bancaIFIS

FIRST HALF YEARLY CONSOLIDATED REPORT AS AT 30 JUNE 2005

Share Capital: 21,450,000 Euro fully paid in
Bank License No.: 3205
Tax Identification No.: 02505630109
VAT No.: 02992620274

REGISTERED OFFICE AND HEADQUARTERS
Via Terraglio, 65 – 30174 Mestre, Venice, Italy
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BRANCHES
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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
Via De Paoli, 28/D – 33170 Pordenone
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

MANAGING DIRECTOR	Alberto Staccione

BOARD OF AUDITORS

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

AUDITING FIRM	KPMG S.p.A

Member of Factors Chain International

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

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CONSOLIDATED HALF YEARLY REPORT
AS AT 30 JUNE 2005

BOARD OF DIRECTORS' REPORT ON MANAGEMENT OF THE GROUP

Results and operating trend

Financing Small and Medium Enterprises through Factoring

The Banca IFIS Group (composed of the parent company Banca IFIS S.p.A. and the subsidiary Immobiliare Marocco S.p.A.) continued its business profitably, aiming primarily at providing financing and management assistance to Italian and foreign small and medium enterprises through factoring. Together with advanced instruments of credit assessment and monitoring, factoring represents an excellent response to SMEs' need for financial services, above all in the light of the new rules for capital consumption for banks that will come into effect in 2007 (the Basel 2 Concordat).

In carrying out its activity, Banca IFIS acquires the accounts receivables of its customer's enterprise and manages the collection of these receivables; in addition, it offers financing against the receivables acquired for amounts, which in some cases, reach the entire counter-value of the receivables assigned by the customer. Lastly, upon request, Banca IFIS evaluates the opportunity of assuming the risk of bad debts on these receivables due to the debtor's failure to pay.

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

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

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

The factoring instrument is most efficient when the debtor's credit standing is better than that of the assigning customer and when the quality of the accounts receivables is adequately documented. Banca IFIS operates selectively, by excluding operations where the quality of the accounts receivables is not suitable or the credit standing of the assigning customer is better than the debtor's as, in terms of credit risk, this type of operation assumes the typical features of bank financing which is high risk and hence not in Banca IFIS's interest.

Banca IFIS's business has developed in a segment heavily influenced by economic trends. Indeed, economic trends are frequently amplified for SMEs if compared to the target markets of general banks. A further difficulty is that the accentuated dynamics characterising the activities of Italian Enterprises leads to an increasing need for information allowing the Bank to make a knowledgeable decision when assessing whether to assume a risk or otherwise.

For these reasons, Banca IFIS has strengthened its Internal Rating System (IRS) which specialises in the SME sector and focuses on factoring contracts. With the support of this Internal Rating System, all operations are subjected to in-depth assessment by Banca IFIS. Each operation is singularly and analytically examined, reliably assessing the credit risk from three perspectives: the risk as regards the debtor, the risk as regards the assignor and the risk as regards the operation as a whole. The Internal Rating System is used, in the first phase, by those responsible for forming and developing business relations with the means to an end of obtaining an estimated evaluation and for pricing purposes; In the second phase it is used by the credit assessment and monitoring area and, finally, in the last phase, by the area designated to the ordinary management of each individual customer. This IRS constitutes the platform on which the assumption, management and monitoring of credit risks are based and also increases the flow of information on customers.

Banca IFIS continues to distance itself from activities such as customer savings management, and assumption of risks that are not the short-term risks that usually characterise traditional factoring operations. The assumption of risks in exchange, securities, derivative instruments and, more generally, all those activities that involve the assumption of market risk are limited to the management of the financial surpluses available.

The results that Banca IFIS has achieved are, therefore, exclusively thanks to the factoring activity, i.e. the funding of working capital and the management of enterprises' accounts receivables.

* * *

During the first six months of 2005, business grew significantly, which will almost certainly lead to the ninth consecutive year of annual growth in terms of dimension and profitability. Such growth was achieved through the selection of new operations, despite an economic context that continues to prove problematic and that has lead to today's strong demand for intervention. In this economic environment, the results achieved by Banca IFIS are decidedly positive, both in terms of profitability and the quality of assets. These results allow for optimism as far as concerns the Bank's capacity to generate future stable profit flows, even in negative economic conditions.

Profit and Net Equity

Over the course of the first six months, Banca IFIS was able to further increase its market share as a result of aiming specifically at increasing the number of its customers, together with improving relations with existing ones, by focusing on products with higher added value.

Group profit reached 7,038 thousand Euro at 30 June 2005, a growth of 107.7% over the first six months of 2004, due once again to internal expansion which increased the number of customers through increased spread, whilst also achieving a further improvement in the earning margin per customer.

The amount of net adjustments for the period, equal to 3,058 thousand Euro (+42.4% with respect to the corresponding period of 2004) is the result of a decision made to improve the quality of assets as much as possible: in this respect, the ratio of bad debts on loans over total loan commitments fell to 1.6% (against 1.9% as at 31 December 2004, and 3.1% as at 30 June 2004) - a result which clearly shows the excellent result achieved by the Bank in this area.

The annualised ROE increased to 26.5% against 19.1% in 2004, even in the absence of equity increases, if excluding the part of the 2004 dividends not distributed.

Net profit annualised per share equalled 0.66 Euro (66 cents), an increase with respect to the 0.42 Euro of 2004. Net equity per share came to 2.80 Euro, compared to 2.62 Euro in 2004.

With regards to prices as at 30 June 2005, a price/earnings ratio of 15 and a price/book value of 3.43 were achieved. Such figures are in line with the bank context to which Banca IFIS belongs, and do not take into account the high growth rates of the Bank, nor the forecasted continued expansion in the mid-term.

Group Area

The composition of the group did not undergo any variations during the six months. The group thus remains composed of the parent company, Banca IFIS, and the sole subsidiary, Immobiliare Marocco S.p.A. .

The Structure

At the end of the 6 months, the Group had a total of 110 employees, all concentrated in the parent company, Banca IFIS. The structure of the Group is made up of 11 Branches (Ancone, Bari, Cagliari, Florence, Imola, Cologne Monzese, Naples, Pordenone, Rome, Turin and Venice-Mestre) and two representative offices (Bucharest and Budapest).

Operating Revenue

Operating revenue further increased compared to the first six months of 2004, climbing from 8,140 thousand Euro in 2004 to 12,012 thousand Euro in 2005 (+47.6%).
The interest margin registered a significant increase, rising 36.1% from 30 June 2004, from 6,532 thousand Euro to 8,892 thousand Euro. Net commissions also shot up by 49.2% compared to the first half of the previous year, rising from 6,334 thousand Euro to 9,449 thousand Euro.
This increase was counterbalanced by the growth in costs related to the assumption and management of credit risk, diluted primarily among the expenses for personnel.
The earning margin increased by 41.4% compared to 30 June 2004, rising from 13,176 thousand Euro to 18,635 thousand Euro.
Total operating costs reached 6,623 thousand Euro, with an increase equal to 31.5% compared to the first half of 2004. In detail, personnel expenses went up from 2,614 thousand Euro in the first half of 2004 to 3,322 thousand Euro in the first half of 2005 (+27.1%), due to strengthening the commercial organization, upgrading the risk assessment and credit management area and in general, reinforcing Head Office. Other administrative expenses also increased (from 2,054 thousand Euro in the first sixth months of 2004, to 2,874 Euro in the first half of 2005, +39.9%) due to costs connected with further development of the business: consultancy and professional assistance, rent for branch offices, information technology system maintenance and assistance and support for better selection and control of credit.
Value adjustments on intangible fixed assets rose from 368 thousand Euro during the first half of 2004 to 427 thousand Euro in the first half of 2005, +16% (primarily due to information technology supports) and value adjustments on tangible fixed assets also rose (primarily due to business operating assets related to company offices).
The growth in income (of an ordinary nature and therefore repeatable) lead to an improved cost/income ratio of 35.5% as at June 2005 (the cost/income ratio had already reached a level of excellence of 37.3% in 2004) confirming that it is one of the best on the entire national banking scene.

Net Profit

The dynamics of value adjustments was also sustained during the first half of 2005, in the view of improving the quality of assets, passing from 2,148 thousand Euro in the first six months of 2004 to 3,058 thousand Euro as at June 2005, leading to an ordinary profit of 8,954, a significant increase of 49.4% over the result for the corresponding period of 2004 equal to 5,992 thousand Euro. Net profit for the first half of 2005 includes net extraordinary income for 424 thousand Euro against net extraordinary charges for 30 thousand Euro.
After tax on income for 2,340 thousand Euro (2,573 thousand as at 30 June 2004) and in the absence of any profit deriving from third parties, net profit totalled 7,038 thousand Euro, a growth of 107.7% if compared to the figures from the corresponding period of 2004 (3,389 thousand Euro).
The decrease in taxes on gross profit, in comparison to the first half of 2004, is due to tax benefits realised over the period.

Commitments

In general, the credit market in Italy is characterised by a gap between supply and demand. In terms of supply, traditional credit institutes have continued to shy away from doing business considered to be high risk. As a result, enterprises, particularly SMEs, face difficulty in obtaining credit. This lack of supply has been partially tempered by a general decline in demand caused by the poor recovery of the economy.
Despite this scenario, adhering to predetermined strategies, Banca IFIS still succeeded in improving its position, achieving a growth in due from customers of 12.4%, to reach a total of 528 million Euro.
The quality of receivables also improved significantly. At the end of June, the ratio of bad debts on loans over total loan commitments was equal to 1.6% (1.9% at the end of December 2004).

Funding

The savings and deposits market for Italian banks remained stable in the first half of 2005. Families' and enterprises' propensity to risk has been particularly modest, primarily due to the insolvency phenomenon causing loss of trust. In addition, both short term and long term interest rates have not been very incentivising with respect to bank deposits. Return on property investments and on shares, however, has provided a large amount of liquidity to these markets.

Over the first half of 2005, Banca IFIS successfully continued to diversify its funding. In addition to the typical deposits effected with the banking system or wholesale through customer-enterprises, securitisation began playing more and more of a major role through the development of interbank funding on the e-*MID* platform and on a direct bilateral basis.

Total funding reached 591 million Euro, an increase of 17.3% compared to 31 December 2004. In detail, 329 million Euro were the result of transactions with banking counterparts of which 175 were regulated on e-*MID,* 178 million Euro from funding obtained through securitisation, 50 million from the issue of a convertible bond in July 2004 and 34 million Euro from customer deposits.

The securitisation programme regarding the reassignment of performing credit due from assigned debtors and started in October 2003 is revolving, in that it continues for the original duration of 12 months, renewable a maximum of 5 times. The main reason for this programme is to improve the Bank's funding. The programme provides, at the end of the period, around 20% of the net funding normally utilised to carry out factoring activities, with further growth expected.

MAIN GROUP FIGURES

KEY FIGURES

CONSOLIDATED ASSETS AND LIABILITIES
(in thousands of Euro)

	AMOUNT		VARIATION	
	30/06/2005	31/12/2004	ABSOLUTE	%
Due from banks	31,035	13,858	17.177	124.0
Due from customers	594,380	523,428	70,952	13.6
Fixed assets	20,559	18,888	1,671	8.8
Other asset items	25,250	21,177	4,073	19.2
Total assets	**671,224**	**577,351**	**93,873**	**16.3**
Due to banks	506,998	350,405	156,593	44.7
Due to customers	34,080	103,419	(69,339)	(67.0)
Outstanding securities	50,000	50,000	-----	-----
Net equity	60,154	56,119	4,035	7.2
Other liability items	19,992	17,408	2,584	14.8
Total liabilities	**671,224**	**577,351**	**93,873**	**16.3**

CONSOLIDATED PROFIT AND LOSS STATEMENT FIGURES
(in thousands of Euro)

	FIRST HALF		VARIATION	
	2005	2004	ABSOLUTE	%
Earning margin	**18,635**	**13,176**	**5,459**	**41.4**
Operating costs	6,623	5,036	1,587	31.5
Operating revenue	**12,012**	**8,140**	**3,872**	**47.6**
Value adjustments on loans	3,058	2,148	910	42.4
Ordinary profit	8,954	5,992	2,962	49.4
Net Profit	**7,038**	**3,389**	**3,649**	**107.7**

ECONOMIC-FINANCIAL INDEXES AND OTHER FIGURES

	30/06/2005	31/12/2004	VARIATION
Profitability indexes			
ROE (1) (2)	26.5%	19.1%	7.4%
ROA (2)	3.6%	3.1%	0.5%
Cost/income ratio	35.5%	37.3%	(1.8)%
Risk indexes			
Net bad debts on loans/Total loans	1.6%	1.9%	(0.3)%
Net non-performing loans/Total loans	2.2%	2.8%	(0.6)%
Solvency ratios			
Tier 1 capital/Risk weighted assets	13.2%	12.9%	0.3%
Regulatory capital/Risk weighted assets	13.1%	12.8%	0.3%
Figures per employee (3) (4)			
Earning margin/Number of employees (2)	338.8	287.0	51.8
Total assets/Number of employees	6,102.0	5,716.3	385.7
Personnel cost/Number of employees (2)	60.4	52.2	8.2

(1) The assets used for the ratio are 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	AMOUNT		VARIATION	
	30/06/2005	31/12/2004	ABSOLUTE	%
Cash and cash equivalents at central banks and post offices	10	8	2	25.0%
Receivables due:				
- from customers	594,380	523,428	70,952	13.6%
- from banks	31,035	13,858	17,177	124.0%
Trading securities	14,073	8,919	5,154	57.8%
Fixed assets:				
- intangible	793	713	80	11.2%
- tangible	19,766	18,175	1,591	8.8%
Other asset items	11,167	12,250	(1,083)	(8.8)%
Total assets	**671,224**	**577,351**	**93,873**	**16.3%**

LIABILITIES	AMOUNT		VARIATION	
	30/06/2005	31/12/2004	ABSOLUTE	%
Payables due:				
- to customers	34,080	103,419	(69,339)	(67.0)%
- to banks	506,998	350,405	156,593	44.7%
- represented by securities	50,000	50,000	----	----
Provisions with specific utilisation:				
Employee severance/retirement allowance	1.010	876	134	15.3%
Tax fund	2,296	4,453	(2,157)	(48.4)%
Other liability items:	16,686	12,079	4,607	38.1%
Net equity:				
Capital, share premiums and reserves	53,116	47,107	6,009	12.8%
Net Profit	7,038	9,012	(1,974)	(21.9)%
Total liabilities	**671,224**	**577,351**	**93,873**	**16.3%**

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS STATEMENT
(in thousands of Euro)

	FIRST HALF		VARIATION	
	2005	**2004**	**ABSOLUTE**	**%**
Net interest	10,160	8,754	1,406	16.1
Dividends and other income	2,902	6	2,896	n.s.
Profits (Losses) from financial operations	(4,170)	(2,228)	(1,942)	87.2
Interest margin	**8,892**	**6,532**	**2,360**	**36.1**
Net receivable commission	9,449	6,334	3,115	49.2
Other operating income	294	310	(16)	(5.2)
Income from brokerage and other	**9,743**	**6,644**	**3,099**	**46.6**
Earning margin	***18,635***	***13,176***	***5,459***	***41.4***
Personnel expenses	(3,322)	(2,614)	(708)	27.1
Other administrative expenses	(2,874)	(2,054)	(820)	39.9
Value adjustments on fixed assets	(427)	(368)	(59)	16.0
Operating costs	**(6,623)**	**(5,036)**	**(1,587)**	**31.5**
Operating revenue	***12,012***	***8,140***	***3,872***	***47.6***
Net adjustments on receivables	(3,058)	(2,148)	(910)	42.4
Profit before extraordinary items	***8,954***	***5,992***	***2,962***	***49.4***
Extraordinary Profit (Loss)	**424**	**(30)**	**454**	**n.s.**
Gross profit	***9,378***	***5,962***	***3,416***	***57.3***
Income tax	(2,340)	(2,573)	233	(9.1)
Net Profit	***7,038***	***3,389***	***3,649***	***107.7***

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS STATEMENT: QUARTERLY CHANGES
(in thousands of Euro)

	YEAR 2005		YEAR 2004	
	2nd quarter	1st quarter	4th quarter	3rd quarter
Net interest	5,115	5,045	4,674	4,550
Dividends and other income	2,902	---	2,725	----
Profits (Losses) from financial operations	(3,154)	(1,016)	(3,661)	(329)
Interest margin	**4,863**	**4,029**	**3,738**	**4,221**
Net receivable commission	4,847	4,602	4,233	3,358
Other operating income	164	130	160	97
Income from brokerage and other	**5,011**	**4,732**	**4,393**	**3,455**
Earning margin	***9,874***	***8,761***	***8,131***	***7,676***
Personnel expenses	(1,666)	(1,656)	(1,392)	(1,265)
Other administrative expenses	(1,527)	(1,347)	(1,533)	(1,112)
Value adjustments of fixed tangible and intangible assets	(237)	(190)	(252)	(202)
Operating costs	**(3,430)**	**(3,193)**	**(3,197)**	**(2579)**
Operating revenue	***6,444***	***5,568***	***4,934***	***5,097***
Net adjustments on receivables	(1,442)	(1,616)	(992)	(1,232)
Profit before extraordinary items	***5,002***	***3,952***	***3,942***	***3,865***
Extraordinary Profit (Loss)	**361**	**63**	**100**	**(71)**
Gross profit	***5,363***	***4,015***	***4,042***	***3,794***
Income tax	(1,338)	(1,002)*	(560)	(1,653)
Net Profit	***4,025***	***3,013***	***3,482***	***2,141***

* Taxes not included in the quarterly report as at 31 March 2005 are indicated here on a proportional basis with respect to 30 June 2005

Market trends and group activity

Group position and plans

The Factoring market differs dramatically both in terms of services and products and in terms of the operators themselves but, generally, the different approaches fall into one of two models. A third model, which is effectively a combination of the other two, also exists:

- The first model is the offer of factoring and financing services (tending towards non recourse) to excellent quality assignors for whom the short term credit risk regarding the assigning debtor is particularly limited, and/or to assignors with a well-distributed receivables portfolio, apportioned according to a statistical approach based on global and market flows, maximisation of volumes and distribution of the portfolio. Remuneration for these types of transactions is in line with the underlying risk level;
- The second model involves credit management and financing of SMEs, based on a prompt and analytical assessment of both the assignor and the debtor risk. This approach requires the specific, and in some cases simultaneous, analysis of three elements: the assigned debtor, the type of receivables to be acquired and the assignor. The credit risk of the debtor, where assumed, is assessed based on specific analysis of this 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 non recourse) is significantly higher than that of the analytical dimensional approach or statistical insurance approach;
- The third model is a combination of the two above.

Banca IFIS belongs to the second category of operators. The Bank aims at a well-defined market segment, composed of small and medium assignors usually with debtors of a higher credit standing. Thus, this market is represented by average quality assignors, including those with little or no access to credit for the amount and quality desired from the traditional banking market. This is a particularly vast segment in Italy and Europe, a segment characterised by the relative absence of large banking operators and orientation towards larger assignors with better credit standings.
In carrying out its factoring business, Banca IFIS is able to provide services and financing to customers in the SME segment, whilst maintaining a lower risk profile by transferring the risk from the assignor to the assigned debtor. This transfer of risk is characteristic of the strictest application of legal factoring rules, according to the quality of the acquired receivables.
Observance of the factoring rules allows Banca IFIS to accept small and medium dimension assignors, basing its assessment primarily on the quality of the assigned debtor (often confirmation of the quality of the assigned receivable) or on the quality of the receivables themselves, assessing every single transaction through the simultaneous analysis of the assigned debtor, the receivables to be acquired and, lastly, the assigning customer.

Banca IFIS's defined plans foresee further rapid increases in the size of the company and the number of customers. By favouring Italian and foreign SMEs over time, Banca IFIS has been able to achieve very positive results, both in terms of volume of business (the average annual growth in turnover from 1997 to 2004 was 31.7%) and in terms of profitability (the average annual growth in the operating revenue and in gross profit in the same period was 53.4% and 61.6% respectively.)

In a context of elevated growth rates in terms of dimension, the development of the bank's business activity revolves around the following guidelines:

1) *Distribution of credit risk*, by searching for customers looking to assign a medium or contained amount (inferior to 10%, usually 5%, of consolidated regulatory capital);
2) *Rapid increase in the number of customers,* through suitable strategies and the definition of adequate support for the entire distribution network;

3) *Further implementation and strengthening of the Internal Rating System* as an indispensable part of the assumption, management and monitoring of credit risk and, in addition, to the definition of effective and timely credit risk management. This will consequently assist in the development of the activity;
4) *Internationalisation of the business,* through opening, in the mid-term, new branches or subsidiaries in certain areas of Europe, and more generally speaking, the development of international factoring for enterprises located in and out of the EU through the support of Factor Chain International and directly;
5) *Optimisation of the pricing policy,* through strictly connecting prices to the amount of risk assumed;
6) *Development of new services for SMEs,* also in view of the challenges presented by the new regulations regarding the assumption of credit risk by banks due to come into force (the Basel Concordat 2);
7) *Further enhancement of management,* with particular reference to credit risk assessment and management (considered the greatest risk to which the Bank is exposed) and to back office (key to correct company operation and general protection against risks);
8) *Enhancement of the technological infrastructure,* by introducing increasingly advanced IT support that helps in decisions at all levels of the company organization, in real time and in a reliable, simple and secure way;
9) *Strengthening already existing branches and opening new ones,* in such a way as to consolidate Banca IFIS's position both in the market as a whole and in the SME segment;
10) *External expansion* (in particularly favourable conditions), through the acquisition of national and international firms active in the factoring market and compatible to Banca IFIS's approach to the market;
11) *Increase in financing sources*, improving costs and diversifying funding;
12) *Completion of the renovation of the new Head Office*, so as to accommodate the expansion of Banca IFIS in terms of size and business over the next few years. Completion of the first part of the renovation work and transfer to the new head office is scheduled for October 2005;

Risk Management

Banca IFIS continues to measure, control and manage the various types of risk relative to its business. Particular emphasis has been placed on credit risk, as a result of the Bank's orientation towards awareness in the assumption of risk when financing enterprises.
Over the sixth months, particular attention was given to strengthening the Internal Control System (ICS) in order to ensure a balance between profitability and assumed risks. The Internal Control System is considered a set of procedures and actions necessary to achieve the following goals:

- effective and efficient company processes (administration, production and distribution);
- safeguarded value of assets and protection against losses;
- reliable and credible accounting and management information;
- compliance of operations with applicable laws and supervisory regulations, as well as policies, plans, rules and internal procedures.

