on the year-end financial statements, we do not express an audit opinion on the interim financial information.

   As far as comparative figures related to the year ended December 31, 2003 and the six months ended June 30, 2003 are concerned, reference should be made to our auditors' report dated April 9, 2004 and review report dated September 3, 2003.

3. Based on our review, we are not aware of any material modifications that should be made to the interim financial information mentioned in paragraph 1 above in order for it to be in conformity with the criteria provided by Consob regulations for the preparation of the interim financial information for the six months approved with Resolution n. 11971 of May 14, 1999 and subsequent modifications.

DELOITTE & TOUCHE S.p.A.

Signed by
Guido Zanardi
Partner

Padova, Italy
September 10, 2004

This report has been translated into the English language solely for convenience of international readers.

BANCA IFIS – PARENT COMPANY FINANCIAL STATEMENT AS AT 30th JUNE 2004

BALANCE SHEET

	ASSETS	30/06/2004		31/12/2003		30/06/2003	
10	**Cash on hand and liquid assets at central banks and post offices**		**8,313**		**5,051**		**5,531**
30	**Receivables with banks:**		**13,216,056**		**10,609,174**		**4,191,249**
	(a) on sight		12,931,189		9,030,855		3,624,150
	(b) other receivables		284,867		1,578,319		567,099
40	**Receivables with customers**		**392,728,753**		**400,701,406**		**294,938,650**
50	**Bonds and other receivable securities:**		**433,380**		**433,380**		**433,380**
	(a) issued by government		433,380		433,380		433,380
60	**Shares, stakes and other capital securities**		**349,113**		**349,113**		**349,113**
80	**Investments in group companies**		**9,835,792**		**2,085,793**		**6,875,449**
90	**Intangible fixed assets**		**953,388**		**947,909**		**875,551**
	of which: - cost of systems	55,509		71,205		86,619	
100	**Tangible fixed assets**		**5,199,151**		**9,271,171**		**5,233,185**
	of which: - immobilizzazioni in leasing finanziario	3,621,143		4,623,064		508,710	
120	**Own shares and stakes**		**2,790,670**		**622,982**		**107,836**
	nominal value euro	300,072		68,045		13,321	
130	**Other activities**		**5,295,795**		**8,779,239**		**3,841,318**
140	**Prepayments and accrued income:**		**2,581,287**		**2,547,327**		**1,065,555**
	(a) prepayments		233,756		44,022		133,844
	(b) accrued income		2,347,531		2,503,305		931,711
	TOTAL ASSETS		**433,391,698**		**436,352,545**		**317,916,817**

	LIABILITIES	30/06/2004	31/12/2003	30/06/2003
10	**Payables with banks:**	**329,787,223**	**317,628,613**	**194,589,667**
	(a) on sight	81,575,462	89,919,895	118,495,253
	(b) term or upon notice	248,211,761	227,708,718	76,094,414
20	**Payables with customers:**	**41,608,837**	**58,250,643**	**74,898,944**
	(a) on sight	41,608,837	58,250,643	74,898,944
50	**Other payables**	**7,072,043**	**13,711,709**	**2,397,069**
60	**Accrued expenses and deferred income:**	**339,086**	**158,182**	**131,832**
	(a) accrued expenses	214,380	22,403	90,490
	(b) deferred income	124,706	135,779	41,342
70	**Employee severance pay (TFR)**	**767,742**	**681,331**	**611,235**
80	**Funds for risks and charges:**	**2,114,176**	**3,235,042**	**1,603,258**
	(b) tax funds	2,114,176	3,235,042	1,603,258
120	**Capital**	**21,450,000**	**21,450,000**	**21,450,000**
130	**Share premiums**	**13,449,787**	**13,449,787**	**13,449,787**
140	**Reserves:**	**5,646,333**	**6,376,535**	**6,376,535**
	(a) legal reserve	1,232,089	1,161,554	1,161,554
	(b) reserve for own shares or stakes	4,000,000	4,000,000	4,000,000
	(d) other reserves	414,244	1,214,981	1,214,981
170	**Profits (losses)**	**11,156,471**	**1,410,703**	**2,408,490**
	TOTAL LIABILITIES	**433,391,698**	**436,352,545**	**317,916,817**

	GUARANTEES AND COMMITMENTS	30/06/2004		31/12/2003		30/06/2003	
10	**GUARANTEES GIVEN**		**2,822,983**		**2,822,983**		**2,911,889**
	of which:						
	- other guarantees	2,822,983		2,822,983		2,911,889	
20	**COMMITMENTS**		**138,181,466**		**55,802,174**		**60,800,881**

	PROFIT AND LOSS STATEMENT	30/06/2004		30/06/2003		31/12/2003	
10	**Receivable interest and similar proceeds**		**13,294,535**		**9,198,751**		**19,925,735**
	of which:						
	- on receivables with customers	10,097,642		9,183,653		18,783,749	
	- on payable securities	3,174,325		4,896		10,805	
20	**Payable interest and similar proceeds**		**(4,546,953)**		**(3,156,514)**		**(6,736,290)**
	of which:						
	- on payables with customers	(330,778)		(109,797)		(734,719)	
30	**Dividends and other proceeds:**		**6,250**		**18,274**		**18,274**
	(a) on shares, stakes		6,250		18,274		18,274
40	**Receivable commissions**		**6,864,781**		**5,481,947**		**11,549,644**
50	**Payable commissions**		**(527,569)**		**(304,607)**		**(778,381)**
60	**Profits (losses) from financial operations**		**(2,228,230)**		**(26,269)**		**(860,029)**
70	**Other operating proceeds**		**597,772**		**328,226**		**764,454**
80	**Administrative expenses:**		**(4,651,031)**		**(3,884,761)**		**(7,981,704)**
	(a) expenses for personnel		(2,614,441)		(2,231,531)		(4,314,899)
	of which:						
	- wages and salaries	(1,947,249)		(1,653,025)		(3,184,679)	
	- social security charges	(532,778)		(450,930)		(885,441)	
	- severance pay (TFR)	(123,312)		(117,360)		(222,401)	
	(b) other administrative expenses		(2,036,590)		(1,653,230)		(3,666,805)
90	**Value adjustments on intangible and tangible fixed assets**		**(615,016)**		**(341,707)**		**(802,811)**
110	**Other operating charges**		**(144,228)**		**(146,578)**		**(290,568)**
120	**Value adjustments on receivables and funds for guarantees and commitments**		**(2,259,734)**		**(2,373,042)**		**(6,330,700)**
130	**Riprese di valore su crediti e accantonamenti per garanzie e impegni**		**112,547**		**---**		**---**
150	**Value adjustments on financial fixed assets**		**---**		**(560,344)**		**(5,350,000)**
170	**Profit (loss) on ordinary activity**		**5,903,124**		**4,233,376**		**3,127,624**
180	**Extraordinary proceeds**		**8,138,576**		**211,710**		**232,664**
190	**Extraordinary charges**		**(392,178)**		**(445,638)**		**(535,630)**
200	**Extraordinary profits (losses)**		**7,746,398**		**(233,928)**		**(302,966)**
220	**Income tax**		**(2,493,051)**		**(1,590,958)**		**(1,413,955)**
230	**Profit (loss)**		**11,156,471**		**2,408,490**		**1,410,703**