Credit Risk and the Internal Rating System (IRS)

Maintaining effective management of credit risk is a strategic objective for Banca IFIS, achievable through the adoption of integrated and consistent tools and processes in order to guide credit management in all its phases (assessment, distribution, monitoring and management, and intervention in problem credit). The Internal Control System is aimed at regulating credit risk through the integration of line and risk management controls and the activity of internal auditing.
As Banca IFIS's activity involves acquiring enterprises' accounts receivables, credit risk is the greatest risk to which the Bank and the group are exposed. It is for this reason that all the phases of credit risk assumption and control are concentrated at Head Office, thus allowing for a high level of homogeneity in granting credit and strict monitoring of individual positions.
Protection against credit risk, in particular, is Top Management's responsibility, due to its vital importance.
As for the assumption of large credit risks (defined as risks involving the Bank for an amount over 10% of its regulatory capital), the Board of Directors has asked Top Management to report on them and, as a conservative measure, to limit them to amounts smaller than those allowed under current supervisory regulations. All large credit risks, even if amounting to less than 10% of regulatory capital, are systematically monitored.
Credit risk is controlled by operational procedures that can rapidly individuate anomalies and efficiently monitor any changes in the quality of the credit portfolio through constant and diversified information on the assigning customer, the assigned debtors, the operation itself and the relevant economic sector.
The Internal Rating System (IRS), in operation since October 2003, is able to assign a credit standing to assignors, debtors and operations which allows:

- immediate identification of the risk that each individual financing operation presents;
- adequate pricing to be established for each class of risk, right from analysis of the feasibility of the operation;
- continuous monitoring of relations with customers and debtors, automatically verifying any significant aspects of the operation on a monthly basis;

The IRS will also be able to manage portfolio risk as an aggregation of the risks inherent in single transactions and 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 phase of the internal rating system).
The IRS is a software programme owned exclusively by Banca IFIS that interfaces with the Bank's management software for factoring. The operations of the IRS completely reflect the logic of credit risk assessment adopted by the Bank.
The system is set up to make an initial separate analysis of the assignor-risk and the assigned debtor-risk, followed by a combined assessment based on the characteristics of the receivables to be acquired and the operation as a whole. Specifically, the IRS makes it possible to assign a credit rating to the assignor, to the debtor and to the underlying credit operation. The assessment of the quality of the assignor and the assigned debtor is based on

the use of Financial Statement analysis considering the industry of the counterpart, analysis of the industry, information from the Central Risks Database, external information and qualitative assessments. An assignment of a rating to the accounts receivables to be assigned and the overall operation follows the rating assigned to the assignor and assigned debtor. The overall operation rating is always a compromise between the assignor rating (usually the worst, based on the strategic decision to give priority to SME assignors) and the debtor rating (usually the better of the two). The rating between the two extremes depends entirely on the quality of the credit, determined by algorithms established by Banca IFIS over its twenty years of experience in the factoring sector.

Interest Rates and Liquidity Risk

The assumption of interest rate and liquidity risks is not, in principle, in line with management of the Group, as Banca IFIS usually takes provisions of variable rate financial resources, primarily indexed, unless otherwise stated herein, or fixed rate on a very short term, using them in the very short term (loan commitments to customers are mostly revocable).
Control of risks assumed in the Treasury area, in compliance with the strict limits established by the Board of Directors, is guaranteed by stringent operating procedures, IT tools and reports, all aimed at further improving the monitoring of potential risks to be assumed by this area.

The issue of the convertible bond loan 'Banca IFIS 2004-2009' at a fixed rate of 4.375%, does not affect Banca IFIS's position to any great extent. The operations linked to this instrument are controlled by Top Management, as are the purchase and sale of own convertible bonds.

Exchange Risk

The assumption of exchange rate risks, 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 in the name of, or on behalf of, customers and are normally correlated with the typical factoring activity. In this sense, the advances given to the customer are backed by financial cover in the same currency, thus eliminating the risk of losses connected to exchange rate fluctuations.

Market Risk

The Bank does not normally assume any market risks and carries out its business almost entirely within the sector of financing the working capital of SMEs using the factoring instrument, without assuming market risks. Even so, in certain circumstances, with the aim of optimising the liquidity position, there have been some operations that involved a modest assumption of market risks. Such activities, which will continue throughout 2005, are carried out under the direct control of Top Management, with systematic reporting to the Board of Directors.

Operational Risk

Operational risks are generally defined as risks of economic loss due to poor functioning of internal processes, inadequate procedures, human error or external events. Management of operational risks requires the ability to identify the risks present in all the significant products, activities, processes and systems that can compromise the achievement of Banca IFIS's goals. Management of this type of risk is currently Top Management's responsibility. The analysis of single company processes continues in order to identify the elements of loss and sources of risk inherent in each process (risk mapping). Risk measurement instruments have also been set up in order to find any anomalies in operating processes.

The risk of economic loss resulting from facts which affect Immobiliare Marocco S.p.A., an instrumental real estate company and the only company held at 100%, is also part of this category. Based on the type of business it carries out, Immobiliare Marocco is not concerned by risks that affect credit institutions such as credit, interest, liquidity and market risks. Currently, the monitoring of this subsidiary's operational risk is ensured through systematic reporting to the parent company's Top Management, who then make all the decisions regarding the strategies of the subsidiary for all risks.

Main capital aggregates

The parent company is involved almost exclusively in the factoring industry and enters its loan commitments as due from customers. Aside from own funds, financing comes, primarily, from the interbanking market, from the securitisation of performing receivables, from the issue of a convertible bond loan and, lastly, from direct customer deposits

MAIN CAPITAL AGGREGATES
(in thousands of Euro)

	PERIOD			ABSOLUTE CHANGES BETWEEN	
	30/06/2005	**31/12/2004**	**30/06/2004**	**06/05-12/04**	**12/04-06/04**
Due from customers	594,380	523,428	393,074	70,952	130,354
Securities	14,073	8,919	782	5,154	8,137
Tangible and intangible fixed assets	20,559	18,888	16,179	1,671	2,709
Balance of other items	22,220	8,708	13,042	13,512	(4,334)
Total net assets	**651,232**	**559,943**	**423,077**	**91,289**	**136,866**
Due to customers	34,080	103,419	41,609	(69,339)	61,810
Due to banks	506,998	350,405	330,972	156,593	19,433
Payables represented by securities	50,000	50,000	---	---	50,000
Net equity	60,154	56,119	50,496	4,035	5,623
Total net liabilities	**651,232**	**559,943**	**423,077**	**91,289**	**136,866**

Due from customers

At the end of the Half Year, total due from customers was 594 million Euro, an increase of 13.6% compared to the end of 2004.
This accentuated change is due to the organic growth in parent company factoring activities.
due from customers include the Class S Units subscribed by Banca IFIS following the revolving securitisation operation started in October 2003.
Net total loans, excluding bad debts on loans for 8 million and the above mentioned Class S Units for 66 million Euro, equalled 520 million Euro, an increase of 12.8% compared to 2004.

BANKING PRODUCTS
(in thousands of Euro)

	PERIOD		VARIATION	
	30/06/2005	**31/12/2004**	**ABSOLUTE**	**%**
Current accounts and similar	32,887	35,010	(2,123)	(6.1)
Advance accounts for recourse assignment	213,023	198,419	14,604	7.4
Advance accounts for non-recourse assignment	44,184	57,604	(13,420)	(23.3)
Receivables from debtors for definitive acquisitions	229,664	169,698	59,966	35.3
Mortgages	398	429	(31)	(7.3)
Total current loan commitments	**520,156**	**461,160**	**58,996**	**12.8**
Net bad debts on loans	8,271	9,054	(783)	(8.6)
Subordinated loans	6,593	53,214	12,739	23.9
Total due from customers	**594,380**	**523,428**	**70,952**	**13.6**

Category	**Admin**	**Risk protection**	**funding**	**Turnover**	**Number of invoices**	**Number of customers**
A	X			0.2%	0.1%	0.1%
B	X	X		2.9%	2.6%	6.5%
C	X	X	X	30.0%	10.9%	26.8%
D	X		X	66.9%	86.4%	66.6%

The breakdown of customers by geographic area in Italy, as well as abroad, and the breakdown of the customers by product category are as follows:

BREAKDOWN OF CUSTOMERS BY GEOGRAPHIC AREA	**COMMITMENTS**	**TURNOVER**
Northern Italy	34.5%	43.4%
Central Italy	34.6%	26.1%
Southern Italy	24.8%	14.2%
Abroad	6.1%	16.3%
Total	**100%**	**100%**

BREAKDOWN OF CUSTOMERS BY PRODUCT SECTOR (*)

		LOAN COMMITMENTS	TURNOVER
051	Agriculture, forestry and fish products	0.2%	0.2%
052	Energy products	0.2%	0.0%
053	Minerals and ferrous and non-ferrous metals	0.9%	1.1%
054	Minerals and mineral based products	1.2%	1.6%
055	Chemical products	0.5%	0.6%
056	Products in metal excluding machines and equipment	6.8%	7.6%
057	Agricultural and industrial machines	2.7%	2.9%
058	Machines for offices and EDP machinery	0.1%	0.4%
059	Electrical material and supplies	3.9%	5.9%
060	Transportation vehicles	4.2%	2.5%
061	Food and beverage products	1.4%	1.0%
062	Textile, leather, shoe and clothing products	3.7%	2.7%
063	Paper, printing and publishing	0.4%	0.4%
064	Rubber and plastic products	1.6%	2.8%
065	Other industrial products	0.6%	0.4%
066	Construction and public works	5.9%	7.0%
067	Wholesale and retail trade, recoveries and repair	7.8%	8.3%
068	Hotel and public establishment services	0.5%	0.6%
069	Internal transportation services	0.8%	1.1%
070	Maritime and air transportation services	0.7%	0.7%
071	Transportation related services	0.7%	1.4%
072	Telecommunications services	0.9%	0.1%
073	Other services for sale	17.4%	34.4%
000	Non classifiable	36.9%	16.3%
	of which non-resident subjects	*6.1%*	16.3%
	of which financial institutions	*0.5%*	0.0%
	of which others(**)	*30.3%*	0.0%
	Total	**100%**	**100%**

(*) List according to Bank of Italy's circular n.140 of 11/02/91

(**) This item mainly refers to enterprises in the Health sector

Non performing loans

The ratio of bad debts on loans over total loan commitments to customers decreased from 1.9% as at 31 December 2004 to 1.6% as at 30 June 2005. This decrease is attributable to both the growth in the amount of total loans and the increase in the average percentage of write-downs on bad debts on loans that passed from 66% as at 31 December 2004 to 71% as at 30 June 2005.

Total bad debts on loans to customers, net of value adjustment write-downs, was 8,271 thousand Euro as at 30 June 2005, against 9,054 thousand Euro as at 31 December 2004 (a decrease of 8.6%), and against 10,478 thousand Euro as at 30 June 2004 (a decrease of 21.1%).

Gross of any value adjustments, the figures amounted to 28,300 thousand Euro, against 26,452 thousand Euro at the end of 2004 (+7%) and 24,549 as at June 2004 (+15.3%). Banca IFIS enters its gross bad debts on loans up to the point in which all legal procedures to recoup the credit have been exhausted. The longest standing bad debts on loans date back to 1990. Also due to the strategy of risk spreading, the total amount of bad debts on loans is, on average, quite contained.

As at 30 June 2005, 111 non performing loans, for an average amount of 75 thousand Euro

net, were registered. In the following table, these are broken down into categories according to their size and the year in which they became overdue. The cover index on gross non performing loans increased to 70.8% (65.8% as at 31 December 2004, 57.3% as at 30 June 2004).
Potential problem loans/difficult loans, net of estimated value adjustment write-downs amounted to 3,482 thousand Euro, against 3,911 thousand Euro as at 31 December 2004, (a decrease of 11%) and against 4,157 thousand Euro as at 30 June 2004 (a reduction of 16.2%).
Total loans to countries at risk, net of any estimated value adjustment write-downs, decreased by 84.8% to 52 thousand Euro against 341 thousand as at 31 December 2004.
Total net non performing loans equalled 11,805 thousand Euro against 13,306 thousand Euro at the end of the 2004 accounting year (-11.3%) and against 14,971 thousand Euro as at 30 June 2004 (-21.1%). This total constitutes 19.6% of net equity as at 30 June 2005, compared to 23.7% as at 31 December 2004.

CREDIT QUALITY
(Thousands of Euro)

	PERIOD		VARIATION	
	30/06/2005	**31/12/2004**	**ABSOLUTE**	**%**
Bad debts on loans	8,271	9,054	(783)	(8.6)
Difficult loans	3,482	3,911	(429)	(11.0)
Loans being rescheduled	---	---	---	---
Rescheduled loans	---	---	---	---
Receivables from countries at risk	52	341	(289)	(84.8)
Total non performing loans	**11,805**	**13,306**	**(1,501)**	**(11.3)**
Performing loans	516,622	456,908	59,714	13.1
Total loans to customers	**528,427**	**470,214**	**58,213**	**12.4**

NON PERFORMING LOANS BY YEAR
(thousands of Euro)

Year	Number of Non performing loans	Gross amount	Total write-downs	Net amount	% of cover
1990	2	69	22	47	32%
1991	3	308	308	---	100%
1992	1	25	25	---	100%
1993	2	362	196	166	54%
1994	1	99	49	50	49%
1995	1	138	31	107	23%
1996	1	344	152	192	44%
1997	1	92	92	---	100%
1998	6	1,167	650	517	56%
1999	4	778	686	92	88%
2000	2	173	2	171	1%
2001	7	9,058	6,928	2,130	76%
2002	15	1,561	855	706	55%
2003	22	7,439	5,698	1,741	77%
2004	27	4,648	3,209	1,439	69%
1st H 2005	16	2,039	1,126	913	55%
Total	**111**	**28,300**	**20,029**	**8,271**	**71%**

NON PERFORMING LOANS BY SIZE
(thousands of Euro)

	Non performing loan classes	Number of non performing loans	Gross amount	Total write-downs	Net amounts
A	From 0 to 200,000	101	14,149	10,754	3,395
B	From 200,001 to 500,000	7	3,527	1,602	1,925
C	From 501,000 to 1,000,000	2	4,767	2,963	1,804
D	From 1,000,001 to 2,000,000	1	5,857	4,710	1,147
E	> 2,000,001	---	---	---	---
Total		111	28,300	20,029	8,271

The size and financial weakness of the assigning customers, 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.

Banca IFIS's assigning customers are mainly small and medium sized enterprises. The possibility of them finding themselves in trouble is generally greater than that of their debtors, who are normally larger sized companies. It is for this reason that the percentage of gross bad debts on loans out of Banca IFIS's total loan commitments tends to be higher than that of traditional banks. Nevertheless, the correct application of the factoring concept usually allows bad debts on assignors who become insolvent to be completely recovered, thanks to the ordinary payment of the amount due by the assigned debtor.

The factoring activity, carried out more or less exclusively by Banca IFIS, classifies non performing loans in the following categories:

- *Apparent bad debts on loans* relates to assigning customers who became insolvent but are backed by good quality receivables against solvent assigned debtors. This type of bad debt does not correctly reflect the actual risk of the Bank, as the Bank maintains its right to collect payment directly from the assigned debtor. In fact, the debtor cannot free himself from debt by paying the assignor directly. This category of bad debt on loans is generated when the assigned debtors are of a high credit standing, carefully assessed by the Bank and able to regularly meet their obligations, and particularly weak assignors. However, in keeping with banking regulations, *apparent bad debts on loans* are still classified as bad debts for the whole amount granted to the assigning customer;
- *Bad debts on loans due to disputes* relate to cases where assigning customers have become insolvent and the assigned accounts receivables either have not been confirmed by the debtor, although notified, or are a result of contracts the completion of which has not yet been verified. In the event of the assigning customer's insolvency, these transactions lead to situations where the assigned debtor may decide not to fulfil his obligation, following effective or instrumental disputes. Generally, the recovery rate of these bad debts on loans is better than the recovery of normal bad debts resulting from bank-enterprise operations as the debtor is usually able to meet his obligations and, in addition, any disputes on the quality of the receivable do not always justify failure to pay the debt in its entirety. 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 their guarantors for any differences. It is also important to remember that, generally, financing against the assignment of receivables ranges from 70% to 90% of the total value of the assigned receivable which gives the Bank additional space to absorb, at least partly, any dispute on the quality of the receivable. However, in keeping with banking regulations, *bad loans due to disputes* are also classified as bad debts on loans for the whole amount granted to the customer;
- *Typical bad debts on loans* of the banking system occur, in recourse operations, when the assigning customer's insolvency is accompanied by non-existence of the assigned debt and/or insolvency of the debtor and, in non-recourse operations, in the event of payment under guarantee by the assigning customer for debtor insolvency. This type of bad debt on

loans is similar to those of banks in normal financing activities. These events are also classified as bad debts on loans for the entire amount, in keeping with banking regulations;

Based on the above, it is important to emphasize that typical factoring bad debts on loans lead to actual losses significantly lower than bad debt loans found in bilateral bank-enterprise operations. In cases of apparent bad debts on loans, losses can amount to zero.
Thus, in analysing the value of bad debts on loans, it is important to evaluate the composition, in order to identify the real recovery rate on such bad loans, which is generally better than that reported by the banking system.

Analysing the changes compared to December 2004, it is possible to note an improvement in the ratio of net bad debts on loans over total loan commitments to customers. The ratio of bad debts on loans over total loans passed from 5.4% as at 31 December 2004 to 5.1% as at June 2005 in terms of nominal value, and from 1.9% to 1.6%, net of value adjustments. Value adjustments equalled 70.8% of gross bad debts on loans (against 65.8% at the end of 2004). The ratio of potential problem/difficult loans also decreased from 0.9% to 0.7% in terms of nominal value, and from 0.8% to 0.7% net of value adjustments.

As far as countries at risk are concerned, as at June 2005, the number of loans to customers in such countries was insignificant.

NON PERFORMING LOANS WITH CUSTOMERS
(in thousands of Euro)

	BAD DEBTS	DIFFICULT LOANS	COUNTRY RISK	TOTAL NON-PERFORMING
BALANCE AT 30/06/2005				
Nominal value of non-performing loans	28,300	3,869	52	32,221
Incidence on total loans	5.1%	0.7%	0.0%	5.9%
Value adjustments	20,029	387	---	20,416
Incidence on nominal value of non-performing loans	70.8%	10.0%	0.4%	63.4%
Balance Sheet value of non-performing loans	8,271	3,482	52	11,085
Incidence on total loans	1.6%	0.7%	0.0%	2.2%
BALANCE AT 31/12/2004				
Nominal value of non-performing loans	26,452	4,346	342	31,140
Incidence on total loans	5.4%	0.9%	0.1%	6.4%
Value adjustments	17,398	435	1	17,834
Incidence on nominal value of non-performing loans	65.8%	10.0%	0.4%	57.3%
Balance Sheet value of non-performing loans	9,054	3,911	341	13,306
Incidence on total loans	1.9%	0.8%	0.1%	2.8%

Funding

Banca IFIS obtains the resources necessary for financing its business from the inter-banking market, from the flow of liquid assets from securitisation operations effected as from October 2003 and commented on in the Notes herein, from the issue of a convertible bond loan in July 2004 and, finally, from customer deposits.
Due to banks are composed of: deposits from the inter-banking market for 328,740 thousand Euro, an increase of 54.8% compared to December 2004 of which 175,200 thousand Euro regulated on the *E-MID* (+105.4% compared to 2004) and from funding from securitisation operations for 178,258 thousand Euro. Net of Class S Units subscribed by Banca IFIS and the discount withheld on the reassignment price of the receivables, net liquidity was equal to 110,849 thousand Euro, an increase of 32.4% compared to the 31 December 2004.
The convertible bond loan 'Banca IFIS 2004-2009', underwritten for the total nominal value of 50 million Euro, lead to funding, net of guarantee and placing commissions and any accessory charges of 48.2 million Euro.
Due to customers, equal to 34,080 thousand Euro, were remunerated at economic conditions advantageous for customers even in comparison with alternative loans, and for the bank, compared to the average funding cost.
Total gross funding as at 30 June 2005 equalled 591,078 thousand Euro (+17.3% with respect to 2004).
No savings management activity was carried out, as this is not compatible with the Group's industrial plan.

Intangible and tangible fixed assets

Intangible fixed assets totalled 793 thousand Euro, a net increase compared to 31 December 2004 of 80 thousand Euro (+11.2%). Gross increases of 242 thousand Euro relate to enhancing IT supports for 125 thousand Euro and strengthening the Internal Rating System for 113 thousand Euro.

Tangible fixed assets increased by 8.8% to 19,766 thousand Euro.

The property entered among the consolidated tangible assets relates to a representative office in Bucharest, the Headquarters which houses the management in Mestre-Venice renovated in 1999 and occupied in 2001, a rented office building in Padua, three buildings of residual value destined to be resold and, finally, the important historic building ('Villa Marocco') due 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, and the first part of the work is planned to be completed by October 2005. Tangible fixed assets also include the cost incurred by Immobiliare Marocco S.p.A. for the renovation work completed at the date of the closing of the period.

Capital adequacy and solvency ratios

In the absence of assets attributable to third parties, the net equity of the group as at 30 June 2005 was 60,154 thousand Euro, against 56,119 thousand Euro at the end of the previous fiscal period. The increase is due to the profit for the period, the effect of which was in part compensated by the distribution of dividends related to the fiscal year 2004.

NET EQUITY
(in thousands of Euro)

Net Equity at 31/12/2004	**56,119**
Increases: Profit for period	7,038
Decreases: Dividends distributed	(3,003)
Net Equity at 30/06/2005	**60,154**

Consolidated regulatory capital was 57,581 thousand Euro, composed of tier 1 capital and negative elements of the supplementary capital caused by the estimated write-down related to ‘country risk’, effected exclusively for the calculation of regulatory capital. Based on the trend of weighted risk assets, the total consolidated solvency ratio is 13.1%.
Surplus capital as at 30 June 2005, taking into account the 8% minimum required, was equal to 22,452 thousand Euro.

CAPITAL ADEQUACY RATIOS
(in thousands of Euro)

	30/06/2005	31/12/2004
Regulatory capital		
Tier 1 capital	57,859	52,403
Tier 2 capital	(276)	(273)
Total capital base	**57,583**	**52,130**
Regulatory minimum requirements		
Credit risk	35,075	32,492
Market risk	56	95
Total minimum requirements	**35,131**	**32,587**
Solvency ratios		
Tier 1 capital/Risk weighted assets	13.2%	12.9%
Total capital/Risk weighted assets	13.1%	12.8%
Tier 1 capital/Total weighted assets	13.2%	12.9%
Total capital/Total weighted assets	13.1%	12.8%
Surplus capital compared to minimum required	**22,452**	**19,543**

Profit and Loss statement

Formation of operating revenue

The operating revenue of the group remained positive over the first two quarters of 2005. Based on the overall trend of the sector and the result of expansions in progress, Banca IFIS increased both its market share in the sector and the number of customers and debtors during the first half of 2005.
The interest margin continued to rise going from 6,532 thousand Euro in the first half of 2004 to 8,892 thousand Euro (+36.1%); net commissions grew significantly from 6,334 thousand in the first half of 2004 to 9,449 thousand Euro (+49.2%) due to the expansion of operations and focus placed on collecting receivables, which was partly offset by the increased charges in this area of activity.
The composition of the earning margin is very significant with 50.7% from commissions and 47.7% from the interest margin. The remaining 1.6% falls under other operating income.
Operating costs increased in line with forecasts, due to expansion in terms of activity and of staff, both at the branches and at Head Office. Total operating costs were equal to 6,623 thousand Euro (+31.5%).
These changes brought about a slight increase in the ratio between operating costs and the earning margin (cost/income ratio) which reached 35.5% in the first half of 2005, compared to 37.3% as at 31 December 2004 and 38.2% as at 30 June 2004.

FORMATION OF OPERATING REVENUE
(in thousands of Euro)

	1st HALF		VARIATION	
	2005	2004	ABSOLUTE	%
Net interest	10,160	8,754	1,406	16.1%
Dividends and other income	2,902	6	2,896	n.s.
Losses from financial operations	(4,170)	(2,228)	(1,942)	87.2%
Interest margin	**8,892**	**6,532**	**2,360**	**36.1%**
Net commissions	9,449	6,334	3,115	49.2%
Other operating income	294	310	(16)	(5.2)%
Income from brokerage and other	**9,743**	**6,644**	**3,099**	**46.6%**
Earning margin	**18,635**	**13,176**	**5,459**	**41.4%**
Operating costs	(6,623)	(5,036)	(1,587)	31.5%
Operating revenue	**12,012**	**8,140**	**3,872**	**47.6%**

In detail, the **interest margin** of 8,892 thousand Euro increased by 36.1% compared to 30 June 2004 as a result of Banca IFIS's actions to increase market share. With regards to the composition of the interest margin, it is important to note that the following components are included:

- income from dividends from shares in the trading portfolio for 2,050 thousand, partially offset by the losses on correlated hedging and trading activities for 1,982 thousand. The overall gross result was a positive 68 thousand;
- the current matured interest on the Class S units subscribed by Banca IFIS during the securitisation programme for 3,265 thousand Euro, together with the interest payable on the part of the discount relative to the Half Year withheld on the price of reassignment of the credit portfolio for 2,430 thousand and the losses deriving from the negative differences in the value of the Class S Units, caused by accelerated repayment of the above-mentioned securities under their par value for 2,292 thousand Euro. The net effect of these items on the Profit and Loss account relative to securitisation equalled 1,457 thousand and represents the financial costs of the operation.

Net commissions for the period were excellent 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 10,943 thousand Euro, came primarily from factoring commissions on the turnover generated by individual customers (non-recourse and recourse, in a flat or monthly formula) as well as other payments usually charged to customers for services.

Payable commissions, equal to 1,494 thousand Euro, resulted from:

- banking activities with other credit institutions;
- banking activities with designated banks who contact Banca IFIS for factoring because they do not have an organization suitable to effectively and efficiently manage the factoring activity;
- non-banking activities with financial/insurance companies who submit factoring operations which are not part of their business;
- activities with debtors with whom there are agreements which entail writing off commissions against the introduction of new potential customers;
- commission to corresponding factors.

NET COMMISSIONS
(in thousands of Euro)

	1st HALF		VARIATION	
	2005	**2004**	**ABSOLUTE**	**%**
Endorsement credit	1	2	(1)	(50)%
Management and brokerage services	(27)	(16)	(11)	68.8%
Collection and payment services	48	121	(73)	(60.3)%
Other services	9,427	6,227	3,200	51.4%
Total net commissions	**9,449**	**6,334**	**3,115**	**49.2%**

Other operating income equal to 294 thousand Euro (-5.2% compared to 30 June 2004) include 277 thousand Euro of revenue from recoveries of third party expenses and 17 thousand Euro of income from rental fees.

OPERATING COSTS
(in thousands of Euro)

	1st HALF 2005	1st HALF 2004	VARIATIONS ABSOLUTE	VARIATIONS %
Personnel expenses	3,322	2,614	708	27.1%
Other administrative expenses	2,874	2,054	820	39.9%
Value adjustments on tangible and intangible fixed assets	427	368	59	16.0%
Total operating costs	**6,623**	**5,036**	**1,587**	**31.5%**

The trend of operating costs was also affected by the increase in business and expansion of the organization, primarily in terms of the quality human resources who joined Banca IFIS. In this regard, particular attention was given to selecting resources dedicated to enhancing the sales staff and strengthening the area responsible for the management, control and recovery of credit. The total amount for this item reached 6,623 thousand Euro, an increase of 31.5%. The increase in **personnel expenses** (which totalled 3,322 thousand Euro, +27.1%) is physiological and corresponds to the forecasts, based in part on the systematic increase in the number of employees.

OTHER ADMINISTRATIVE EXPENSES
(in thousands of Euro)

	1st HALF 2005	1st HALF 2004	VARIATION ABSOLUTE	VARIATION %
Expenses for professional service	**1,192**	**741**	**451**	**60.9%**
Board Members' and Auditors' fees	575	519	56	10.8%
Legal and consultation	569	193	376	194.8%
Auditing	48	29	19	65.5%
Indirect taxes and taxes	**193**	**162**	**31**	**19.1%**
Maintenance expenses	**25**	**26**	**(1)**	**(3.8)%**
Car fleet management and maintenance	**180**	**122**	**58**	**47.5%**
Membership fees	**41**	**41**	**---**	**---**
Customers' insurance premiums	**25**	**22**	**3**	**13.6%**
Expenses for purchasing non-professional goods and services	**1.218**	**940**	**278**	**29.6%**
Office/site/branch management	273	218	55	25.2%
Customer information	203	134	69	51.5%
Telephone expenses	128	95	33	34.7%
Business Trips and transfers	104	73	31	42.5%
Software Assistance	97	83	14	16.9%
Postage and tax stamp expenses	88	74	14	18.9%
Training/updating staff	63	56	7	12.5%
Office material	62	58	4	6.9%
Advertising and inserts	59	44	15	34.1%
Other different expenses	141	105	36	34.3%
Total other administrative expenses	**2,874**	**2,054**	**820**	**39.9%**

The increase in **other administrative expenses** (which reached 2,874 thousand Euro +39.9%) is mainly due to the higher charges connected with the increased size of the company and of 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 revenue, described above, compared with the corresponding period of the year before:

FORMATION OF NET PROFIT
(in thousands of Euro)

	1st HALF		VARIATION	
	2005	**2004**	**ABSOLUTE**	**%**
Operating revenue	12,012	8,140	3,872	47.6%
Balance of extraordinary income and charges	424	(30)	454	n.s.
Gross profit pre-value adjustments	**12,436**	**8,110**	**4,326**	**53.3%**
Net value adjustments on receivables and provisions for guarantees and commitments	(3,058)	(2,148)	(910)	42.4%
Gross profit	**9,378**	**5,962**	**3,416**	**57.3%**
of which ordinary profit	***8,954***	***5,992***	***2,962***	***49.4%***
Income tax	(2,340)	(2,573)	233	(9.1)%
Net Profit	**7,038**	**3,389**	**3,649**	**107.7%**

Extraordinary results of 424 thousand Euro (in the face of a negative contribution of 30 thousand Euro as at 30 June 2004) refer mainly to the income of 489 thousand Euro deriving from the transfer of the previous year's loss made by the subsidiary Immobiliare Marocco S.p.A. to the controlling company, La Scogliera S.p.A., in accordance with an agreement to use the option of consolidated Ires taxation.

Net value adjustments on loans equalled 3,058 thousand Euro (+42.4% compared to 30 June 2004); this significant allocation is a result of the decision to improve the quality of assets as much as possible.
Banca IFIS has continued to assume a particularly strict position with regards to the valuation of the quality of assets, 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 will continue for a lengthy period of time.

Gross profit reached 9,378 thousand Euro, a growth of 57.3% compared to 30 June 2004. Ordinary profit equalled 8,954 thousand Euro, a growth of 49.4% compared to the first half of 2004.

Income tax amounted to 2,340 thousand Euro. The decrease in the amount of taxes on total gross profit, if compared to the results from 30 June 2004, is due to fiscal benefits realised over the period.

Net profit totalled 7,038 thousand Euro, an increase of 107.7% compared to 30 June 2004. In the absence of profits attributable to third parties, the result refers entirely to the group.

Comparison between parent net profit and equity results and consolidated net profit and equity.

Here follows a comparison between Banca IFIS's parent company profit and net equity and those consolidated:

(in thousands of Euro)	1st HALF 2005 NET EQUITY	1st HALF 2005 OF WHICH PROFIT FOR THE PERIOD	2004 NET EQUITY	2004 OF WHICH PROFIT FOR THE PERIOD
Parent company balance	**60,927**	**6,577**	**57,352**	**16,806**
Difference compared to the value of the companies consolidated integrally	(1,514)	381	(1,895)	(7,958)
- Immobiliare Marocco	*(1,514)*	*381*	*(1,895)*	*(208)*
- Eliminations resulting from 'fiscal decontamination'	---	---	---	*(7,750)*
Other value adjustments for consolidation	741	80	662	164
- Effect of the adoption of IAS 17	*741*	*80*	*662*	*164*
Group consolidated balance	**60,154**	**7,038**	**56,119**	**9,012**

Other information

STAR trading

Since November 2004, Banca IFIS's ordinary shares and convertible bonds are tradable on the STAR segment of the Italian Stock Exchange. This transfer to STAR occurred after a year of having been listed on the Equity Share Market (MTA) of the Italian Stock Exchange. Previously, as from 1990, the shares were traded on the Restricted Market (IMR) of the Italian Stock Exchange.

Fitch rating

On 15 December 2004, Fitch Ratings Ltd. assigned Banca IFIS with a *Long Term Rating* 'BB+', a *Short Term Rating* 'B', an *Individual Rating* 'C/D' and a *Support Rating* '5' with a *Stable Outlook*. The Rating Agency had already given a Rating to the convertible bond loan of 'BB+' on 15 June 2005.

Confirmation of the Auditing company

At the expiry of the Auditors Deloitte and Touche S.pA's term, Banca IFIS's Ordinary General Meeting, held 28 April 2005, chose KPMG S.p.A. to take over for a three year period, 2005-2007.

Corporate governance regulations

Banca IFIS implemented the principles of the Self Governance Code prepared by the 'Committee for the corporate governance of listed companies' by creating an organisational model in line with the recommendations of the Self Governance Code. On 28 April 2004, the Board of Directors passed a resolution to establish an Internal Audit Committee, a Committee for Board Members' and Directors' Remuneration and, in addition, possible stock options plans for Board members and Bank employees. The Internal Audit Committee makes proposals and provides advice on auditing and control matters. An updated version of its report is available on the Banca IFIS site, *www.bancaifis.it*.

Insider dealing regulations

Banca IFIS S.p.A.'s Board of Directors has adopted a Self-Regulatory Code for insider dealing. This Self-Regulatory Code imposes obligations to periodically report any significant transactions effected by subjects who can access price sensitive information on

traded financial instruments issued by the Bank or any connected financial instruments.
Banca IFIS has instituted a Self-Regulatory Code aimed at regulating, in a legally binding manner, obligations on information and limitations related to operations effected by Board members, Auditors and managers on the Bank's shares. The limits above which there is the obligation to report operations 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 Banca IFIS parent company site and on its website, *www.bancaifis.it.*

The impact of the Basel 2 Accord

Banca IFIS has started an evaluation of the impact of the new rules for measuring Capital and Capital ratios (Basel 2) which will come into effect on 1 January 2007.
Taking into account its core business, Banca IFIS should benefit from a non-marginal reduction for equity requirements against credit risk; this is due both to the relatively lower risk in providing loans for factoring activities, which was recognised by the Basel Committee, and also to the average duration of transactions - normally less than a year and, more often than not, 3-6 months.
The equity absorption connected to the operational risk should not greatly worsen the situation in terms of total equity absorption. The first quality evaluations following the new Agreement on capital thus lead to an overall improved result.

Information regarding changeover to International Accounting Standards (IFRS)

Following the implementation of the European Union Regulation 1606/2002 issued by the European Parliament and the European Council in July 2002, companies with securities eligible for trading on a market regulated by Member States of the European Union must prepare their Financial Statements, starting in 2005, in accordance with the IAS/IFRS international accounting standards, issued by the International Accounting Standard Board (IASB) and homologated by the EU.
Consequently, the 31 December 2005 Consolidated Balance Sheet of the IFIS Group will be prepared in accordance with the International Accounting Standards that require, amongst other things, a comparative Balance Sheet as at 31 December 2004 to be drawn up according to these principles.
Based on article 81 of Consob (Italian Securities and Exchange Commission) regulation no. 11971/1999, the Half Yearly report as at June 2005 has been drawn up conforming to the old Italian accounting principles, accompanied with the following reconciliations with respect to values determined using the IAS/IFRS standards:
Reconciliation between net equity as at 30 June 2005, net equity as at 31 December 2004 and that as at 30 June 2005;
Reconciliations put forward in paragraphs 39 and 40 of the IFRS 1 (first time adoption of IAS principles) accompanied by the Explanatory Notes containing the methods used and the items included in the Financial Statements.

The reconciliations, attached to the Explanatory Notes of this Half Yearly report, are accompanied by a summary of the relevant international accounting principles and the options adopted in the presentation of these.
It is important to underline that the IAS/IFRS reconciliations of the Equity Balance as at 1 January 2004, that as at 31 December 2004, together with the overall balance of 2004, accompanied by the relevant Explanatory Notes, have all been subjected to complete auditing by KPMG S.p.A.
The equity and final balances of the Balance Sheet and the Profit and Loss Account presented could be subject to some changes, should any of the international accounting standards be revised or modified during 2005 with a backdated effect.

Management and coordination by the parent company

In accordance with articles 2497- 2497 *sexies* of the Italian Civil Code, it is important to note that the controlling company, La Scogliera S.p.A., does not manage or coordinate Banca IFIS or any other banks or financial holdings.

Transactions with non-consolidated group companies and associated parties

Existing transactions as at 30 June 2005 with non-consolidated group companies and associated parties are shown below:

(in thousands of Euro)	RECEIVABLES FROM	PAYABLES TO	GUARANTEES ISSUED
Controlling company:			
La Scogliera S.p.A.	2,530	---	---
Total			

During the first half of 2005, the current account with the controlling company, La Scogliera S.p.A., continued and is entered in the Balance Sheet under 'Due from customers'. Banca IFIS's credit balance as at 31 December 2004, equal to 2,438 thousand Euro, changed due to the collection of dividends and to other funding activities, reaching a balance of credit of 2,530 thousand Euro as at 30 June 2005. Transactions with La Scogliera S.pA. are governed by market conditions.

Banca IFIS, together with the controlling company La Scogliera S.p.A. and the subsidiary Immobiliare Marocco S.p.A., opted for the application of group taxation (fiscal consolidation) according to articles 117 et seqq of the D.P.R. 917/86. With this application in force, Banca IFIS's and Immobiliare Marocco's taxable income is transferred to La Scogliera S.p.A. who is responsible for calculating overall group income.

Operations between group companies were regulated by means of private written agreements between the parties in the month of December 2004. The companies have chosen La Scogliera S.p.A. site as their domicile for taxation purposes for notifications of acts and regulations relative to the tax period for which this option has been applied.

Insignificant amounts of financing in the form of overdrafts were extended to Banca IFIS employees. This revocable financing bears interest higher than the marginal costs of the funding of the bank.

As at 30 June 2005, no guarantees other than those already presented, existed with the controlling company, consolidated controlled companies or associated companies.

Shareholders

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

	NUMBER OF SHARES	% SHARE CAPITAL
La Scogliera S.p.A.	15,275,920	71.2%
Giovanni Bossi	575,390	2.7%

Operating powers to the Board of Directors for free and paid capital increases

Banca IFIS's Extraordinary Meeting of 30 April 2002, gave the Board of Directors powers to execute an increase in paid capital of 2,145,000 shares at nominal value, with share premium as an option to shareholders, and 2,145,000 bonus issue shares, to be effected within 5 years from the date of the resolution. The Board did not decide to avail itself of the delegations.

Operating powers to the Board of Directors for increases in capital: Stock Option plans

Banca IFIS believes that capital increases in favour of the directors and staff of the Bank, through the subscription and assignment of shares at the current market values to be exercised after some time, not only creates a feeling of participation in the company's success but also encourages loyalty.
In this way, the Board of Directors, acting on the powers given to it by the Extraordinary Meeting of 30 April 2002, effected 2 distinct stock option plans. The first of these (deliberated 27 March 2003) amounted to a total of 214,500 shares at a nominal value of 1 Euro, subscribable at 9.43 Euro to be exercised in the period stretching from 1 January-31 December 2006, of which 64,500 for directors and 150,000 for general employees. The second, (deliberated 5 May 2004) amounted to another 214,500 shares at a nominal value of 1 Euro, subscribable at a price of 9.58 to be exercised between 1 January and 31 December 2007, of which 64,500 for directors and 150,000 for general employees.

Moreover, the Extraordinary Meeting of 17 December 2003 passed a resolution giving the Board the right to increase share capital to a maximum nominal value of 429,000 Euro by issuing a maximum number of 129,000 ordinary shares with a nominal 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 nominal value of 1 Euro each for a total of 300,000 Euro to be offered for subscription to all Banca IFIS employees at the current market prices at the date of subscription.

The Board of Directors decided to only exercise the Shareholders' Meeting resolution of 17 December 2003 in part. In this regard, on 15 December 2004, the Board of Directors assigned some directors and employees a third stock option plan for capital increase, for a value of 214,500 shares at a nominal value of 1 Euro, of which 64,500 for directors and 150,000 for general employees. This equals 1% of share capital underwritten and paid up. This stock option plan has an exercise price of 9.10 Euro per share. The exercise period has been established as between 1 January 2008 and 31 December 2008.

Convertible bond loan

The Extraordinary General Meeting resolutions of 17 December 2003 and the consequent Board of Directors' resolutions of 5 May 2004, 14 June 2004 and 2 July 2004 lead to the issue, option rights ex art 2441- comma 5 of the Italian Civil Code excluded, of a bond loan convertible in Banca IFIS shares called the 'Banca IFIS Convertible Bond Loan 2004-2009'. The total value of 50 million Euro constitutes 4 million convertible bonds with correlated increase in share capital for a total amount of 4 million Euro, composed of 4 million ordinary Banca IFIS shares backing the conversion of the convertible bonds. The convertible bonds offered in subscription at par had an issue price of 12.50 Euro and the conversion rate has been fixed at one share for each convertible bond submitted at the conversion. The shares backing the conversion have a price equal to 12.50 Euro of which 11.50 Euro of share premium; The interest rate of the bonds equals 4.375% gross.
The convertible bond loan has been entirely subscribed and since 16 July 2004, these convertible bonds have been regularly traded on the 'Telematic Stock Market' of the Italian Stock Exchange. To the date of this financial report, no conversion requests have been made.

Transactions on treasury shares

The Banca IFIS Shareholders Meeting of 28 April 2004 renewed authorization to buy back and sell treasury shares according to articles 2357 et seqq of the Italian Civil Code, as well as article 132 of the Italian Legislative Decree 58/98, establishing a purchase price range of between 3 Euro and 30 Euro for a maximum amount of 4,000,000. The Meeting also established that the duration of the authorization is equal to 18 months from the date the deliberation was effected.
At 30 June 2005, Banca IFIS did not hold treasury shares, neither did it do so at 31 December 2004, even though during the six month period it did trade such shares. Specifically, during the first Half of 2005, Banca IFIS bought back 260,765 treasury shares for an average price of 9.58 Euro, for a counter-value of 2,497 thousand Euro and a nominal value of 260,765 thousand Euro and sold at an average price of 9.59 Euro, 260,765 treasury shares for a counter value of 2,500 thousand Euro and a nominal value of 260,765 Euro,

realising a net return of 3 thousand Euro.

Transactions on treasury bonds

In order to invest available liquid assets, Banca IFIS, between October 2004 and February 2005, partly bought back the convertible bonds that it had previously issued. At 30 June 2005, the Bank held 1,049,224 own bonds entered for a counter-value of Euro 13,346 thousand and a nominal value of Euro 13,115,300 thousand. The current value of its own bonds equalled, as at 30 June 2005, 13,640 thousand Euro with an underlying increase of 294 thousand Euro. During the first Half, Banca IFIS bought back 400,000 own bonds for a counter-value of 5,148 thousand. The balance at the beginning of the period equalled 649,224 bonds for a counter-value of 8,198 thousand.

The new site

Due to the rapid expansion of Banca IFIS, the present site, projected in 1998 and housing Banca IFIS since 2001, has become unsuitable. Hence, a project to transfer Banca IFIS to a property called 'Villa Marocco' has been drawn up. 'Villa Marocco' is owned by Immobiliare Marocco S.p.A. and consists of a villa of great architectural and artistic beauty, set in 15,000 hectares of park, originally agricultural land. This property is located in a village called 'Marocco' on the main road connecting Mestre to Treviso, in the province of Venice, only a few hundred metres away from the present site. Restoration and restructuring work has been approved by the Eastern Veneto Arts and Monuments Office. Due to unforeseeable delays and revisions made to some projects, the first part of the restructuring work, originally scheduled to be completed within 2004, is now expected to have been completed by October 2005.

Privacy measures

In keeping with the provisions of appendix B of Legislative Decree 196/2003 (new Law of Privacy) which entered into force 1 January 2004, the Protection of Privacy manifest is, at present, being updated and should be completed by the legally required deadline.

Research and development

Due to its activity, organisation and size, the group did not undertake any research and development activities that require the cost to be entered under assets during the fiscal period.

Factors sub-sequent to Half Year closing

Operation continued normally in the period between the close of the Half Year and the date the Half Yearly report was drafted. No significant factors occurred after closing that are not explained in this report.

Forecasts

The market in which Banca IFIS operates did not change compared to the closing of the 2004 accounting period.
Forecasts for 2005 as a whole, set out in the Explanatory Notes of the 31 December 2004 Balance Sheet, remain unchanged. Specifically, in an economic context that does not show many signs of improvement, the attitude of banks and captive factors to financing SMEs will presumably remain somewhat modest in the second half of the accounting period. Such poor propensity to finance SMEs, despite leading to financial pressure on the enterprises themselves, provides good opportunities for factors aiming at increasing their market share in the SME sector, although this market inevitably remains conditioned by credit risk.

The prospects for Banca IFIS are still positive. The product and service range available to the clientele, together with initiatives to be implemented shortly, as well as the strengthening of Banca IFIS itself, will allow Banca IFIS to reinforce its position in a market that appreciates factors committed to financing SMEs, as SMEs are in particular need of such. The pursuance of strategic plans (expansion and spread of credit through internationalisation, increased number of customers, specialised development of the business, increased profitability and betterment of credit quality) will be further incentivised.

Thus, prospects are comforting and permit an optimistic outlook for the overall operating trend, despite remaining uncertainties related to the macroeconomic situation for industrial SMEs, the Bank's typical customer. Further expansion in the dimension of Banca IFIS is foreseeable and should constitute the ninth successive year of growth, both in terms of size and in terms of profitability.

Venice-Mestre, 3 August 2005

The President	*The C.E.O.*
Sebastien Egon Fürstenberg	Giovanni Bossi

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

In thousands of Euro

	ASSETS	30/06/2005	31/12/2004	30/06/2004
10	**Cash on hand and liquid assets at central banks and post offices**	**10**	**8**	**10**
30	**Receivables from banks**	**31,035**	**13,858**	**13,226**
	(a) at sight	30,245	13,068	12,941
	(b) other receivables	790	790	285
40	**Receivables from customers**	**594,380**	**523,428**	**393,074**
50	**Bonds and other debt securities**	**13,778**	**8,631**	**433**
	(a) issued by government	432	433	433
	(b) issued by banks	13,346	8,198	—
	of which			
	- own securities	13,346	8,198	—
60	**Share, stakes and other capital securities**	**295**	**288**	**349**
70	**Equity investments/shareholdings**	**2**	—	—
	(others)	2	—	—
110	**Intangible fixed assets**	**793**	**713**	**682**
	of which: - cost of systems	35	48	55
120	**Tangible fixed Assets**	**19,766**	**18,175**	**15,497**
140	**Own shares and stakes**	—	—	**2,791**
	Nominal value in Euro	—	—	300,072
150	**Other assets**	**6,420**	**8,291**	**5,594**
160	**Prepayments and accrued income**	**4,745**	**3,959**	**1,993**
	(a) prepayments	1,203	578	234
	(b) accrued income	3,542	3,381	1,759
	TOTAL ASSETS	**671,224**	**577,351**	**433,649**

LIABILITIES

		30/06/2005	31/12/2004	30/06/2004
10	**Payables to banks**	**506,998**	**350,405**	**330,972**
	(a) at sight	41,685	54,835	81,576
	(b) term or upon notice	465,313	295,570	249,396
20	**Payables to customers**	**34,080**	**103,419**	**41,609**
	(a) at sight	34,080	88,419	41,609
	(b) term or upon notice	—	15,000	—
30	**Payables represented by Securities**	**50,000**	**50,000**	—
	(a) bonds	50,000	50,000	—
50	**Other liabilities**	**14,201**	**10,870**	**7,118**
60	**Accrued expenses and deferred income:**	**2,485**	**1,209**	**228**
	(a) accrued expenses	2,312	1,206	214
	(b) deferred income	173	3	14
70	**Severance/retirement allowance (TFR)**	**1,010**	**876**	**768**
80	**Provisions for risks and charges:**	**2,296**	**4,453**	**2,459**
	(b) tax funds	2,296	4,453	2,459
150	**Capital**	**21,450**	**21,450**	**21,450**
160	**Issue-premiums**	**13,450**	**13,450**	**13,450**
170	**Reserves:**	**17,555**	**11,709**	**11,709**
	(a) legal reserve	2,073	1,232	1,232
	(b) reserve for own shares or stakes	—	—	2,791
	(d) other reserves	15,482	10,477	7,686
190	**Profit(losses) carried forward**	**661**	**498**	**497**
200	**Profits (losses) for the period**	**7,038**	**9,012**	**3,389**
	TOTAL LIABILITIES	**671,224**	**577,351**	**433,649**

GUARANTEES AND COMMITMENTS

		30/06/2005	31/12/2004	30/06/2004
10	**GUARANTEES GIVEN**	**2,843**	**2,879**	**2,823**
	of which:			
	- other guarantees		2,879	2,823
20	**COMMITMENTS**	**121,775**	**84,234**	**138,181**

CONSOLIDATED PROFIT AND LOSS STATEMENT

(in thousands of euro)

		30/06/2005		30/06/2004		31/12/2004	
10	**Receivable Interest and similar income**		**16,659**		**13,323**		**27,873**
	of which:						
	on receivables from customers	12,772		10,011		21,351	
	on certificates of indebtedness	270		3,174		60	
20	**Payable interest and similar charges**		**(6,499)**		**(4,569)**		**(9,895)**
	of which:						
	on payables to customers	(273)		(331)		(824)	
30	**Dividends and other income**		**2,902**		**6**		**2,731**
	on shares, stakes and other capital securities		2,902		6		2,731
40	**Receivable commissions**		**10,943**		**6,862**		**15,226**
50	**Payable commissions**		**(1,494)**		**(528)**		**(1,301)**
60	**Profits (losses) from financial operations**		**(4,170)**		**(2,228)**		**(6,218)**
70	**Other operating income**		**294**		**310**		**567**
80	**Administrative expenses:**		**(6,196)**		**(4,668)**		**(9,990)**
	(a) expenses for personnel		(3,322)		(2,614)		(5,271)
	of which:						
	- wages and salaries	(2,453)		(1,947))		(3,883)	
	- social security charges	(692)		(533)		(1,111)	
	-severance/retirement allowance (TFR)	(162)		(123)		(251)	
	(b) other administrative expenses		(2,874)		(2,054)		(4,719)
90	**Value adjustments on intangible and tangible fixed assets**		**(427)**		**(368)**		**(822)**
120	**Value adjustments on receivables and provisions for guarantees and commitments**		**(3,105)**		**(2,260)**		**(4,488)**
130	**Writebacks of loans and provisions for guarantees and commitments**		**47**		**112**		**116**
180	**Profit (loss) on ordinary activity**		**8,954**		**5,992**		**13,799**
190	**Extraordinary income**		**696**		**363**		**480**
200	**Extraordinary charges**		**(272)**		**(393)**		**(481)**
210	**Extraordinary profit (loss)**		**424**		**(30)**		**(1)**
240	**Income tax**		**(2,340)**		**(2,573)**		**(4,786)**
260	**Profit (loss) for the period**		**7,038**		**3,389**		**9,012**

NOTES TO THE CONSOLIDATED STATEMENT

The explanatory Notes have the purpose of providing illustrations and analysis on the data included in the consolidated Balance Sheet and Profit and Loss account, together with information required by the Legislative Decree n. 87/92, the Measure introduced by Bank of Italy n. 166 of 30 July 1992 and ensuing modifications. Moreover, these Notes also provide all the additional information considered important for the representation of the data included in the consolidated Balance Sheet and Profit and Loss account, even though not specifically required by the norms.

In attachment to the consolidated Half Yearly report, the Statement of changes in Equity, the consolidated Financial Account and the parent company Balance Sheets are introduced, as well as the Reconciliation Statements as in art. 81-bis of the Rule of Consob n. 11971/1999 related to the transition to the International Accounting Standards. The consolidated Half Yearly report is subjected to limited auditing by KPMG S.p.A.

The consolidated Explanatory Notes are divided into the followings four parts:

Consolidation Area

The consolidated Half Yearly report has been compiled on the basis of the Half Yearly accounting statement as at 30 June 2005, prepared by the Board members and the companies included in the consolidation area. It includes both the accounting statement of the parent company Banca IFIS S.p.A and its subsidiary Immobiliare Marocco S.p.A., according to the line-by-line method of consolidation. Here follows a summary of the main information of the accounting situation of the subsidiary.

	Location	Net Equity	Half Year Result	% of shareholding
Immobiliare Marocco S.p.A.	Mestre (VE)	1,468	381	100

Main methods of consolidation

During line-by-line consolidation, where the subsidiary's assets and liabilities are assumed, the book value of the shareholding is eliminated against the net equity of the subsidiary. Any resulting positive difference (cost of the shareholding being superior to the net equity share pertaining) is ascribed, where possible, to the assets and liabilities of the subsidiary and the residual amount is debited from reserves. Where the difference occurs under assets, this is amortised according to the criteria applicable to the entry.
In comparison to the Half Yearly accounting statement of the Parent company, this line-by-line consolidation process resulted in a higher sum of 7,854 thousand being attributable to assets. This excess amount is booked in the consolidated Balance Sheet under item 120 'Tangible assets.'
In addition, during the consolidation process, the effect of leasing receivables and payables, according to the financial method illustrated in accounting standard n. 17 of the IAS, was evident. The effects on the consolidated Balance Sheet and Profit and Loss account deriving from the application of such a method, compared to the accounting statement of the consolidated companies, are recapitulated in section 4 of part B, item 120 'Tangible assets.'

PART A VALUATION METHODS/CRITERIA

SECTION 1 DESCRIPTION OF VALUATION METHODS/CRITERIA

Here follows an indication of the valuation criteria adopted in the compilation of the consolidated Half Yearly report.

1.1 Receivables, guarantees and commitments

Receivables from loans

Loans are booked at their presumed realisation value making a distinction between performing loans, difficult/potential problem loans and bad debts on loans.
Performing loans and difficult/potential problem loans are globally valued by setting aside an adjustment provision, created by applying a estimated deduction percentage to cover the so-called physiological risk inherent in all loans. A distinction between performing and potential problem loans is made.
Bad debts on loans are, instead, valued analytically. In the face of a permanent decline in value on credit, the value adjustments either completely or partially write the loan off. Where the loss is not a certain, permanent one, the amount of the value adjustment goes into a separate, specific analytical adjustment provision.
If the value adjustments of a bad debt pertain to loans classified as performing or difficult loans in the year end financial report of the previous year, they are booked as a decrease of the above-mentioned adjusting provision set aside in previous years. Should the bad debt exceed the amount of the provision, the difference is entered in the Profit and Loss statement.

Receivables from factoring operations

Receivables from financing granted to customers deriving from the assignment of their accounts receivables to Banca IFIS are entered as assets, in accordance with Law no. 52/91. The nominal value of acquired receivables is only shown in the consolidated Notes under 'receivables due from customers for factoring operations'. Permanently acquired receivables are entered as assets at their acquisition value. If they are acquired for a value inferior to their nominal value, the acquisition value is entered in assets, while the nominal value of these receivables is shown in the Consolidated Notes under 'receivables due from customers for factoring operations.' Receivables from management and collection services alone, are not included in the consolidated Financial Statement and are indicated at their nominal value in the Notes under 'Due from customers for factoring operations'.
Receivables from financing contracts are booked as assets for the amount paid out.
The nominal value of receivables from securitisation is shown in the consolidated Notes under 'Receivables due from customers for factoring operations'.

Guarantees and commitments

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

1.2 Off Balance Sheet securities and transactions (other than those on currencies)

Investment securities

The group does not have investment securities in its portfolio.

Trading Securities

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

1.3 Equity investments

Equity investments

Equity investments are represented by long term capital securities in other entities, hence, constituting a financial fixed asset. In all cases, at least 10% of the exercisable voting rights in the A.G.M are held. Such equity investments are booked in the Balance

Sheet at acquisition cost, value adjusted where necessary in cases of permanent decline in value.

1.4 Asset and liability items in currency (including off Balance Sheet transactions)

Assets and Liabilities in currency

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 under the item 'Profit/loss from financial transactions'. Costs and income in currency are entered at the exchange rate at the time of booking.

1.5 Fixed Assets

Tangible fixed assets

Tangible fixed assets are booked at acquisition cost, including directly related charges as well as expenses of an increasing nature, and are systematically amortised at calculated rates representative of the assets useful life. This amortisation process is interrupted for assets to be sold, whose net book value is presumably not lower than the market value. The property being renovated to house the new group Headquarters has not been amortised. A 50% amortisation rate is applied for the asset the year it goes into service. Ordinary maintenance and repair expenses are shown in the Profit and Loss account

Leasing receivables and payables

Leasing entries are made according to the method described in IAS accounting principle no. 17. Assets assumed by the group under leasing contracts are represented by the management offices, i.e. the parent company site and another building located in San Donà di Piave (VE) destined to be resold.

The effects on the Balance Sheet and Profit and Loss statement from the application of the financial method for the consolidated company financial statements are 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 in constant rates by the straight-line method over a period not exceeding 5 years.

1.7 Other aspects

Treasury shares

Treasury shares are booked at the lower between acquisition cost and market value. The cost is determined by applying the LIFO method.

Accruals and payables

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.

Retirement/ Severance allowance

This item includes the indemnity matured by employees at the closure of the period, calculated in compliance with legal obligations and the current employment contracts.

Risk and contingency funds

These funds are set aside to cover losses, charges and payables of a determinant nature, deemed probable or certain to exist, but whose amount and date of occurrence is unknown at the close of the year. The tax fund includes allocations for current taxes and deferred taxes relative to the period.

Costs and income

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

Income tax Current income tax is calculated in line with current tax rates taking into account any applicable exemptions and tax relief.

The method used to book deferred 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 temporary deductible differences and represent taxes paid in advance, recoverable in subsequent years.

Accounting of the deferred tax liability is subject to a probability test, i.e. verifications that the circumstances necessary for the latent tax charge to become a real charge exist; 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 predetermined 'inversion' times if the 'reasonable certainty' requirement of their recovery is met.

Theoretical rates, applicable at the time in which the temporary differences reverse, are applied to the nominal values of the temporary differences.

SECTION 2 ADJUSTMENTS AND PROVISIONS FOR TAXES

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

The Revenue Law reform regarding Financial Statements for banks (Legislative Decree no. 37 of 6 February 2004), lead to art. 15, paragraph 3 and art. 39 paragraph 2 of Legislative Decree no. 87/92 being repealed, which allowed banks to effect value adjustments and allocations solely for tax purposes.

Banca IFIS therefore, in adherence to these abrogations (referred to herein as 'fiscal decontamination'), has reinstated the original initial entry value of its equity investment in its subsidiary Immobiliare Marocco S.p.A, previously written down in past financial periods in order to take advantage of fiscal benefits.

As included in section 8 of the Notes herein, with reference to article 109, no. 4, letter b) of the TUIR (Income Tax Consolidation Act), it is important to note that net equity reserves, contrary to the legal reserves, are in tax abeyance for 7,750 thousand Euro.

It was considered unnecessary to enter deferred tax on the difference between the fiscally recognised value of the holding in Immobiliare Marocco and the entry value, as no operations of sale or merger have been considered due both to its strategic importance and to its ownership of the site due to become the new Banca IFIS Headquarters.

2.2 Provisions effected solely for the purpose of applying tax laws

No provisions were made solely for tax purposes in compliance with the reform of the Revenue Law 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 the Legislative Decree 87/92.

PART B INFORMATION ON THE CONSOLIDATED BALANCE SHEET

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

SECTION 1 RECEIVABLES

Composition of item 10 'Cash and cash equivalents at central banks and post offices'

		30/06/2005	31/12/2004
(a)	Cash and coins	10	8
	Total	**10**	**8**

Composition of item 30 'Due from banks'

		30/06/2005	31/12/2004
	At sight	**30,245**	**13,068**
(a)	Current accounts	30,245	13,068
	Other receivables	**790**	**790**
(a)	Receivables due from central banks	580	580
(b)	Current accounts used as collateral	210	210
	Total	**31,035**	**13,858**

The amount of point (b) in 'other receivables' is an amount used as collateral to bank guarantees given to third parties on request in the interest of the customer and the bank.

1.1 Breakdown of item 30 'Due from banks'

		30/06/2005	31/12/2004
(a)	Receivables due from central banks	580	580
(b)	Bills eligible for refinancing at central banks	---	---
(c)	Buy back agreements/swaps	---	---
(d)	Lending securities	---	---

The amount in point (a) represents the balance of the management account for the compulsory reserve at the Bank of Italy.
Due from banks do not include any doubtful amounts, therefore tables 1.2, 1.3 and 1.4 were not used.

Composition of item 40 'Due from customers'

		30/06/2005	31/12/2004
(a)	Ordinary bank accounts and similar	56,707	56,338
(b)	Advances given for the recourse assignment of receivables	213,870	199,157
(c)	Advances given for non-recourse assignment of receivables	44,360	57,818
(d)	Receivables from debtors for definitive acquisition of receivables	230,578	170,329
(e)	Advances on assignment of future receivables	4,610	5,254
(f)	Active bank loans	400	431
(g)	Active subordinated loans	65,953	53,214
(h)	Value adjustments	(22,098)	(19,113)
	Total	**594,380**	**523,428**

Receivables due from customers are entered at their presumed realisation value determined according to the procedure described in Part A – Section 1 of these Notes.
Active subordinated loans, equal to 65,953 Euro, refer to the asset backed portion subscribed by Banca IFIS following securitisation of performing credit from factoring operations, as described in section 11.8 of these Notes.

1.5 Breakdown of item 40 'Due from customers'

		30/06/2005	31/12/2004
(a)	Bills eligible for refinancing at central banks	---	---
(b)	Operations for buy back agreements/ swaps	---	---
(c)	Lending securities	---	---

1.6 Guaranteed 'due from customers'

		30/06/2005	31/12/2004
(a)	From bank loans	2,589	2,425
(b)	From pledges on:		
	1. Cash deposits	---	10,284
	2. Securities	---	---
	3. Other assets	---	---
(c)	From guarantees of:		
	1. States	---	---
	2. Other public entities	---	---
	3. Banks	---	---
	4. Other financial operators	129,039	135,935
	Total	**131,628**	**148,644**

For receivables partly backed by guarantees, only the guaranteed amount is shown.

Bad debts on loans (including interest on default)

	30/06/2005	31/12/2004
Bad debts on loans	8,271	9,054

The amount of net bad debts on loans over total loan commitments booked at 30 June 2005 equalled 1.6% (1.9% as at December 2004).

Interest on default receivables

		30/06/2005	31/12/2004
(a)	Bad debts on loans	70	70
(b)	Other receivables	---	---
	Total	**70**	**70**

1.7 Analysis of loan commitments

The customer loan situation as at 30 June 2005 is shown by level of risk, as well as the changes in non performing loans and overall value adjustments for the Half Year as follows:

	Category	Gross exposure	Value adjustments	Net exposure
A.	**Non performing loans**	**32,221**	**20,416**	**11,805**
A.1	Bad debts on loans	28,300	20,029	8,271
A.2	Difficult/potential problem loans	3,869	387	3,482
A.3	Rescheduled loans	---	---	---
A.4	Past-due loans	---	---	---
A.5	Unsecured loans with countries at risk	52	---	52
B.	**Performing loans**	**518,304**	**1,682**	**516,622**
	Total	**550,525**	**22,098**	**528,427**

1.8 Changes in non performing loans to customers

	Reasons/Categories	Bad debts on loans	Difficult loans	Rescheduled loans	Past-Due loans	Unsecured loans to countries at risk	Total
A.	**Initial gross exposure**	**26,452**	**4,346**	**---**	**---**	**342**	**31,140**
A.1	of which: *Interest on default*	*1,398*	---	---	---	---	*1,398*
B.	**Increases**	**2,742**	**692**	**---**	**---**	**50**	**3,484**
B.1	Inflows from performing loans	1,602	518	---	---	---	2,120
B.2	Interest on default	130	---	---	---	---	130
B.3	Transfer from other non-performing loan categories	880	---	---	---	---	880
B.4	Other increases	130	174	---	---	50	354
C.	**Decreases**	**894**	**1,169**	**---**	**---**	**340**	**2,403**
C.1	Outflows to performing loans	---	---	---	---	---	---
C.2	Write-offs	131	---	---	---	---	131
C.3	Collections	748	583	---	---	38	1,369
C.4	Revenue from assignments	---	---	---	---	---	
C.5	Transfers to other categories of doubtful loans	---	578	---	---	302	880
C.6	Other decreases	15	8	---	---	---	23
D.	**Final gross exposure**	**28,300**	**3,869**	**---**	**---**	**52**	**32,221**
D.1	of which: *Interest on default*	*1,484*	---	---	---	---	*1,484*

1.9 Overall value adjustments on ‘Due from customers'

Reasons/Categories		Bad debts on loans	Difficult loans	Rescheduled loans	Past-due Loans	Unsecured loans to countries at risk	Performing loans	Total
A.	**Initial overall adjustments**	**17,398**	**435**	**---**	**---**	**1**	**1,279**	**19,113**
A.1	of which: *Interest on default*	*1,328*	---	---	---	---	---	*1,328*
B.	**Increases**	**2,787**	**268**	**---**	**---**	**---**	**1,266**	**4,321**
B.1	Value adjustments	1,683	268	---	---	---	**1,266**	3,217
B.1.1	of which: *Interest on default*	*130*	---	---	---	---	---	*130*
B.2	Utilisation of credit risk reserves	---	---	---	---	---	---	---
B.3	Transfer to other loan categories	1,104	---	---	---	---	---	1,104
B.4	Other increases	---	---	---	---	---	---	---
C.	**Decreases**	**156**	**316**	**---**	**---**	**1**	**863**	**1,336**
C.1	Write-backs from valuations	---	---	---	---	---	---	---
C.1.1	of which: *Interest on default*	---	---	---	---	---	---	---
C.2	Write-backs from collection	47	---	---	---	---	---	47
C.2.1	of which: *Interest on default*	---	---	---	---	---	---	---
C.3	Write-offs	92	---	---	---	---	57	149
C.4	Transfer to other loan categories	---	316	---	---	1	787	1,104
C.5	Other decreases	17	---	---	---	---	19	36
D.	**Final overall adjustments**	**20,029**	**387**	**---**	**---**	**---**	**1,682**	**22,098**
D.1	of which: *Interest on default*	*1,414*	---	---	---	---	---	*1,414*

Overall value adjustments represent all of the direct and indirect valuation adjustments booked on receivables, as defined in the Supervisory Instructions for compiling accounting records.

Bad debts on loans by year

Year	n° of bad debts on loans	Gross amount	Total value adjustments	Net amount	% of cover
1990	2	69	22	47	32%
1991	3	308	308	---	100%
1992	1	25	25	---	100%
1993	2	362	196	166	54%
1994	1	99	49	50	49%
1995	1	138	31	107	23%
1996	1	344	152	192	44%
1997	1	92	92	---	100%
1998	6	1,167	650	517	56%
1999	4	778	686	92	88%
2000	2	173	2	171	1%
2001	7	9,058	6,928	2.130	76%
2002	15	1,561	855	706	55%
2003	22	7,439	5,698	1.741	77%
2004	27	4,648	3,209	1.439	69%
30/06/05	16	2,039	1,126	913	55%
Total	**111**	**28,300**	**20,029**	**8.271**	**71%**

Bad debts on loans by size

	Size of bad debts on loans	n° of bad debts on loans	Gross amount	Total value adjustments	Net amount
A	from 1 to 200.000	101	14,149	10,754	3,395
B	from 200.001 to 500.000	7	3,527	1,602	1,925
C	from 500.001 to 1.000.000	2	4,767	2,963	1,804
D	from 1.000.001 to 2.000.000	1	5,857	4,710	1,147
E	> 2.000.001	---	---	---	---
	Total	**111**	**28,300**	**20,029**	**8,271**

Due from customers from factoring operations

The table below shows the breakdown of factoring operations existing at the end of the period:

		30/06/2005	31/12/2004
A.	**Existing Receivables**	**828,587**	**731,617**
	of which securitised	***175,281***	***137,327***
(a)	Current recourse receivables	468,897	418,262
	of which securitised	*151,109*	*122,035*
(b)	Current non- recourse receivables	110,694	125,286
	of which securitised	*16,449*	*12,262*
(c)	Receivables from definitive acquisition	241,560	180,774
	of which securitised	*7,723*	*3,030*
(d)	Receivables from management service alone	7,436	7,295
B.	**Advances**	**493,418**	**432,558**
	of which securitised	***131,213***	***102,828***
(a)	On current recourse receivables	213,870	199,157
	of which securitised	*111,584*	*95,633*
(b)	On current non-recourse receivables	44,360	57,818
	of which securitised receivables	*11,906*	*4,165*
(c)	On definitive acquisition of receivables	230,578	170,329
	of which securitised receivables	*7,723*	*3,030*
(d)	On future receivables	4,610	5,254

SECTION 2 SECURITIES

The securities held by Banca IFIS are as follows:

		30/06/2005	31/12/2004
A.	**Debt securities**	**13,778**	**8,631**
	Treasury Bonds and similar, eligible for refinancing at central banks	---	---
	Bonds and other debt securities	13,778	8,631
B.	**Shares, stakes and other capital securities**	**295**	**288**
	Total	**14,073**	**8,919**

of which:

		30/06/2005	31/12/2004
1.	Investment securities	---	---
2.	Trading securities	14,073	8,919
	Total	**14,073**	**8,919**

Composition of item 50 'Bonds and other debt securities'

	30/06/2005	31/12/2004
Treasury Certificates	432	433
Convertible Bond issue IFIS 04/09	13,346	8,198
Total	**13,778**	**8,631**

In order to invest available liquid assets, Banca IFIS, between October 2004 and February 2005, bought back tranches of its own convertible bonds. On 30 June 2005 the Bank held 1,049,224 bonds for a nominal value of 13,115,300 Euro. The Treasury certificates indicated in the present item are primarily tied up to guarantee bank sureties issued to third parties upon Banca IFIS's request, in its own interest and that of its customers.

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

	30/06/2005	31/12/2004
500 Banca di Genova and S. Giorgio shares	1	1
62,500 Banca Passadore & C. shares	287	287
100 Cassa Centrale delle Casse Rurali Trentine preference shares	7	---
Total	**295**	**288**

2.1 Investment securities

Investment securities are held for stable company investments.
As at 30 June 2005, the group did not hold investment securities, nor did it hold them at 31 December 2004. Therefore tables 2.1 and 2.2 were not used.

2.3 Trading securities

		Balance Sheet Value	Market Value
1.	**Debt securities**	**13,778**	**14,075**
1.1	Government securities	432	435
	- listed	432	435
	- not listed	---	---
1.2	Other securities	13,346	13,640
	- listed	13,346	13,640
	- not listed	---	---
2.	**Capital securities**	**295**	**341**
	- listed	---	---
	- not listed	295	341
	Total	**14,073**	**14,416**

The comparison between the purchase cost of securities and the market value at 30 June 2005 gave rise to an underlying capital gain of 343 thousand Euro.

2.4 Changes in trading securities during the Half Year

A.	**Initial amounts**	**8,919**
B.	**Increases**	**49,780**
B1.	Purchases	49,780
	- Debt securities	5,148
	+ Government securities	---
	+ other securities	5,148
	- Capital securities	44,632
B2.	Write-backs and revaluations	---
B3.	Transfers from investment securities portfolio	---
B4.	Other variations	---
C.	**Decreases**	**44,626**
C1.	Sales and redemption	44,626
	- Debt securities	---
	+ Government Securities	---
	+ other securities	---
	- Capital securities	44,625
C2.	Value adjustments	1
C3.	Transfers to investment securities portfolio	---
C5.	Other variations	---
D.	**Final balance**	**14,073**

SECTION 3 EQUITY INVESTMENTS

3.1 Significant equity investments

	Name	Site	Type of relationship	Net Equity	Profit/Loss	percentage of shareholding		Votes at Ordinary Meeting	Consolidated 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)	1,468	381	Banca IFIS S.p.A.	100.00	100.00	---
A.2	Proportional 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

		30/06/2005	31/12/2004
(a)	**Assets**	**2,530**	**2,438**
	1. Due from banks	---	---
	of which subordinated	---	---
	2. Receivables from financial institutions	2,530	2,438
	of which subordinated	---	---
	3. Due from customers	---	---
	of which subordinated	---	---
	4. Bonds and other debt securities	---	---
	of which subordinated	---	---
(b)	**Liabilities**	**---**	**---**
	1. Due to banks	---	---
	2. Payables to financial institutions	---	---
	3. Due to customers	---	---
	4. Debts represented by shares	---	---
	5. Subordinated Liabilities	---	---
(c)	**Garantees and Commitments**	**765**	**1,250**
	1. Guarantees granted	765	1,250
	2. commitments	---	---

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

As at 30 June 2005, Banca IFIS did not hold the assets or liabilities of investee companies, other than those of the group, hence the table 3.3 was not used.

3.4 Composition of item 70 'Equity investments'

The group holds a minority stake, equal to 19.5% of the share capital, in an unlisted company Cofin Aviation S.r.l. in liquidation, which has been devalued or written down for the entire entry vale of this shareholding.

		30/06/2005	31/12/2004
(a)	Banks	---	---
	- listed	---	---
	- not listed	---	---
(b)	Financial Institiutions	2	---
	- listed	---	---
	- not listed	2	---
(c)	Others	---	---
	- listed	---	---
	- not listed	---	---
	Total	**2**	**---**

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

As at 30 June 2005, 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 equity investments

3.6.1 Equity investments in group companies

At 30 June 2005, 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**	**2**
B1.	Purchases	2
B2.	Write-backs/value recoveries	---
B3.	Revaluations	---
B4.	Other variations	---
C.	**Decreases**	**---**
C1.	Sales	---
C2.	Value adjustments	---
	of which:	
	- permanent devaluations	---
C3.	Other variations	---
D.	**Final balance**	**2**
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.

	31/12/2004	Increases	Decreases	30/06/2005
Buildings				
- historic cost	17,609	1,544	---	19,153
- depreciation reserve	(452)	(45)	---	(497)
- net value	17,157	1,499	---	18,656
Furniture and furnishing				
- historic cost	579	43	---	622
- depreciation reserve	(429)	(40)	---	(469)
- net value	150	3	---	153
Machinery and other equipment				
- historic cost	90	2	---	92
- depreciation reserve	(68)	(6)	---	(74)
- net value	22	(4)	---	18
Electronic office machines				
- historic cost	680	113	(9)	784
- depreciation reserve	(545)	(65)	5	(605)
- net value	135	48	(4)	179
Vehicles				
- historic cost	1,177	219	(110)	1,286
- depreciation reserve	(466)	(118)	58	(526)
- net value	711	101	(52)	760
Total				
- Historic cost	**20,135**	**1,921**	**(119)**	**21,937**
- Depreciation reserve	**(1,960)**	**(274)**	**63**	**(2,171)**
- Net value	**18,175**	**1,647**	**(56)**	**19,766**

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 and due to become, in part, the new Head Office of the group, the representative office building in Bucharest (Romania), another office building in Padua and other buildings of a residual value destined to be sold.
The increase in the 'buildings' item refers to renovation work on the property destined to house the new Head Office of the Bank and on which the first part of work is scheduled for completion by October 2005. This building was not depreciated as it is in the process of being finished.
Buildings due to be sold are not amortised.
The following table shows the effects on net equity and profit of the application of the required financial method according to IAS 17, on leasing property. The table is broken down according to items of the Balance Sheet.
The property obtained under leasing contracts booked under 'Tangible fixed assets', are represented by the Head Office site and another building in San Dona di Piave, destined to be sold.

	Balance Sheet items	Positive effect	Negative effect
	Balance Sheet		
	Assets		
110	Intangible Fixed Assets	---	164
120	Tangible Fixed Assets	2,833	---
160 b	Accrued income	---	487
	Liabilities		
10	Due to banks	---	1,023
80 b	Tax fund	---	418
	Effects on Net Equity		
190	Profits (losses) carried forward	661	---
200	Profit for the period	80	---
	Profit and Loss Statement		
20	Payable interest and similar charges	---	18
90	Value adjustments on intangible and tangible fixed assets	9	---
110	Other operating charges	146	---
190	Extraordinary charges	---	9
240	Income taxes	---	48
	Effects on profit		
260	Profit for the period	80	---

The positive effect on net profit and consolidated net equity during the period is equal to 80 thousand Euro and 741 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**	**18,175**
B.	**Increases**	**1,921**
B.1.	Purchases	1,921
B.2.	Write-backs	---
B.3.	Revaluations	---
B.4.	Other variations	---
C.	**Decreases**	**330**
C.1.	Sales	56
C.2.	Value adjustments	274
	of which:	
	a) depreciations	*274*
	b) permanent devaluations	---
C.3.	Other variations	---
D.	**Final Balance**	**19,766**
E.	**Total revaluations**	**---**
F.	**Total adjustments**	**2,171**
	a) depreciations	2,171
	b) permanent devaluations	---

Composition of item 110 'Intangible fixed assets'

	31/12/2004	Increases	Decreases	30/06/2005
Installation costs and purchases of software	393	125	(80)	438
Cost of systems and expansion	48	---	(13)	35
Costs for improving third party goods	88	1	(26)	65
Other intangible fixed assets	184	116	(43)	257
Total	**713**	**242**	**(162)**	**793**

The 'other intangible fixed assets' are related to 224 thousand Euro for costs incurred for the set up and introduction of the 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**	**48**	**665**	**713**
B.	**Increases**	**---**	**242**	**242**
B1.	Purchases	---	242	242
B2.	Write-backs	---	---	---
B3.	Revaluations	---	---	---
B4.	Other variations	---	---	---
C.	**Decreases**	**13**	**149**	**162**
C1.	Sales	---	---	---
C2.	Value adjustments	13	140	153
	of which:			
	a) depreciations	*13*	*140*	*153*
	b) permanent devaluations	---	---	---
C3.	Other variations	---	9	9
D.	**Final Balance**	**35**	**758**	**793**
E.	**Total revaluations**	**---**	**---**	**---**
F.	**Total adjustments**	**132**	**677**	**809**
	a) depreciations	132	677	809
	b) permanent devaluations	---	---	---

SECTION 5 OTHER ASSET ITEMS

5.1 Composition of item 150 'Other assets'

		30/06/2005	31/12/2004
(a)	**Credit with tax offices**	**5,240**	**7,289**
	- Receivables for prepaid taxes	2,049	2,515
	- Ires prepayment	1,313	2,607
	- Irap prepayment	352	758
	- VAT credit	751	579
	Other prepayments	773	751
	- Ires credit brought forward	---	76
	- Other credits	2	3
(b)	**Guarantee Deposits**	**56**	**65**
(c)	**Debtors for invoices**	**30**	**35**
(d)	**Other entries**	**1,094**	**902**
	Total	**6,420**	**8,291**

'Other entries' refer to 540 thousand Euro of credit Immobiliare Marocco has with its controlling company La Scogliera, following the transfer of Immobiliare Marocco's fiscal loss due to the application of the option for consolidated Ires taxation. These other items also include 123 thousand Euro of accrued interest from customers not debited in the accounts.

5.2 Composition of item 'Prepayments and accrued income'

		30/06/2005	31/12/2004
	Accrued Income on interest and amounts related to:	**1,203**	**578**
(a)	Subordinate lending	148	135
(b)	Debt securities	554	167
(c)	Other transactions	501	276
	Prepaid expenses on interest and amounts related to:	**3,542**	**3,381**
(a)	Costs from securitisation operations	1,919	1,663
(b)	Costs from convertible bond loan	1,424	1,599
(c)	Interest on pre-rental fees	31	35
(d)	Other transactions	168	84
	Total	**4,745**	**3,959**

The 'prepaid expenses' item a) refers to 1,455 thousand Euro of the part not relating to the Half Year, of the discount withheld by Calyon on the price of the reassignment 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

5.3 Adjustments for accrued income and prepaid expenses

The adjustments entered for accrued income and prepaid expenses to asset and liability items are as follows:

		30/06/2005	31/12/2004
	Accrued income on interest and amounts related to:		
(a)	Transactions with banks	1	1
	Total	**1**	**1**

5.4 Distribution of subordinated assets

		30/06/2005	31/12/2004
(a)	Due from banks	---	---
(b)	Due from customers	65,953	53,214
(c)	Bonds and other debt securities	---	---
	Total	**65,953**	**53,214**

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

SECTION 6 PAYABLES

Composition of item 10 'Due to banks'

		30/06/2005	31/12/2004
	At sight	**41,684**	**54,835**
(a)	Current accounts	10,846	14,989
(b)	Advance accounts	30,838	39,846
	Term or upon notice	**465,314**	**295,570**
(a)	Financing or similar	287,056	157,514
(b)	Other payables	178,258	138,056
	Total	**506,998**	**350,405**

'Other payables' refer to the reclassification of the securitised receivables existing at 30 June 2005 for 175,281 thousand Euro which represents Banca IFIS's debt with the arranger for payments to receive from the assigned debtors, as well as the debt for payments already received by Banca IFIS and not yet transferred to the arranger for 2,977 thousand Euro.

6.1 Breakdown of item 10 'Due to banks'

		30/06/2005	31/12/2004
(a)	Operations for buy back/swap agreements	---	---
(b)	Lending Securities	---	---

Composition of item 20 'Due to customers'

		30/06/2005	31/12/2004
	At sight	**34,080**	**88,419**
(a)	Current accounts	31,279	76,160
(b)	Payables for definitive acquisitions	201	59
(c)	Cash savings deposits	2,600	12,200
	Term or with notice	---	**15,000**
(a)	Savings deposit	---	15,000
	Total	**34,080**	**103,419**

6.2 Breakdown of item 20 'Due to customers'

		30/06/2005	31/12/2004
(a)	Operations for buy back/swap agreements	---	---
(b)	Lending Securities	---	---

Composition of item 30 'Outstanding Securities'

		30/06/2005	31/12/2004
	Bonds		
(a)	BANCA IFIS 04-09 Convertible Bond Loan	50,000	50,000
	Total	**50,000**	**50,000**

In the month of July 2004, Banca IFIS issued a bond loan convertible into Banca IFIS shares called the 'Banca IFIS Convertible Bond Loan 2004-2009', underwritten for 50 million Euro, consisting of 4 million convertible bonds with correlated share capital increase for the same amount. The convertible bonds, offered for subscription at par, had an issue price of 12.50 Euro and the conversion rate was established at one share for every convertible loan presented at conversion. The shares backing the conversion have a price of 12.50 of which 11.50 share-premium securities. The duration of the loan runs from 16 July 2004 until 16 July 2009. At the expiry date, the bonds that have not been converted will be redeemed at par. Redemption of these convertible bonds is at gross interest rates of 4.375% per annum, payable after the 16 of July every year.

SECTION 7 FUNDS AND PROVISIONS

Changes during the Half Year of item 70 'Severance/ Retirement Allowance'

(a)	**Initial amounts**	**876**
(b)	**Increases**	**165**
	-allocations	162
	-other changes	3
(c)	**Decreases**	**31**
	-utilisations	30
	-other changes	1
(d)	**Final Balance**	**1,010**

7.1 Composition of credit risk fund/bad or doubtful debt reserve

As at 30 June 2005, Banca IFIS had not booked such a reserve, thus tables 7.1 and 7.2 were not used.

7.3 Composition of item 80 ' Risk and contingency funds'

		30/06/2005	31/12/2004
(a)	Severance/retirement allowance and similar reserves	---	---
(b)	Tax fund	2,296	4,453
(c)	Provisions for risks and charges: other provisions	---	---
	Total	**2,296**	**4,453**

The breakdown of the above provisions and their changes for the period is shown below.
Sub item a) 'Severance/retirement allowance and similar reserves'
Banca IFIS has not instituted any type of internal pension fund.
Sub item b) 'Tax fund'

Composition of item 80 b) 'Tax fund'

		30/06/2005	31/12/2004
(a)	Ires	1,207	3,201
(b)	Irap	671	882
(c)	Deferred Taxes	418	370
	Total	**2,296**	**4,453**

The prepayment for taxes paid during the period, equal to 1,313 thousand Euro for Ires and 352 thousand Euro for Irap, is entered in item 150 'Other assets'.

Changes during the Half Year of item 80 b) 'tax fund'

(a)	**Initial amounts**	**4,453**
(b)	**Increases**	**2,296**
	-allocations	2,296
	-other changes	---
(c)	**Decreases**	**4,453**
	-utilisations	4,453
	Other changes	---
(d)	**Final Balance**	**2,296**

7.4 Changes during the period in 'prepaid tax assets'

1.	**Initial Balance**	**2,515**
2.	**Increase**	**---**
	2.1 Prepaid taxes during the Half Year	---
	2.2 Other increases	---
3.	**Decreases**	**466**
	3.1 Prepaid taxes cancelled during the Half Year	466
	3.2 Other decreases	---
4.	**Final balance**	**2,049**

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 tax	
Value adjustments on due from customers, deductible over more than one accounting period	978
Value adjustments on financial fixed assets, deductible over more than one accounting period	1,120
Other	(49)
Total	**2,049**

7.5 Changes during the Half Year in 'deferred tax liabilities'

1.	**Initial Balance**	**370**
2.	**Increases**	**48**
	2.1 Deferred taxes during the Half Year	48
	2.2 Other increases	---
3.	**Decreases**	**---**
	3.1 Deferred taxes cancelled during the Half Year	---
	3.2 Other decreases	---
4.	**Final Balance**	**418**

The main deferred tax liabilities are shown below:

Deferred Tax Liabilities	
Calculation according to IAS n. 17 of finance leasing	418
Total	**418**

- Sub item c) 'provisions for risks and charges' – 'Other provisions'

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

- A legal case is in progress with the Inland Revenue. This case relates to a past shareholding in Intesa Lariana S.r.l, liquidated and closed down in 1999, for which the Inland Revenue believes fictitious dividends were collected.
  The legal case was brought about by two separate notices of assessment, from the Milan 6 and Como Income Tax offices respectively. The first of these notices relates to the tax period 1 January 1997 – 30 June 1997 and the second to the following Half Yearly tax period.
  The first notice was contested by Intesa Lariana and the liquidator and taken to the Provincial Revenue Tribunal who, with judgement 57/10/03, entered 17 December 2003, rejected Intesa Lariana's and the liquidator's appeal. A further appeal was presented to the Regional Revenue Tribunal Milan 6. section 18, who with judgement 3616/04, entered 27 January 2005, once again ruled in favour of the Inland Revenue.

  On 2 December 2004, a hearing was held, in front of the Regional Revenue Tribunal of Milan, regarding the appeal against the second notice of assessment from the tax commission. In order to avoid any discord, the judgement is expected after the Regional Commission's decision has been entered, that is shortly.
  With regards to the first six months of 1997, Como tax office contested the collection

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

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

Should both of the above cases be lost, the total amount of Intesa Lariana’s liabilities would be 9,202 thousand Euro. In case of partial loss, that is the redetermination of the sanctions, total liabilities would be equal to 6,983 thousand Euro. In such a case, the amount of liabilities referable to Banca IFIS would be equal to a maximum amount of 2,753 thousand Euro.
Banca IFIS, subsequent to the second degree decision of Milan’s Regional Revenue Tribunal on the first assessment notice, asked the opinion of a leading legal and fiscal office, who confirmed the groundlessness and the illegitimacy of the fiscal demands made on Intesa Lariana and the probable quashing of the second appeal judgement. On the basis of this professional opinion, as at 30 June 2005, Banca IFIS has not considered it necessary to put aside any allocations.

The bankruptcy trustee of a former assignor dating back to the September 2001, has taken the Bank to court based on a summons served on 21 March 2003, in order to ascertain:
(i) a primary claim of no contest of bankruptcy or, alternatively, the revocation of credit invoiced to the assigned debtor quantified at 16,248 thousand Euro, the revocation of further credit assigned but not invoiced and, in addition, the restitution by the Bank of the sums received in payment including revaluation and interest;
(ii) a sub claim of declaration of no contest of bankruptcy or, alternatively, the revocation of the assignment of credit, payments of which were made before the year the bankruptcy became official, together with restitution by the Bank of the sums received in payment including revaluation and interest;
(iii) A further sub claim that the bankruptcy trustee has the right to receive all the sums collected by the Bank after 13 June 2002 (date of the bankruptcy) and therefore the Bank is obliged to pay the sums received after such date including revaluation and interest.

Banca IFIS appeared in court on 28 July 2003, strongly contesting the grounds on which the bankruptcy trustee’s demands are based. Based on the professional opinion of the legal and fiscal professional entrusted, Banca IFIS believes that such demands (ineffectiveness or revocation of the assignments effected during the business relationship) are totally unfounded.

In the Bank’s opinion therefore, marginal hypotheses of risk could persist with regards to the assignment of credit arising the year before the declaration of bankruptcy, i.e. after 13 June 2001. As the first obvious signs of the state of insolvency of the former assignor came about after the middle of July 2001, the possible revocation would concern only the operations effected within, and not over, a two month period, with a possible risk for the Bank estimated by its legal office at a maximum amount of 590 thousand Euros.

On 9 March 2005, the Bank was notified of a case brought against it by Parmalat S.p.A. in Extraordinary Administration, with the aim of revoking the assignment of Parmalat credit to Banca IFIS the year before the start of proceedings, as well as obliging Banca IFIS to pay the sum of 9,949,802.83 Euro or the different sums effectively collected, equal to around 7,540,000 plus expenses. Based on the professional legal opinion that such claims are unfounded, the Bank did not deem it necessary to set aside a provision during the Half Year of 2005.

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

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

		30/06/2005	31/12/2004
150	Capital	21,450	21,450
160	Issue- premiums	13,450	13,450
170	Reserves	17,555	11,709
190	Profit carried forward	661	498
200	Profit for period	7,038	9,012
	Total	**60,154**	**56,119**

The following comments can be made on the individual items:

Composition of item 150 'Capital'

		30/06/2005	31/12/2004
150	Share 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'

		30/06/2005	31/12/2004
160	Issue- premiums	13,450	13,450

Breakdown of item 170 'Reserves'

		30/06/2005	31/12/2004
(a)	Legal reserve	2,073	1,232
(b)	Reserve for treasury shares	---	---
(c)	Statutory reserve	---	---
(d)	Other reserves	15,482	10,477
	Total	**17,555**	**11,709**

Breakdown of item 190 'Profit (Loss) carried forward'

		30/06/2005	31/12/2004
190	Profit (loss) carried forward	661	498

Breakdown of item 200 'Profit (loss)'

		30/06/2005	31/12/2004
200	Profit	7,038	9,012

According to article 109, n.4 letter b) of the TUIR (Income Tax Consolidation Act), taking into consideration the information on 'fiscal decontamination' (the removal of value adjustments on the equity investment, Immobiliare Marocco) given in section 2.1 part A on the Notes herein, it is stressed that the net equity reserves, unlike the legal reserve, must be considered in abeyance of tax for 7,750 thousand Euro.

Breakdown of item 140 'Treasury shares or stock'

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

		Number of shares	Value
A.	**Initial amounts**	**---**	**---**
B.	Purchases	260,765	2,497
C.	Sales	260,765	2,497
D.	**Final Balance**		

8.1 Equity and regulatory minimum requirements

The table below shows the breakdown of equity and regulatory minimum requirements as at 30 June 2005:

	Categories / Amounts	30/06/2005	31/12/2004
A.	**Regulatory assets**		
A.1	Tier 1 capital	57,859	52,403
A. 2	Tier 2 capital	(276)	(273)
A.4	Regulatory capital	57,583	52,130
B.	**Prudential regulatory requirements**		
B.1	Credit risks	35,075	32,492
B.2	Market risks	56	95
	of which:		
	- risks in trading portfolio	*56*	*95*
	- exchange rate risk	---	---
B.3	3rd level subordinated loans	---	---
B.4	Other regulatory requirements	---	---
B.5	Total regulatory requirements	35,131	32,587
C.	**Other risks assets and regulatory ratios**		
C.1	Risk weighted assets	439,140	407,329
C. 2	Tier capital 1/ Risk weighted assets	13.2%	12.9%
C. 3	Regulatory capital/ Risk Weighted assets	13,1%	12.8%

SECTION 9 OTHER LIABILITY ITEMS

9.1 Breakdown of item 50 'Other liabilities'

		30/06/2005	31/12/2004
(a)	Sums available to customers	1,462	558
(b)	Payables to suppliers	1,487	1,506
(c)	Payables to personnel	1,021	681
(d)	Payables to the Inland Revenue and Social Security Agencies	526	670
(e)	Other payables	9,705	7,455
	Total	**14,201**	**10,870**

The 'other payables' are composed of 9,631 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'

		30/06/2005	31/12/2004
	Accrued expenses on interest and amounts related to:	**2,312**	**1,206**
(a)	Costs related to the bond loan	2,092	1,007
(b)	Securitisation costs	153	154
(c)	Transactions with customers	8	19
(d)	Other transactions	59	26
	Deferred income on interest and amounts related to:	**173**	**3**
(a)	Transactions with customers	173	3
	Total	**2,485**	**1,209**

Accrued expenses in item a) refer to interest accrued on the convertible bond loan issued in July 2004, the bond coupon for which will be paid annually after 16 July 2005, as explained in section 6 of the Balance Sheet Explanatory Notes.

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.

		30/06/2005	31/12/2004
	Accrued expenses on interest and amounts related to:	**432**	**387**
(a)	Transactions with banks	425	295
(b)	Transactions with customers	7	92
(c)	Payables to personnel	920	---
(d)	Others creditors	424	---
	Total	**1,776**	**387**

SECTION 10 GUARANTEES AND COMMITMENTS

10.1 Breakdown of item 10 'Guarantees given'

		30/06/2005	31/12/2004
(a)	**Commercial endorsement credit**	**---**	**---**
	- documentary credit	---	---
	- commercial acceptances	---	---
	- commercial endorsements and sureties	---	---
(b)	**Financial endorsement credit**	**2,843**	**2,879**
	- financial endorsements and sureties	2,843	2,879
	- financial acceptances	---	---
(c)	**Total assets as guarantees**	**---**	**---**
	Total	**2,843**	**2,879**

Financial endorsement credit refers to 759 thousand Euro for guarantees issued in previous periods by banks in favour of third parties upon Banca IFIS's request in its own interest and/or that of its customers; these sureties for 436 thousand Euro are counter-guaranteed by the market value of government securities and shares, together with 210 thousand Euro of deposits in current accounts used as collateral. They also refer to 2,084 thousand Euro of sureties issued directly by Banca IFIS, in favour of its subsidiary Immobiliare Marocco S.p.A. for 765 thousand Euro and in favour of other companies for 1,319 thousand Euro.

10.2 Composition of item 20 'Commitments'

		30/06/2005	31/12/2004
(a)	**Commitments to provisions of certain use**	**---**	**---**
(b)	**Commitments to provisions of uncertain use**	**121,775**	**84,234**
	- approvals on non-recourse credit	120,984	83,443
	- other commitments	791	791
	Total	**121,775**	**84,234**

With reference to the transfer of the two floors and related appurtenances of the building complex located in Genoa occurring in the previous accounting period, the commitment to guarantee rent, in case of default, 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 provisions for uncertain use'. As from 1 January, the contract of rent for one of the two floors came to an early conclusion. During the Half Year, a new contract, with rental fees that completely cover the value to guarantee, was drawn up.

10.3 Assets guaranteeing own debts

As at 30 June 2005, the Banca IFIS group did not possess assets guaranteeing own debts.

10.4 Margins available on credit lines

		30/06/2005	31/12/2004
(a)	Central banks	---	---
(b)	Other banks	329,847	354,738

10.5 Term operations

No term operations 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 the end of the period. Therefore, the specific table has been omitted.

SECTION 11 CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

11.1 Major exposures

		30/06/2005
(a)	Amount	58,072
(b)	Number	6

11.2 Distribution of loan commitments by category of borrower

		30/06/2005
(a)	States	34,534
(b)	Other public bodies	130,822
(c)	Non-financial companies	355,021
(d)	Financial companies	68,872
(e)	Family businesses	4,034
(f)	Other financial operators	1,277
	Total	**594,380**

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

		30/06/2005
(a)	Other services for sale	94,979
(b)	Sales, collection and repair services	38,550
(c)	Construction and public works	36,618
(d)	Electrical material and supplies	25,281
(e)	Metal products excepting machines	22,986
(f)	Other branches	107,924
	Total	**326,337**

11.4 Distribution of guarantees given by category of counterpart

		30/06/2005
(a)	States	---
(b)	Other public bodies	---
(c)	Banks	---
(d)	Non-financial companies	2,084
(e)	Financial companies	---
(f)	Family businesses	---
(g)	Other financial operators	---
	Total	**2,084**

The amounts shown refer to the guarantees granted 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**	**540,167**	**88,566**	**10,755**
1.1	Due from banks	31,035	---	---
1.2	Due from customers	495,059	88,566	10,755
1.3	Securities	14,073	---	---
2.	**Liabilities**	**589,524**	**15**	**1,539**
2.1	Due to banks	506,998	---	---
2.2	Due to customers	32,526	15	1,539
2.3	Payables represented by securities	50,000	---	---
2.4	Other accounts	---	---	---
3.	**Guarantees and commitments**	**124,618**	**---**	**---**

11.6 Distribution of assets and liabilities by maturity

Item/residual duration	Fixed maturity							Unspecified duration
	At 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 from banks	30,245	—	210	—	—	—	—	580
1.3 Receivables from customers	297,196	60,192	72,506	39,764	65,953	—	7	58,762
1.4 Bonds and other debt securities	—	—	—	13,346	432	—	—	—
1.5 Off balance sheet transactions	—	—	—	—	—	—	—	—
Total Assets	**327,441**	**60,192**	**72,716**	**53,110**	**66,385**	**—**	**7**	**59,342**
2. Liabilities								
2.1 Payables to banks	44,639	143,426	252,106	507	861	—	—	65,459
2.2 Payables to customers	34,080	—	—	—	—	—	—	—
2.3 Payables represented by securities:								
- Bonds	—	—	—	50,000	—	—	—	—
- Certificates of deposit	—	—	—	—	—	—	—	—
- Other securities	—	—	—	—	—	—	—	—
2.4 Subordinated Liabilities	—	—	—	—	—	—	—	—
2.5 Off balance sheet transactions	—	—	—	—	—	—	—	—
Total liabilities	**78,719**	**143,426**	**252,106**	**50,507**	**861**	**—**	**—**	**65,459**

The table shows the breakdown of assets and liabilities in reference to their residual life, meaning the difference between the date of the Half Yearly report and the expiry of the single transaction, taking into account any modifications to the original agreements. For transactions 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 due from banks of ‘unspecified duration’.
Bad debts on loans and other past-due loans from customers are shown in the due from customers with ‘unspecified duration’.
The ‘at sight’ sub item includes all receivables and payables to/from banks and customers entered in the Balance Sheet under the sub item ‘at sight’. Liabilities due are considered ‘at sight’.

11.7 Assets and liabilities in foreign currencies

		30/06/2005	31/12/2004
(a)	**Assets**	**12,859**	**5,551**
	1. Due from banks	1,826	611
	2. Due from customers	11,033	4,940
	3. Securities	---	---
	4. Equity investments	---	---
	5. Other accounts	---	---
(b)	**Liabilities**	**11,872**	**4,866**
	1. Due to banks	11,853	2,702
	2. Due to customers	19	2,164
	3. Payables represented by securities	---	---
	4. Other accounts	---	---

11.8 Securitisation transactions

During the last quarter of 2003, Banca IFIS together with Calyon, the Milan branch (already Crèdit Agricole Indosuez SA), acting as Arranger (hereinafter referred to as ‘CAI Milano’ or ‘CAI’ or the ‘Arranger’) and Sella Corporate Finance S.p.A. acting as Co-arranger, started a revolving securitisation programme. This programme is of annual duration, renewable for a maximum of five years and involves the non-recourse reassignment/retransfer of an assigned performing credit portfolio 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 between Banca IFIS (as seller and servicer) and CAI Milano (as purchaser), who governs the assignment of receivables and servicing of the operation;
- ‘*FCC Rialto Classes A2 and S Units Subscription Agreement*’, signed on 20 October 2003 between Banca IFIS (as Additional Subscriber), Eurotitrisation s.a. (as FCC Manager) and Calyon’s Paris branch (as Custodian). ‘*FCC Rialto Classes A2 and S Units Subscription Agreement’* establishes the procedure for calculating the amount of the Class A2 and Class S Units to be issued by Fonds Commun de Creances under French law, created specifically for the operation (‘FCC Rialto’), in compliance with the regulations of the same fund (‘FCC Rialto Regulations’) as well as commitments subscribed by Banca IFIS of ‘asset backed securities’.

The reassignment/retransfer price for the receivables portfolio is equal to the nominal value minus a discount of 0.80%.
Part of the payment collected by Banca IFIS against the receivables assigned is used by the Bank to subscribe Class S Units issued by FCC Rialto.
The amount of Class S Units that Banca IFIS subscribes is calculated based on a model from Standard & Poor’s rating agency. Specifically, this model foresees that, in order to cover both the risks on the portfolio of receivables reassigned for the programme and the connected operational risks, mathematical reserves are calculated, the overall result of which determines the amount of Class S Units that are then issued by FCC Rialto and subscribed by Banca IFIS.
The maximum dimension of this programme, that is - Banca IFIS’s maximum net

funding, is 150 million Euro.
The net funding for Banca IFIS deriving from this transaction is equal to the nominal value of the assigned credit on a time to time basis, minus the discount and the amount of Class S Units the Bank subscribes.
If net funding exceeds the ceiling of 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, in preparation of possible future increases in the size of the programme.

The programme involves the reassignment/retransfer of receivables due from assigned debtors. These receivables are backed by all recourse rights and/or guarantees originally contractually due to Banca IFIS from assigning customers. It is important to note that in keeping with the regulations for credit institution Financial Statements, these receivables are not booked to Banca IFIS's assets.

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

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

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

The reassignment of receivables by Banca IFIS to CAI Milano is non-recourse, regardless of whether the receivables were originally assigned to Banca IFIS in non-recourse or recourse. The reassignment of receivables for the securitisation programme is also effected in a non-notification form, and thus without the assigned debtor being notified of the new assignment to CAI Milano by Banca IFIS, who continues to manage the credit as servicer.
The programme complies with the Bank of Italy's instructions (Bank of Italy Bulletin no. 2 February 2003) with reference to the so-called 'call option' in securitisation operations. For this purpose, certain limited potential reacquisitions of receivables by Banca IFIS are foreseen, in relation to the technical requirements connected to the regular execution of contractual relations undertaken by Banca IFIS, with the bank purchaser on one side and its own customers on the other.

There is also a put option in favour of the purchaser bank in order to permit retrocession to Banca IFIS of any receivables which, following a subsequent verification, do not meet the contractual Selection Criteria. However, this is a technical hypothesis of modest applicability, aimed at permitting the elimination of an error in the operation in the event that a receivable not meeting the Selection Criteria is mistakenly added.

The securitisation programme, as mentioned above, has a one year duration and can be renewed yearly up to a maximum of five years as long as:
(i)CAI annually renews the cash credit line made available by the Arranger in favour of

Hexagon Finance a.r.l. (Special Purpose Vehicle multi-seller with head office in Jersey) for the operation of the programme (ii) the securitised receivable portfolio remains performing (iii) no trigger events have occurred.
At the end of each year of the duration of the programme, if it is not renewed or if one or more trigger events have occurred, the receivable reassignment transactions for the programme will be terminated and a so-called 'amortisation period' will begin, with the aim of collecting the remaining receivables of the portfolio, and liquidating the transaction and payment by Banca IFIS of all remaining costs and expenses related to the programme.
For the entire duration of the programme, CAI Milano will acquire receivables every fifteen days on the dates laid down by the programme and, in the absence of trigger events, within the limit of available funds and based on the allocation criteria for these funds.

The reassignment and servicing relationship between Banca IFIS and CAI governed by the *'Receivables Purchase Agreement and Servicing Agreement'*, together with the commitment to subscribe the securities generated by the programme governed by the '*FCC Rialto Classes A2 and S Units Subscription Agreement',* are only two of the elements of the securitisation transaction which is realised through a further series of relationships governed by contracts between subjects other than Banca IFIS, creating a complex and distinct operation, summarised below:

Specifically, CAI Milano, in turn, reassigns the portfolio acquired from Banca IFIS to its Luxembourg branch, which purchases the receivables completely counter-guaranteed by CAI's Paris branch, through a deposit previously set up for an amount equal to the ceiling which can be acquired in the programme (300 million Euro). In this way, the risk of failure to collect on this operation is transferred to the deposit. CAI's Paris branch, in turn, assigns the deposit and all its rights and risks to FCC Rialto, managed by Eurotitrisation s.a. as FCC Manager. In order to acquire this deposit, FCC Rialto uses financial resources from the periodic issue of various classes of asset backed securities. The essential condition for FCC Rialto to periodically acquire the deposit is subscription by Banca IFIS of Class S Units at fixed maturities for an amount equal to the mathematical reserves created to guarantee operation of the programme, and Class A2 Units, when conditions requiring such exist.
In the event that the portfolio performance worsens, reaching the level of the prescribed triggers, the amount of the mathematical reserves, and thus Class S Units subscribed by Banca IFIS, are proportionally increased. In the event that the portfolio performance improves, the amount of the mathematical reserves, and thus Class S Units subscribed by Banca IFIS, are proportionally decreased.
The FCC then issues the following classes of asset backed securities against the securitised portfolio: (i) Class A0 Units, for an amount equal to the portion of the deposit unused by CAI Luxembourg to 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 programme 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 for more than 120 days or with a due date superior to 150 days ('ineligible' receivables), to be subscribed by Banca IFIS.

These asset backed securities issued for the programme are not traded in any regulated market. The Billets de Tresorerie issued by Hexagon Finance a.r.l against the Class A1 Units have been rated A1+ by Standard & Poor's.

The characteristics of the 'asset backed' tranche are summarised as follows:

Tranche	**Amount at 30/06/2005** (thousands of Euro)	**Percentage**
Class A0 Senior Units	111,921	37.3%
Class A1 Senior Units	122,126	40.7%
Class A2 Senior Units	---	
Class S Units (subordinated)	65,953	22.%
Total programme	300,000	100.0%

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

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

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

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

The final expiration of the Class S Units coincides with the 'Liquidation Date' of the FCC Rialto fund. In compliance with French laws, the FCC Manager will liquidate the fund within six months from the first to occur of the dates below ('Liquidation Date'): a) the date on which all the receivables and other rights assigned for the programme have been settled; b) the date on which all the receivables and other rights assigned for the programme and not yet collected have been assigned to a third party financial institution (possibly indicated by Banca IFIS). The liquidity from the assignment of the receivables and rights above must be used to meet the credit for capital and interest of the owners of asset backed securities, unlike the owners of Class S Units, and the expenses, costs and

charges of the programme. The remainder will be used to meet Class S Unit owners' credit.
From an operating standpoint, however, since mathematical reserves for the transaction are recalculated every fifteen days, the Class S Units are repaid ahead of time and reissued for a new amount.
It is also important to note that the interest on the Class S Units is also paid every fifteen days, at the same time as the above repayment.

At 30 June 2005, Banca IFIS had subscribed Class S Units for a total of 65,953 thousand Euro. This subordinate asset is booked to item 40 'due from customers' under the Balance Sheet assets.

Also of note, as at 30 June 2005, no write-down had been effected on the Class S Units due to losses on receivables, as there were no presuppositions to do so.

The item 'accrued income' refers to 1,455 thousand Euro for the portion not relative to the Half Year of the discount withheld by Calyon on the receivable reassignment price.

The item 'due to banks' refers to Banca IFIS's debt with the Arranger for 175,281 thousand Euro for payments to receive from the assigned debtors for the securitised credit at 30 June 2005, as well as the debt for payments already received by Banca IFIS and not yet transferred to the Arranger for 2,977 thousand Euro.

'Interest and similar income' includes 3,265 thousand Euro for interest matured on the Class S Units subscribed by Banca IFIS.

The item 'interest and other charges' includes 2,430 thousand Euro for the portion relative to the Half Year of the discount withheld by Calyon on the receivable reassignment price.

'Payable commissions' include commissions for organising and managing the securitisation operation for 34 thousand Euro.

'Profits/losses from financial transactions' include 2,292 thousand Euro for the negative difference of the value on the Class S Units subscribed by Banca IFIS due to an accelerated repayment of these securities below par against receivable interest calculated at the Euribor rate + 8%. Banca IFIS believes that this trend, physiologically correlated to the organisation of the securitisation programme, is destined to repeat itself for the entire duration of the transaction in same order of magnitude.

The following tables show some of the principle figures related to the securitisation transaction (situation as at 30 June 2005).

Breakdown by residual life

Due dates	**Remaining receivable portfolio** (thousands of Euro)	**Distribution %**
up to 3 months	103,386	59.0%
over 3 months and up to 12 months	5,930	3.4%
over 1 year and up to 5 years	507	0.3%
over 5 years	---	---
Past-due	65,458	37.3%
Total	**175,281**	**100.0%**

Breakdown by geographical distribution

Country	Remaining receivable portfolio (thousands of Euro)	Distribution %
Italy	175,281	100.0 %
Other E.U. countries	---	---
Rest of the world	---	---
Total	**175,281**	**100.0 %**

Breakdown by product category

Product category	***Remaining credit portfolio***	***Distribution %***
Agriculture, forestry and fish products	71	0.0%
Energy products	100	0.1%
Minerals and ferrous and non-ferrous metals	4,406	2.5%
Minerals and mineral based products	339	0.2%
Chemical products	1,079	0.6%
Products in metal excluding machines and equipment	7,699	4.4%
Agricultural and industrial machines	10,979	6.3%
Machines for offices, and data processing	1,025	0.6%
Electrical material and supplies	15,453	8.8%
Transportation vehicles	40,100	22.9%
Food and beverage products	4,660	2.7%
Textile, leather, shoe and clothing products	11,467	6.5%
Paper, printing and publishing	2,515	1.4%
Rubber and plastic products	2,198	1.3%
Other industrial products	4,482	2.6%
Construction and public works	11,374	6.5%
Wholesale and retail trade. recoveries and repair	14,942	8.5%
Hotel and public establishment services	328	0.2%
Internal transportation services	971	0.6%
Transportation related services	904	0.5%
Telecommunications services	592	0.3%
Other services for sale	39,345	22.4%
Financial Institutions	252	0.1%
Total	**175,281**	**100.0%**

Target goals and aims

With regards to goals and aims, the securitisation programme, when the operation is fully utilised, aims to provide the Bank with the necessary liquid financial resources to realise its expansion drive.

Type of financial instruments held

The following table shows the class type held regarding the Bank's securitisation programme together with the total amount of securitised assets as at 30 June 2005.

Class	Gross amount	Value adjustments	Balance Sheet value
Subordinated loans:			
Junior	---	---	---
Mezzanine	65,953	---	65,953
Senior	---	---	---
Total	**65,953**	**---**	**65,953**

Securitised assets	Quality of securitised assets	Gross amount	Value adjustments	Balance Sheet value
Receivables acquired for factoring transactions				
	Bad debts on loans	---	---	---
	Difficult loans	---	---	---
	Other assets	175,281		175,281
Total		**175,281**	**---**	**178,281**

SECTION 12 MANAGEMENT AND BROKERAGE 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'

		30/06/2005	30/06/2004
(a)	On due from banks	343	14
	of which:		
	- on receivables from central banks	*9*	*7*
(b)	On due from customers	12,772	10,011
	of which:		
	- on receivables from third party funds in administration	---	---
(c)	On debt securities	270	5
(d)	Other receivable interest	3,274	3,293
(e)	Positive balance on hedging operation differentials	---	---
	Total	**16,659**	**13,323**

Interest on due from customers include interest on default maturing during the Half Year on bad debts on loans for 112 thousand Euro and other positions for 36 thousand Euro; interest for default on bad debts is fully devalued.
Interest on debt securities refers to 265 thousand Euro for the portion of interest matured during the Half Year on Banca IFIS's own bonds in portfolio.
Other interest income refers to 3,265 thousand Euro of interest matured on a subordinated loan subscribed by Banca IFIS for the securitisation operation 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'

		30/06/2005	30/06/2004
(a)	On payables from banks	5,143	4,238
(b)	On payables from customers	271	331
(c)	On payables represented by securities	1,085	---
	of which:		
	- on certificates of deposit	---	---
(d)	On third party funds under management	---	---
(e)	On subordinated liabilities	---	---
(f)	Negative balance on hedging operation differentials	---	---
	Total	**6,499**	**4,569**

Interest on due to banks include 2,430 thousand Euro for the portion of the discount relative to the Half Year, withheld by the Arranger on the reassignment price of the performing receivable portfolio effected during the securitisation operation discussed in section 11.8 of the Balance Sheet and 3.1 of the Profit and Loss account of these Notes. This discount is booked to the Profit and Loss statement based on the effective duration of the securitised portfolio it refers to.
The interest on payables represented by securities is related to the accrued interest on the convertible bond loan issued in July 2004, the coupon of which will be paid annually after 16 July 2005, as described in section 6 of the Balance Sheet of the present Notes.

1.3 Breakdown of item 10 'Interest and similar income'

		30/06/2005	30/06/2004
(a)	On assets in currency	249	137

1.4 Breakdown of item 20 'Interest and similar charges'

		30/06/2005	30/06/2004
(a)	On liabilities in currency	107	55

SECTION 2 COMMISSION

2.1 Breakdown of item 20 'Interest and similar charges'

		30/06/2005	30/06/2004
(a)	Guarantees issued	2	2
(b)	Derivatives on loans	---	---
(c)	Management, brokerage and consultation services:		
	1. trading of securities	---	---
	2. trading of currencies	---	---
	3. asset management	---	---
	3.1 individual	---	---
	3.2 collective	---	---
	4. custody and administration of securities	---	---
	5. custodian	---	---
	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	202	146
(e)	Servicing services for securitisation transactions	---	---
(f)	Rate and Tax collection	---	---
(g)	Other services	10,739	6,714
	Total	**10,943**	**6,862**

Receivable commission on other services refers to 10,065 thousand Euro for factoring operation commission.

2.2 Breakdown of item 40 ‘Receivable commission’

	Distribution channels of products and services	30/06/2005	30/06/2004
(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 ‘Payable Commission’

		30/06/2005	30/06/2004
(a)	Guarantees received	1	---
(b)	Derivatives on loans	---	---
(c)	Management and brokerage services	---	
	1. trading of securities	---	---
	2. trading of currencies	---	---
	3. asset management	---	---
	3.1. own portfolio	---	---
	3.2. third party portfolio	---	---
	4. custody and administration of securities	27	16
	5. placement of securities	---	---
	6. off-site securities, products and services	---	---
(d)	Collection and payment services	154	25
(e)	Other services	1,312	487
	Total	**1,494**	**528**

Payable commission on other services refers to 427 thousand Euro for commission for brokerage charges on transactions with customers, 34 thousand Euro for commission on managing and organising the securitisation operation explained in section 11.8 of these Notes and, lastly, for 783 thousand Euro of commission to counterparts for financial operations.

SECTION 3 PROFIT AND LOSS FROM FINANCIAL TRANSACTIONS

3.1 Composition of item 60 ‘Profit/loss from financial transactions’

	Items/transactions	Transactions on securities	Transactions on currencies	Other transactions
A.1	Revaluations	---	---	---
A.2	Devaluations/write-downs	---	---	---
B.	Other profits/losses	(1,980)	102	(2,292)
	Total	**(1,980)**	**102**	**(2,292)**
1.	Government securities	---		
2.	Other debt securities	---		
3.	Capital securities	2		
4.	Derivative contracts on securities	(1,982)		

Profits/losses from financial operations on securities include 1,982 thousand Euro of loss on hedging and trading operations connected to income on dividends on shares in the tradable portfolio for 2,050 thousand Euro. The gross result is therefore equal to 68 thousand.
Profits/losses from financial transactions on other operations include 2,292 thousand Euro of negative difference of the value on the Class S Units subscribed by Banca IFIS, due to accelerated repayment of these securities below par. This item needs to be viewed together with the interest on the subordinated loan equal to 3,265 thousand Euro and the cost for the discount applied by the Arranger on the securitisation reassignment of the performing receivable portfolio, equal to 2,430 thousand Euro. The net effect of the Profit and Loss statement items for the securitisation operation, equal to 1,457 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	**30/06/2005**
(a)	Managers	2
(b)	Middle management, 3rd and 4th level	17
(c)	Remaining personnel	86.5
	Total	**105.5**

The average number of employees of the group at 30 June 2005 was calculated as the arithmetic average of employees working at the beginning of the Half Year (101) and the end of the period (110).

Breakdown of sub item 80) 'Personnel expenses'

		30/06/2005	**30/06/2004**
(a)	Wages and salaries	2,453	1,947
(b)	Social security charges	692	533
(c)	Severance/retirement allowance (TFR)	162	123
(d)	Other personnel expenses	15	11
	Total	**3,322**	**2,614**

Breakdown of sub item 80 b) 'Other administrative expenses'

The sub item, totalling 2,874 thousand Euro, is composed as follows:

		30/06/2005	30/06/2004
(a)	**Expenses for professional services**	**1,192**	**741**
	- Board Members' and Auditors' fees	575	519
	- Legal expenses and consultation	569	193
	- Auditing	48	29
(b)	**Indirect taxes and taxes**	**193**	**162**
(c)	**Maintenance expenses**	**25**	**26**
(d)	**Car management and maintenance**	**180**	**122**
(e)	**Membership fees**	**41**	**41**
(f)	**Customer insurance premiums**	**25**	**22**
(g)	**Expenses to purchase non-professional goods and services**	**1,218**	**940**
	- Headquarters offices and branch management	273	218
	- Customer information	203	134
	- Telephone expenses	128	95
	- Business travel	104	73
	- Software assistance	97	83
	- Postal and tax stamp expenses	88	74
	- Personnel Training	63	56
	- Various office supplies	62	58
	- Advertising and inserts	59	44
	- Other sundry expenses	141	105
	Total	**2,874**	**2,054**

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 intangible and tangible fixed assets.

		30/06/2005	30/06/2004
(a)	Intangible Fixed Assets	153	117
(b)	Tangible Fixed Assets	274	251
	Total	**427**	**368**

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 'Value adjustments on receivables and provisions for guarantees and commitments'

		30/06/2005	30/06/2004
(a)	**Value adjustments on receivables**	3,105	2,260
	of which:		
	- estimated adjustments for country risk	---	---
	- other estimated adjustments	*1,534*	*1,316*
(b)	**Provisions for guarantees and commitments**	---	---
	of which:		
	- estimated provisions for country risk	---	---
	- other estimated provisions	---	---
	Total	**3,105**	**2,260**

Composition of item 130 'Write backs on receivables and provisions for guarantees and commitments'

This item, equal to 47 thousand Euro, refers to write backs effected on bad debts on loans written down in previous years.

SECTION 6 OTHER PROFIT AND LOSS STATEMENT ITEMS

6.1 Composition of item 70 'Other operating income'

This item refers to the following components:

		30/06/2005	30/06/2004
(a)	Recovery of third party expenses	277	187
(b)	Rental income	17	123
	Total	**294**	**310**

6.3 Composition of item 190 'Extraordinary income'

The item is composed as follows:

		30/06/2005	30/06/2004
(a)	Contingent asset items and non-existent liabilities	197	126
(b)	Income from sale of tangible assets	10	237
(c)	Income from fiscal consolidation	489	---
	Total	**696**	**363**

The amount of point (c) refers to the income deriving from the transfer of Immobiliare Marocco S.p.A's major fiscal loss of the previous accounting period to the controlling company La Scogliera S.p.A according to the agreement to apply the option of Ires tax on a consolidated basis.

6.4 Composition of item 200 'Extraordinary charges'

		30/06/2005	30/06/2004
(a)	Contingent liability items and non-existent assets	269	282
(b)	Losses from sale of tangible assets	3	---
(c)	Charges related to tax amnesty	---	111
	Total	**272**	**393**

6.5 Composition of item 240 'Income taxes for the Half Year'

The item, totalling 2,340 thousand Euro is broken down as follows:

		Ires	Irap	Other taxes	Total
(a)	Current taxes	(1,155)	(671)	---	(1,826)
(b)	Variations in prepaid taxes	(452)	(14)	---	(466)
(c)	Variations in deferred taxes	(43)	(5)	---	(48)
	Income tax for the Half Year	**(1,650)**	**(690)**	**---**	**(2,340)**

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.

	30/06/2005
Italy	29,790
Abroad	1,008

7.2 Figures for contribution to the National Guarantee Fund

The group does not carry out stock brokerage of securities and therefore this table is not included.

PART D OTHER INFORMATION

SECTION 1 BOARD MEMBERS AND STANDING AUDITORS

Compensation

1.1
Board Members, Standing Auditors and Managing Director Remuneration

In accordance with Consob regulation no. 11971/99, the remuneration in thousands of Euro paid to Board Members, Standing Auditors and the Managing Director at 30 June 2005 is shown below:

BOARD OF DIRECTORS

Full name	Office held	Term of office	Remuneration	Fringe benefits	Bonuses and other incentives	Other compensation
Fürstenberg Sebastien Egon	President	Approval Financial Statement at 31/12/06	63	---	---	---
Csillaghy Alessandro	Vice President	Approval Financial Statement at 31/12/06	108	---	---	---
Bossi Giovanni	C.E.O	Approval Financial Statement at 31/12/06	155	---	91	---
Conti Leopoldo	Board Member	Approval Financial Statement at 31/12/06	10	---	---	12[1]
Cravero Roberto	Board Member	Approval Financial Statement at 31/12/06	14	---	---	---
Martin Andrea	Board Member	Approval Financial Statement at 31/12/06	16	---	---	---

[1] consultation

BOARD OF STANDING AUDITORS

Full name	Office held	Term of office expiry	Remuneration	Fringe benefits	Bonuses and other incentives	Other compensation
Rovida Mauro	Chairman	Approval Financial Statement at 31/12/06	28	---	---	---
Santesso Erasmo	Auditor	Approval Financial Statement at 31/12/06	19	---	---	---
Stevanato Dario	Auditor	Approval Financial Statement at 31/12/06	19	---	---	---

MANAGING DIRECTOR

Full name	Office held	Term of office	Remuneration	Fringe benefits	Bonuses and other incentives	Other compensation
Staccione Alberto	Managing Director	permanent	74	1	36	---

Stock-options assigned to Board Members, Standing Auditors and the Managing Director

BOARD OF DIRECTORS

Name	Office held	Held at the beginning of the accounting period			Options assigned during accounting period			Options exercised during accounting period			Options matured during accounting period	Options held at end of accounting period		
		Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average market price at exercise	Number of options	Number of options	Average exercise price	Average maturity
Fürstenberg Sebastien Egon	President	---	---	---	---	---	---	---	---	---	---	---	---	---
Csillaghy Alessandro	Vice President	16,500	9.43	3 years & 272 days	33,000	9.34	3 years & 281 days	---	---	---	---	49,500	9.37	3 years & 278 days
Bossi Giovanni	C.E.O.	48,000	9.43	3 years & 272 days	96,000	9.34	3 years & 281 days	---	---	---	---	144,000	9.37	3 years & 278 days
Conti Leopoldo	Board Member	---	---	---	---	---	---	---	---	---	---	---	---	---
Cravero Roberto	Board Member	---	---	---	---	---	---	---	---	---	---	---	---	---
Martin Andrea	Board Member	---	---	---	---	---	---	---	---	---	---	---	---	---

STANDING AUDITORS

Name	Office held	Held at the beginning of the accounting period			Options assigned during accounting period			Options exercised during accounting period			Options matured during accounting period	Options held at end of accounting period		
		Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average market price at exercise	Number of options	Number of options	Average exercise price	Average maturity
Rovida Mauro	President	---	---	---	---	---	---	---	---	---	---	---	---	---
Santesso Erasmo	Auditor	---	---	---	---	---	---	---	---	---	---	---	---	---
Stevanato Dario	Auditor	---	---	---	---	---	---	---	---	---	---	---	---	---

MANAGING DIRECTOR

Name	Office held	Held at the beginning of the accounting period			Options assigned during accounting period			Options exercised during accounting period			Options matured during accounting period	Options held at end of accounting period		
		Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average maturity	Number of options	Average exercise price	Average market price at exercise	Number of options	Number of options	Average exercise price	Average maturity
Staccione Alberto	Managing Director	28,000	9.43	3 years & 272 days	53,475	9.35	3 years & 279 days	---	---	---	---	81,475	9.37	3 years & 276 days

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

BOARD OF DIRECTORS

Name	Shareholding	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	31,640	---	575,390
Martin Andrea	---	---	---	---	---
Conti Leopoldo	---	---	---	---	---
Cravero Roberto	---	---	---	---	---

BOARD OF STANDING AUDITORS

Name	Shareholding	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

Name	Shareholding	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.	21,000	---	---	21,000

1.2 Credit and commitments granted

At the end of the period, no credit or guarantees to Board Members or Auditors of Banca IFIS or its subsidiaries existed.

Venice - Mestre, 3 August 2005

The Board of Directors

The President
Sebastien Egon Fürstenberg

C.E.O.
Giovanni Bossi

ATTACHMENTS TO THE HALF YEARLY CONSOLIDATED REPORT

STATEMENT OF CHANGES IN CONSOLIDATED NET EQUITY OVER THE HALF YEAR CLOSED 30 JUNE 2005 (in thousands of Euro)

	Share capital	Share premiums	Legal reserve	Treasury share reserve	Other reserves	Profit (loss) carried forward	Net Profit	Total
BALANCE AT 31/12/2003	**21,450**	**13,450**	**1,161**	**623**	**6,064**	**293**	**6,207**	**49,248**
Allocation of 2003 profit								
- to legal reserves			71				(71)	---
- to dividends					(802)		(1,339)	(2,141)
- to extraordinary reserve					4,592		(4,592)	---
- profit carried forward						205	(205)	---
Changes in reserve for purchase of own shares				(623)	623			---
Net Profit 31/12/2004							9,012	9,012
BALANCE AT 31/12/2004	**21,450**	**13,450**	**1,232**	**---**	**10,477**	**498**	**9,012**	**56,119**
Allocation of 2004 profit								
- to legal reserves			841				(841)	---
- to dividends							(3,003)	(3,003)
- to extraordinary reserve					5,005		(5,005)	---
- profit carried forward						163	(163)	---
Changes in reserve for purchase of own shares								---
Net Profit 30/06/2005							7,038	7,038
BALANCE AT 30/06/2005	**21,450**	**13,450**	**2,073**	**---**	**15,482**	**661**	**7,038**	**60,154**

An analysis of net equity as at 30 June 2005 with regards to availability and distributability of the reserves follows:
The Share premium reserve is available but not distributable as the legal reserve is less than one fifth of the share capital.
The legal reserve is unavailable and undistributable.
The other reserves are as follows:
- The reserve for future purchase of own shares is available and distributable within the limits of article 2357 c.c.;
- The extra-ordinary reserve is available and distributable.

CONSOLIDATED FINANCIAL ACCOUNT AS AT 30 JUNE 2005
(in thousands of Euro)

	30/06/2005
GENERATED AND COLLECTED FUNDS	
FUNDS GENERATED FROM OPERATIONS	
Net Profit for the period	7,038
Provisions for severance/retirement allowance (TFR)	165
Value adjustments on intangible and tangible fixed assets	436
Net value adjustments on receivables	3,058
Net provisions for taxes	2,340
Total provisions/funds generated by operations	**13,037**
OTHER FUNDS COLLECTED :	
Decreases in other assets	1,457
Increases in due to banks	159,593
Increases in other liabilities	3,331
Increases in accrued expenses and deferred income	1,276
Total other provisions/funds collected	**162,657**
Total provisions/funds generated and collected	**175,694**
PROVISIONS/FUNDS UTILISED	
Increases in cash on hand and due from banks	17,179
Increases in due from customers	74,010
Net increases in securities	5,156
Increases in tangible and intangible fixed assets	2,107
Increases in prepayments and accrued income	786
Decreases in payables to customers	69,339
Utilisation of severance/retirement allowance fund (TFR)	31
Utilisation of tax fund	4,083
Distributed dividends	3,003
Total provisions/funds used	**175,694**

PARENT COMPANY FINANCIAL STATEMENTS

BALANCE SHEET

	ASSETS	30/06/2005	31/12/2004	30/06/2004
10	**Cash on hand and liquid assets at central banks and post offices**	**7,960**	**7228**	**8,313**
30	**Receivables from banks**	**31,017,197**	**13,843,030**	**13,216,056**
	(a) at sight	30,227,164	13,052,524	12,931,189
	(b) other receivables	790,033	790,506	284,867
40	**Receivables from customers**	**601,593,885**	**529,531,763**	**392,728,753**
50	**Bonds and other debt securities**	**13,778,026**	**8,631,441**	**433,380**
	(a) issued by government	432,465	433,380	433,380
	(b) issued by banks	13,345,561	8,189,061	___
	of which			
	- own securities	13,345,561	8,198,061	___
60	**Share, stakes and other capital securities**	**295,371**	**288,121**	**349,113**
70	**Equity investments**	**2000**	___	___
80	**Share holdings in group companies**	**10,835,792**	**10,185,792**	**9,835,792**
90	**Intangible fixed assets**	**956,634**	**929,024**	**953,388**
	of which:			
	- cost of systems	34,818	47,838	55,509
100	**Tangible fixed Assets**	**1,708,992**	**1,617,473**	**5,199,151**
	of which			
	assets under leasing	___	___	3,621,143
120	**Own shares and stakes**	__	___	**2,790,670**
	Nominal value in Euro	__	___	300,072
130	**Other assets**	**5,073,615**	**7,516,613**	**5,295,795**
140	**Prepayments and accrued income**	**5,226,273**	**4,499,492**	**2,581,287**
	(a) prepayments	1,203,317	578,792	233,756
	(b) accrued income	4,022,956	3,920,700	2,347,531
	TOTAL ASSETS	**670,495,745**	**577,049,978**	**433,391,698**

LIABILITIES

		30/06/2005	31/12/2004	30/06/2004
10	**Payables to banks**	**505,974,213**	**349,319,330**	**329,787,223**
	(a) at sight	41,684,339	54,835,708	81,575,462
	(b) term or upon notice	464,289,874	294,483,622	248,211,761
20	**Payables to customers**	**34,079,840**	**103,418,914**	**41,608,837**
	(a) at sight	34,079,840	88,418,914	41,608,837
30	**Outstanding Securities**	**50,000,000**	**50,000,000**	—
	(a) bonds	50,000,000	**50,000,000**	—
50	**Other liabilities**	**14,142,446**	**10,793,658**	**7,072,043**
60	**Accrued expenses and deferred income:**	**2,484,810**	**1,206,454**	**339,086**
	(a) accrued expenses	2,311,962	1,203,456	214,380
	(b) deferred income	172,848	2,998	124,706
70	**Severance/retirement allowance (TFR)**	**1,010,203**	**876,229**	**767,742**
80	**Provisions for risks and charges:**	**1,877,669**	**4,083,036**	**2,114,176**
	(b) tax funds	1,877,669	4,083,036	2,114,176
120	**Capital**	**21,450,000**	**21,450,000**	**21,450,000**
130	**issue-premiums**	**13,449,787**	**13,449,787**	**13,449,787**
140	**Reserves:**	**19,449,571**	**5,646,332**	**5,646,333**
	(a) legal reserve	2,072,401	1,232,089	1,232,089
	(b) reserve for own shares or stakes	—	—	4,000,000
	(d) other reserves	17,377,170	4,414,243	414,244
170	**Profits (losses) for the period**	**6,577,206**	**16,806,238**	**11,156,471**
	TOTAL LIABILITIES	**670,495,745**	**577,049,978**	**433,391,698**

GUARANTEES AND COMMITMENTS

		30/06/2005	31/12/2004	30/06/2004
10	**GUARANTEES GIVEN**	**2,843,000**	**2,879,119**	**2,822,983**
	of which:			
	- other guarantees	2,843,000	2,879,119	2,822,983
20	**COMMITMENTS**	**122,488,000**	**85,881,346**	**138,181,466**

PROFIT AND LOSS STATEMENT

(in thousands of Euro)

		30/06/2005		30/06/2004		31/12/2004	
10	**Receivable Interest and similar income**		**16,795,699**		**13,294,535**		**27,972,546**
	of which:						
	on receivables from customers	12,908,738		10,097,642		21,585,456	
	on certificates of indebtedness	270,356		3,174,325		59,657	
20	**Payable interest and similar charges**		**(6,481,008)**		**(4,546,953)**		**(9,852,895)**
	of which:						
	on payables to customers	(271,597)		(330,778)		(824,220)	
30	**Dividends and other income**		**2,902,250**		**6,250**		**2,731,250**
	on shares, stakes and other capital securities		2,902,250		6,250		2,731,250
40	**Receivable commissions**		**10,944,907**		**6,864,781**		**15,231,954**
50	**Payable commissions**		**(1,492,911)**		**(527,569)**		**(1,300,588)**
60	**Profits (losses) from financial operations**		**(4,169,889)**		**(2,228,230)**		**(6,218,213)**
70	**Other operating income**		**283,082**		**597,772**		**921,321**
80	**Administrative expenses:**		**(6,167,868)**		**(4,651,031)**		**(9,952,998)**
	(a) expenses for personnel		(3,321,737)		(2,614,441)		(5,271,171)
	of which:						
	- wages and salaries	(2,453,167)		(1,947,249)		(3,883,310)	
	- social security charges	(692,195)		(532,778)		(1,111,487)	
	- severance/retirement allowance	(161,621)		(123,312)		(250,877)	
	(b) other administrative expenses		(2,846,131)		(2,036,590)		(4,681,827)
90	**Value adjustments on intangible and tangible fixed assets**		**(434,714)**		**(615,016)**		**(1,127,377)**
110	**Other operating expenses**		**(145,547)**		**(144,228)**		**(289,019)**
120	**Value adjustments on receivables and provisions for guarantees and commitments**		**(3,104,740)**		**(2,259,734)**		**(4,487,904)**
130	**Writebacks of loans and provisions for guarantees and commitments**		**46,925**		**112,547**		**116,115**
170	**Profit (loss) on ordinary activity**		**8,976,176**		**5,903,124**		**13,744,192**
180	**Extraordinary income**		**207,312**		**8,138,576**		**8,239,669**
190	**Extraordinary charges**		**(262,730)**		**(392,178)**		**(479,996)**
200	**Extraordinary profit (loss)**		**(55,418)**		**7,746,398**		**7,759,673**
220	**Income tax**		**(2,343,552)**		**(2,493,051)**		**(4,697,627)**
230	**Profit (loss) for the period**		**6,577,206**		**11,156,471**		**16,806,238**

Statement of Reconciliation
between Net Equity and Profit ex Legislative Decree 87/92
and Net Equity and Profit IAS/IFRS

In accordance with article 81 bis of the CONSOB regulations from the Legislative Decree of 24 February 1998, n. 58, here follows both the statement of reconciliation for net equity and net profit compiled according to previous accounting principles (d.lgs 87/92), and those compiled according to the international accounting standards set out by the IFRS and IAS. In particular, this section includes the reconciliation of net equity as at 30 June 2005 and as at 31 December 2004 and the Profit and Loss result of the Half Year closed 30 June 2005.

As far as concerns the International Accounting Standards used, and a more detailed description of their qualitative impact, refer to the 'Appendix-Transition to IAS/IFRS principles' attached to the present financial report.

RECONCILIATION BETWEEN NET EQUITY AND PROFIT EX D.Lgs. 87/92 AND IAS/IFRS

	Net Equity 31/12/2004	Dividends distributed 2005	Profit and Loss result 30/06/2005	Effect on reserves 2005	Net Equity 30/06/2005
D.Lgs.87/92	**56,119**	**(3,003)**	**7,038**	**---**	**60,154**
Financial assets at fair value	471	---	---	---	471
Available-for-sale financial assets	35	---	1	(1)	35
Due from customers	(1,747)	---	268	---	(1,479)
Intangible assets	(54)	---	11	---	(43)
Outstanding Securities	(198)	---	(164)	---	(362)
Severance/retirement allowance	(32)	---	(32)	---	(64)
Treasury Shares	---	---	(2)	2	---
Stock Options	---	---	(157)	157	---
Recognition of income	(356)	---	(366)	---	(722)
IAS/IFRS	**54,238**	**(3,003)**	**6,597**	**158**	**57,990**

Comparison of reconciled entries according to previous national accounting principles and the IAS/IFRS accounting standards.

Here follows a summary of the main differences between the previously adopted accounting standards and the International Financial Reporting Standards (IAS/IFRS). The report herein presented has been completed with conversion to these standards in mind, in the aim of compiling the consolidated Balance Sheet as at 31 December 2005 according to these principles.
The accounting principles used are those for which the process of adoption in the EU had to take place by 30 June 2005; if new versions or interpretations with back dated effects should be introduced before the publication of the consolidated Balance Sheet of 31 December 2005, the reconciliation statement could be subject to modifications.
The entries presented in the reconciliation of net equity and profit are net of taxes and calculated on the basis of the theoretical tax rates applicable.

Financial assets valued at fair value

In this item, receivables acquired from third parties at an inferior value to their nominal value are classified. This concerns credit due from the Inland Revenue formally collectable on the date it was acquired. The application of the Fair Value Option to this credit has resulted in a positive impact equal to 471 thousand Euro on net equity at 30 June 2005 but no impact on profit, as these receivables came about prior to 31 December 2004.

Available for sale financial assets

The securities of the tradable portfolio have been classified under the item 'available for sale financial assets'. The valuation is effected according to the criterion 'IAS 39 – financial instruments: entry and valuation' with a positive impact on net equity of 35 thousand Euro.

Due from customers

Due from customers are classified and valued according to the corresponding categories laid out by IAS/IFRS.
The analytical valuation of non performing loans, taking into consideration expected recovery times, brought about a higher number of value adjustments on the same compared to previously adopted criteria. A negative impact of 1,479 thousand Euro on net equity and a positive impact of 268 thousand Euro on profit resulted.

Intangible fixed assets

Whereas the previously adopted accounting principles allowed the possibility of capitalising certain types of deferred charges/pluri-annual costs, the IAS/IFRS principles state that these must be included in the Profit and Loss account. Net equity is therefore reduced by the amount of the corresponding capitalised expenses for the current period, for previous periods and those that still need to be amortised, with a negative impact on net equity of 43 thousand Euro and a positive impact on profit of 11 thousand.

Outstanding securities

In this item, the convertible bond loan issued in July 2004 is classified.

According to IAS/IFRS, instruments that are convertible into newly issued own shares are considered structured instruments and as such must be booked, at the date of issue, as a financial liability and as a component of net equity. The residual value resulting from the deduction of this financial liability from the total value without the conversion option at the same cash flows, is attributed to the component of net equity.
The financial liability is then booked net of any directly related transaction costs and later amortised using the effective interest method. As at June 2005, the amortised cost method had a positive effect on net equity of 23 thousand Euro and on net profit of 3 thousand Euro.

Own bonds, bought with the aim of investing liquid funds, are treated, as stated by the IFRS/IAS, as settlement of debt, even though these instruments are destined for resale. Profit or loss deriving from the booking of this buy back settlement of debt is entered in the Profit and Loss account when the price of buy back of the bond differs from its book value.
With regards to buy backs, as at 30 June 2005, Banca IFIS suffered a negative impact of 385 thousand Euro on net equity and 167 thousand Euro on net profit.

Severance/ retirement allowance

The IFRS/IAS accounting standards state that liabilities represented by sums of money put aside to be paid to employees at the moment the employee/employer relationship comes to an end, are entered in the Balance Sheet according to an actuarial calculation of the expected amounts to be paid at the due-date. Such a method has had a negative effect on net equity equal to 64 thousand Euro and on net profit equal to 32 thousand Euro.

Treasuy shares

Previously adopted accounting principles meant that the purchase of own shares had to be authorised at the Shareholders Meeting and supported by the allocation of a specific net equity reserve. The IFRS/IAS standards, however, do not allow treasury shares to be entered as assets, but rather state that they must be deducted directly from net equity. In the case of transfer or sale, the difference between the selling price and the original purchase price is entered directly in net equity. As at 30 June 2005, Banca IFIS did not hold any treasury shares in its portfolio, even if it did carry out trading activities over the Half Year, realising a net return of 2 thousand Euro, entered in net equity as required.

Stock options

Whereas previously adopted principles did not require liabilities or costs related to compensation in shares to be booked prior to their maturity, the 'IFRS 2 – Payment based on shares' states that the amount, at the date of assignment, of stock options at their fair value should be divided into constant rates over their maturation period and entered in the Profit and Loss account, offset by the entry of a net equity reserve. These options are regulated by the paid issue of new shares. This method brought about a 157 thousand Euro negative effect on net profit. There was no impact on net equity however, as the increase in net equity is completely offset by the corresponding variation in profit.

Recognition of income

As the international accounting standards put forward many different accounting methods for income, Banca IFIS has chosen to enter its income from management fees/commission and guarantees given on acquisition of receivables from the factoring operation, according to their duration. Hence, the profit from previous accounting periods has been adjusted by the amount of such income not yet matured. Consequently, both net equity and net profit suffered a negative impact as at 30 June 2005 of 722 thousand Euro and 366 thousand Euro respectively.

APPENDIX- TRANSITION TO IFRS/IAS INTERNATIONAL ACCOUNTING STANDARDS

Appendix -Transition to the international accounting principles IAS/IFRS

Following the implementation of the European Union Regulation n. 1606 of 19 July 2002, as from 1 January 2005, the group is obliged to present its consolidated Balance Sheets according to the international accounting principles 'International Financial Reporting Standards' (IAS / IFRS), drawn up by the International Accounting Standards Board (IASB).

This Appendix provides:

- A description of the accounting principles adopted in the compilation of the reconciliations present in this document;
- The reconciliations between the consolidated Balance Sheet compiled according to the Italian accounting principles (Legislative Decree 87/92) and that compiled according to the IAS / IFRS accounting principles as at 1 January 2004 and 31 December 2004.
- The reconciliation between the consolidated Profit and Loss account compiled according to the Italian accounting principles (Legislative Decree 87/92) and that compiled according to the International accounting principles IAS / IFRS for the accounting period ending 31 December 2004, as required by the 'IFRS 1, First time adoption of the IFRS.'
- The relative Explanatory Notes on the main adjustments made to net equity and to the Year End Profit and Loss result.

This document and the consolidated Balance Sheet relative to the accounting period starting from 2005 have been prepared within the limits of the accounting principles IAS / IFRS, as adopted by the European union.

Main Accounting principles adopted

The following is a description of the IAS/IFRS accounting principles adopted in the compilation of the reconciliations, as laid down in the 'IFRS 1, First time adoption of the IFRS.'

Financial assets valued at fair value

Financial assets, valued at fair value, with a contra-entry to the Profit and Loss account, must satisfy one of the followings conditions:

a) be held for trading;

b) be designated as such at initial entry;

Fair value corresponds to the amount at which a financial asset can be exchanged in an arm's length transaction between knowledgeable and willing independent parties.

Available-for-sale financial assets

These are financial assets which are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. They are held for an undetermined period of time and can include financial available-for-sale investments, money market securities, other debt instruments and stocks. Financial investments available for sale are initially entered at fair value, which corresponds to the cost of the transaction including expenses and net of commission.

For interest bearing instruments, interest is entered at amortised cost, using the effective interest method. These investments are valued at fair value at the closure of the reference period. The Profit and Loss resulting from the fair value variations are booked to net equity until the financial asset is sold or transferred, at which time the accumulated profit or loss is booked to the Profit and Loss account.

If there is objective proof that the asset has undergone a permanent reduction in value, the accumulated loss, which was booked directly to net equity, is transferred to the Profit and Loss account. The amount of this loss is equal to the difference between the book value (acquisition cost, net of any losses for the reduction in value previously booked to the Profit and Loss account) and the fair value.

If, at a later date, the fair value of a debt instrument increases and such an increase can be objectively related to an event occurring after the period in which the loss due to reduction in value was entered in the Profit and Loss account, the loss is recovered with an entry of a corresponding amount in the Profit and Loss account.

Losses booked as a result of a reduction in the value of securities are not later recovered with effect on the Profit and Loss account, even if the reasons leading to such write-downs no longer exist.

Loans and receivables

Loans are composed of non-derivative financial assets due from customers and banks which are not traded in an asset market. Loans are entered at the date they are granted to the counterpart.
After initial entry at fair value, including directly attributable transaction costs, the loans are valued at amortised cost using the effective interest method. Calculations are made considering the solvency of the counterpart and any problematic conditions of their individual commodity sectors or countries of residence. Any existing guarantees, market rates of other financial instruments used as a reference and negative economic trends regarding similar loan categories are also taken into account. In cases other than written-down loans, evaluation takes place collectively at a portfolio level.
Profit (or losses) on loans are entered in the Profit and Loss account when the financial asset in question is eliminated or when it undergoes a reduction in value. Interest income on loans is classified under ‘Interest and similar income’ and entered based on the accrual method of accounting.
A receivable is considered deteriorated, when it is deemed that it will probably not be possible to recover the entire amount, based on the original contractual conditions, or an equivalent value.
The criteria for calculating the value adjustments on receivables are based on actualising the expected cash flows for capital and interest, net of collection charges and any received advances. In order to calculate the current value of cash flows, estimated collections, related due dates and the actualisation rate to apply are fundamental.
All problematic receivables are periodically reviewed and analysed. Each subsequent change in the amount or due dates of expected cash flows causing a negative variation compared to the initial estimates, results in a write-down of the receivables in the Profit and Loss account.
If the quality of a deteriorated receivable improves and there is reasonable certainty of a timely recovery of the capital and interest, in keeping with the original contractual terms of the receivable, a write-back is entered in the Profit and Loss account, with a maximum ceiling of the amortised cost which would have occurred in the absence of the previous write-downs.
The entire elimination of a receivable is effected when it is considered unrecoverable or liquidated in its entirety. Cancellations are booked directly to write-downs and are entered as a reduction of the principle amount of the receivable. Partial or complete recoveries of previously written down amounts are entered as a reduction of the net value adjustments on receivables.

Factoring

In accordance with the Legislative Decree 52/91, credit deriving from loans to customers assigning their receivables are entered and kept on the Balance Sheet only for the amounts paid to the assignor as an advance of the payment for the assigned recourse portfolio.
Non-recourse acquired receivables are entered at their nominal value, after ascertaining that there are no contractual clauses that could cancel actual substantial transfer of all the risks and rewards.

Elimination of financial assets

Assigned or securitized financial assets are eliminated when all the related risks and rewards of ownership have been transferred. If the risks and rewards are maintained, these financial assets continue to be entered, even though the ownership has actually been transferred to a third party. In such cases, a financial liability is entered equal to the amount collected at assignment.

If some, but not all, the risks and rewards have been transferred, the financial assets are only eliminated if control of the asset has been transferred. If, instead, control has been maintained, the financial assets are booked proportionally to the entity's continuing involvement in the asset.

In reference to the revolving reassignment of performing receivables due from assigned debtors, already entered according to previously used accounting principles, it is important to note that, according to the IAS/IFRS accounting principles and based on the fact that the reassignment does not entail the transfer of all the risks and rewards, the reassignment is entered as a mere financing operation.

Equity Investments in Subsidiaries

Subsidiaries are considered companies in which:

1) More than half the voting rights of a company are held, either directly or indirectly, unless, in exceptional cases, it can be clearly demonstrated that this possession does not constitute control;

2) half, or a smaller share, of the exercisable votes in the Shareholders' Meeting are held, together with:

   a. control of more than half of the voting rights through an agreement with the other investors;

   b. the power to determine the financial and operating policies of the entity based on a statutory clause or a contract;

   c. the power to nominate or remove the majority of the members of the Board or equivalent governing body;

   d. the power to exercise the majority of voting rights in meetings of the Board or equivalent governing body;

The existence and effect of potential exercisable or convertible voting rights are considered when evaluating if a company has the power to govern the political and managerial policies of another company.

The book value of holdings in subsidiaries consolidated with the line-by-line method, held by the parent company or other group companies, is eliminated against the assumption of the subsidiary's assets and liabilities, as a counter-entry of the corresponding fraction of net equity belonging to the group.
Balance Sheet asset and liability transactions, off Balance Sheet transactions, income and charges, as well as the profits and losses among the companies included in the consolidation area are eliminated.
For companies included for the first time in the consolidation area, the fair value of the cost incurred in obtaining control of the subsidiary is measured on the acquisition date.
The acquisition cost is calculated as the sum of:
-the fair value on the acquisition date of the assigned assets, the assumed liabilities and the net equity instruments issued by the buyer, in exchange for control of the acquired company;
-any cost directly attributable to the acquisition;
The acquisition cost is allocated to the various assets, liabilities and identifiable potential liabilities that have been acquired, modifying their value to adjust it to their fair value.

Tangible Fixed Assets

This item includes tangible assets which are for functional use and those held for investment purposes, as well as leased assets.

Property, plants and machinery

This item includes:
• land
• buildings
• furniture and accessories
• electronic office machines
• various machines and equipment
• vehicles.

These are assets of a physical nature held for use in production or in supplying goods and services or for administrative purposes and which are estimated to be used for more than one period.
This item also includes assets used as a lessee for leasing contracts. Leasing contracts are those which substantially transfer all the risks and rewards deriving from ownership of an asset to the lessee. The ownership of the asset is not necessarily transferred to the leaseholder at the end of the contract.
Instrumental buildings include all buildings owned or leased for company use and which are expected to be used for more than one fiscal year.
Tangible assets are initially entered at cost, including all directly attributable costs.
Subsequently incurred expenses are added to the book value of the asset, or entered as separate assets, if it is probable that they will lead to measurable future economic benefits exceeding those initially estimated and reliably measurable; otherwise, they are entered in the Profit and Loss account.
Land and buildings are treated separately for accounting purposes, even when they are acquired jointly. Land is not depreciated since it is normally characterized by an infinite useful life. Buildings, instead, have a finite useful life, and are therefore depreciated.
Subsequent to their initial entry, tangible assets are entered at cost, net of any accumulated depreciation and lasting losses in value.
Fixed assets with a finite useful life are systematically depreciated at constant rates during their useful life.
Fixed tangible assets with an infinite useful life, the remaining value of which is equal or greater than the book value of the asset, are not depreciated.
The useful life of fixed tangible assets are reviewed at the closure of each period and if the expectations are not in line with the previous estimates, the depreciation rate for the current period and subsequent ones is adjusted.
If there is objective proof that a single asset may have undergone a reduction in value, a comparison is made between the book value of the asset with its recoverable value, equal to the greater between fair value, minus the sales costs, and the relative value of use, intended as the current value of future cash flows predicted to originate from this asset. Any value adjustments are entered in the Profit and Loss account.
If the value of a previously written down asset is recovered, the new book value cannot exceed the net book value that would have been calculated if no loss had been entered for a reduction in the value of the asset in the previous years.
A tangible asset is eliminated from the Balance Sheet when it is disposed of or when no future economic gains are forecast from its use or its disposal.

Asset investments

These include all possessed buildings (through ownership or a leasing contract) for the purposes of obtaining rent and/or an appreciation of the invested capital.
The criteria of initial entry, valuation and elimination of investment assets are the same as those used for instrumental buildings.

Intangible Fixed Assets

Intangible assets are non-monetary assets, identifiable even if not of a physical nature, likely to render future economic benefits.
Intangible assets are mainly related to software; they are entered in the Balance Sheet at cost i.e. the purchase price and any direct cost incurred in preparing the asset for use, net of accumulated amortisation and losses in value.

Intangible assets with a finite useful life are systematically amortised at constant rates according to their estimated useful life.
If there is objective proof that a single asset may have undergone a reduction in value, a comparison is made between the book value of the asset with its recoverable value, equal to the greater between fair value, minus the sales costs, and the related value of use, intended as the current value of future cash flows predicted to originate from this asset. Any value adjustments are entered in the Profit and Loss account.
Intangible assets with an infinite useful life are not amortised. The book value is compared with the recoverable value on an annual basis. If the book value is greater than the recoverable value, a loss equal to the difference between the two values is entered on the Profit and Loss account.
If the value of an intangible asset is recovered, excluding goodwill, previously written down, the increased net book value cannot exceed the net book value that would have been calculated if no loss had been entered for a reduction in the value of the asset in the previous years.
An intangible asset is eliminated from the Balance Sheet when it is disposed of, or when no future economic benefits are forecasted from its use or its disposal.

Lasting/permanent decline in value

If the probability occurs that an asset undergoes a lasting decline in value, its recoverability is verified by subjecting the asset to an impairment test. Such test compares the book value with its recoverable value, defined as the greater between the fair value of the asset, minus the sales costs, and its use value. Any negative difference is considered as a lasting loss in value and is entered in the Profit and Loss account.
An impairment test is carried out when specific elements such as obsolescence, or change in the economic context and market, lead to predicting a lasting loss in value.
Regardless of the occurrence of the aforesaid indicators, for intangible assets with an infinite useful life, an impairment test is conducted on an annual basis, at least.
The use value of an asset is composed of the current value of future cash flows from the asset, calculated gross of taxes, by applying an actualisation rate which reflects the current market evaluation of the temporary value of money and the specific risks of the asset.
The negative difference between the recoverable value of an asset and its book value constitutes a loss in value which must be entered in the Profit and Loss account.
If it is not possible to estimate the recoverable value of each single asset, a circumstance which may occur when the asset is not able to generate autonomous cash flows, the generating unit of cash flows that the asset refers to is identified.

Current and deferred taxes

Income taxes, calculated in compliance with national tax laws, are entered as a cost and are accrued in the same period as the profits they originate from.
For all the deductible temporary differences, a deferred tax asset is entered if it is deemed probable that a taxable income that this asset can be used against will be realised. A deferred tax liability must be entered for all the taxable timing differences.
Deferred tax assets and liabilities are calculated by using the tax rates which are forecasted to be used during the period in which the tax asset will be realized or the tax liability will be paid, based on the laws in effect at the time they are entered.
Deferred tax assets and liabilities are offset when due to the same tax authority and the right to offset them is recognized by law.

Current and deferred taxes are booked to the Profit and Loss account with the exception of those related to profits or losses on available-for-sale financial assets, which are booked directly to net equity. Current or deferred taxes are debited or credited directly to net equity if they refer to entries which are directly credited d or debited to net equity.

Debts, outstanding securities and subordinated liabilities

Debts, issued securities and subordinate liabilities are initially entered at their fair value, which corresponds to the received payment, net of transaction costs directly attributable to the financial liability. After initial entry at fair value, these instruments are later valued at amortised cost, using the effective interest method.

Composite debt instruments, connected to share instruments, foreign currency, and credit or index instruments are all considered structured instruments. The embedded derivative is separate from the host contract and represents a derivative in itself where the separation criteria are met. The embedded derivative is entered at its fair value and

is later valued. Any fair value variations are entered in the Profit and Loss account.
The value corresponding to the difference between the total collected amount and the fair value of the embedded derivative is attributed to the host contract and later the amortised cost is measured.
Instruments convertible into newly issued own shares are considered as structured instruments and entail the recognition, at the date of issue, of a financial liability and a component of net equity.
The resulting remaining value is attributed to net equity, after having subtracted the value separately calculated for a financial liability without conversion clause with the same cash flows from the total value of the financial instrument.
The financial liability is entered net of the directly attributable transaction costs and later measured at amortised cost using the effective interest method.
Own bonds, acquired for the purposes of investing available liquid assets, are treated, in compliance with the IAS/IFRS, as settlement of the debt, even if these instruments are intended for resale. Profits or losses resulting from entry of the buy back as settlement are entered in the Profit and Loss account if the bond buy back price differs from its book value.
Subsequent sale of own bonds on the market is treated as the issue of a new debt.

Severance/ retirement allowance (TFR)

Italian law requires that each employee receive an indemnity when their employment with a company is concluded. This indemnity is called TFR and is equal to the total of the amounts of TFR set aside for each year of service.
This indemnity must be entered in the Balance Sheet for an amount calculated using actuarial techniques. This is due to the fact that this indemnity is considered a post-employment plan, like a defined benefit plan, since at the time employment is concluded, the employee will receive an amount calculated on length of service, the remuneration earned and the inflation index. The value of this allowance is equal to the current value of the forecasted future payments required to settle this obligation.

Stock Options

As remuneration of employee performance, employees are given shares representing the parent company capital which consist of assigning rights to subscribe paid increases in capital (stock options).
Based on the difficulty of reliably valuing the fair value of an employee's performance as a counter-entry of the instruments representing the parent company capital, reference is made to the fair value of the instruments, measured on the date of their assignment.
The fair value of payments settled with the issue of shares is broken down into constant rates over their maturation period and entered in the Profit and Loss account against entry of an equity reserve

Recognition of income

Interest income and expense

Interest income and expense is entered in the Profit and Loss account for all the instruments valued according to the amortised cost criteria, using the effective interest method.
Interest also includes:

- recovery of the effect of actualising future financial cash flows;
- recovery of the effect of timing differences in relation to the actuarial valuation of provisions for severance/ retirement allowance.

Commissions

Commissions are entered based on the accrual method of accounting. Management and guarantee commissions related to receivables acquired for factoring activities are entered based on the duration of the receivable.

RECONCILIATION OF THE BALANCE SHEET AT 1 JANUARY 2004

CONSOLIDATED BALANCE SHEET
(**in thousands of Euro**)

ASSETS

		Legislative Decree. 87/92	Reclassified	IAS / IFRS effects	IAS / IFRS
10	Cash and cash equivalents	7	---	---	7
30	Financial assets booked at fair value	---	432	724	1,156
40	Financial assets available for sale	782	---	94	876
60	Receivables due from banks	10,631	---	---	10,631
70	Receivables due from customers	404,333	(60,881)	(3,102)	340,350
100	Equity investments	---	---	---	---
120	Tangible fixed assets	17,129	---	---	17,129
130	Intangible fixed assets	627	---	(115)	512
140	Tax assets	7,362	---	1,378	8,740
	a) current	4,239	---	---	4,239
	b) deferred	3,123	---	1,378	4,501
160	Other assets	4,313	(1,052)	(623)	2,638
	TOTAL ASSETS	**445,184**	**(61,501)**	**(1,644)**	**382,039**

LIABILITIES

		Legislative Decree. 87/92	Reclassified	IAS / IFRS effects	IAS / IFRS
10	Payables due to banks	318,897	(61,501)	---	257,396
20	Payables due to customers	58,251	---	---	58,251
80	Tax liabilities	3,516	---	305	3,821
	a) current	3,235	---	---	3,235
	b) deferred	281	---	305	586
100	Other liabilities	14,591	---	450	15,041
110	Severance/retirement allowance (TFR)	681	---	35	716
170	Reserves	14,348	---	(1,811)	12,537
180	Issue- premiums	13,450	---	---	13,450
190	Capital	21,450	---	---	21,450
200	Treasury shares	---	---	(623)	(623)
	TOTAL LIABILITIES	**445,184**	**(61,501)**	**(1,644)**	**382,039**

RECONCILIATION OF THE BALANCE SHEET AT 31 DECEMBER 2004

CONSOLIDATED BALANCE SHEET
(**in thousands of Euro**)

ASSETS

		Legislative Decree. 87/92	Reclassified	IAS / IFRS effects	IAS / IFRS
10	Cash and cash equivalents	8	---	---	8
30	Financial assets booked at fair value	---	523	751	1,274
40	Financial assets available for sale	8,919	(8,198)	56	777
60	Due from banks	13,858	---	---	13,858
70	Due from customers	523,428	(53,737)	(2,784)	466,907
100	Equity investments	---	---	---	---
120	Tangible fixed assets	18,175	---	---	18,175
130	Intangible fixed assets	713	---	(86)	627
140	Tax assets	7,289	---	1,427	8,716
	a) current	4,774	---	---	4,774
	b) deferred	2,515	---	1,427	3,942
160	Other assets	4,961	(2,908)	---	2,053
	TOTAL ASSETS	**577,351**	**(64,320)**	**(636)**	**512,395**

LIABILITIES

		Legislative Decree. 87/92	Reclassifications	Effects IAS / IFRS	IAS / IFRS
10	Payable to banks	350,405	(54,360)	---	296,045
20	Due to customers	103,419	---	---	103,419
30	Outstanding Securities	50,000	(8,953)	316	41,363
80	Tax liabilities	4,453	---	313	4,766
	a) current	4,083	---	---	4,083
	b) deferred	370	---	313	683
100	Other liabilities	12,079	(1,007)	568	11,640
110	Severance/retirement allowance (TFR)	876	---	48	924
170	Reserves	12,207	---	(1,604)	10,603
180	Share premiums	13,450	---	---	13,450
190	Capital	21,450	---	---	21,450
220	Profit (loss) for the period	9,012	---	(277)	8,735
	TOTAL LIABILITIES	**577,351**	**(64,320)**	**(636)**	**512,395**

RECONCILIATION OF THE BALANCE SHEET AS AT 31 DECEMBER 2004

PROFIT AND LOSS ACCOUNT

		Legislative Decree. 87/92	Reclassified	IAS / IFRS effects	IAS / IFRS
10	Interest and similar income	27,873	(6,264)	345	21,954
20	Interest and similar charges	(9,895)	1,743	38	(8,114)
30	**Interest Margin**	**17,978**	**(4,521)**	**383**	**13,840**
40	Receivable commission	15,226	---	(118)	15,108
50	Payable commission	(1,301)	115	---	(1,186)
60	**Net commission**	**13,925**	**115**	**(118)**	**13,922**
70	Dividends and other income	2,731	---	---	2,731
80	Net result of trading assets	(2,519)	---	(6)	(2,525)
90	Net result of hedging assets	660	---	---	660
100	Profit (loss) from transfer or buyback of a) receivables d) liabilities	(4,359) (4,359)	4,359 4,359	(354) (354)	(354) --- (354)
130	**Earning Margin**	**28,416**	**(47)**	**(95)**	**28,274**
140	Net value adjustment write downs on a) receivables	(4,372) (4,372)	--- ---	--- ---	(4,372) (4,372)
150	**Net operating revenue**	**24,044**	**(47)**	**(95)**	**23,902**
190	Administrative expenses: a) expenses for personnel b) other administrative expenses	(9,990) (5,271) (4,719)	47 --- 47	(352) (352)	(10,295) (5,623) (4,672)
210	Value adjustments on tangible fixed assets	(545)	---	---	(545)
220	Value adjustments on intangible fixed assets	(277)	---	29	(248)
230	Other operating income/charges	566	---	---	566
240	**Operating costs**	**(10,246)**	**47**	**(323)**	**(10,522)**
290	**Profit (loss) on current operations, gross of taxes**	**13,798**	**--**	**(418)**	**13,380**
300	Taxes on income from current operations	(4,786)	---	141	(4,645)
350	**Net Profit (loss) of the parent company**	**9,012**	**---**	**(277)**	**8,735**

First time adoption of IAS / IFRS

The IAS/IFRS accounting principles, adoption of which by the European Union had to be realised by 30 June 2005, have been applied retroactively to the Balance Sheet starting January 2004, as stated in 'IFRS 1 – First time adoption of the IFRS.'
The resulting balance from the application of these accounting principles will be used as a comparison in the preparation of the consolidated Balance Sheet as at 31 December 2005. These results could be subject to variation should some international accounting principles be revised or modified during the second Half of 2005.
In fact, it is important to remember that it is possible that new versions or interpretations of the accounting principles IAS / IFRS, with retroactive effects, may be issued before the publication of the consolidated Balance Sheets of 31 December 2005. In such a case, the Balance Sheet and Profit and Loss account of 2004 here presented according to the accounting principles IAS / IFRS, could change.
The differences in the Balance Sheet commencing 1 January 2004 and drawn up in accordance with the new accounting principles and that of the previous year, 31 December 2003 are as follows:

- All the assets and liabilities whose recognition is obligatory according to IAS / IFRS, including those not considered in the Italian accounting principles, have been entered and valued according to the IAS / IFRS.
- All the assets and liabilities whose recognition is obligatory under the Italian accounting principles, but not admitted by the IAS / IFRS, have been eliminated;
- Some items have been declassified, according to IAS/IFRS.

The effects of these changes have been directly recognised in the opening net equity balance of the first time adoption of IAS / IFRS (1 January 2004).

Securitisation

With reference to the revolving reassignment of a performing receivables portfolio entered according to the old accounting principles, it is important to note that, according to IAS / IFRS and considering the fact that this reassignment doesn't involve the substantial transfer of all the risks and rewards, the reassignment has been entered as a mere financing operation.
The ensuing items have been reclassified for the report herein:
'Due to banks' have been netted for the amount of the Class S Units subscribed by Banca IFIS included in the item 'Due from customers' and for the discount on the reassignment of receivables included under 'Other assets.'
In addition, reclassifications have been made to 'Payable interest and similar charges' for the net amount of the following entries corresponding to the financial cost of the operation:
- 'Receivable interest and similar income' refers to the interest accrued on both the Class S Units subscribed by Banca IFIS and that accrued on the collections transferred to the Arranger on a daily basis.
- 'Payable interest and similar charges' corresponds to the applicable amount of the discount held back on the price of reassignment of the receivable portfolio during securitisation.
- 'Losses from financial operations' corresponds to the negative differences of value on the Class S Units subscribed by Banca IFIS owing to the accelerated repayment of the aforesaid units below par.

The reclassifications relative to this financial report have put emphasis on 'Due to banks' equal to 70,170 thousand as at 1 January 2004 and 83,695 thousand as at 31 December 2004 together with 'Payable interest and similar charges' equal to 1,835 thousand Euro for the 2004 accounting period.

Financial assets booked at fair value

In this item, receivables acquired from third parties at a value inferior to their nominal value are classified. This deals with credit, formally collectible on the acquisition date, due from the Inland Revenue. The adoption of the Fair Value Option for such receivables has had a positive effect on net equity of 1 January 2004 of 454 thousand

and on net profit of 17 thousand Euro.

Available for sale financial assets

Securities have been reclassified under 'available for sale financial assets.' The evaluation has been effected following 'IAS 39 - financial instruments: entry and evaluation', with a positive effect on net equity as at 1 January 2004 of 59 thousand Euro.

Loans to customers

The analytical valuation of non performing loans, taking estimated time to recovery into account as stated by IAS, lead to a negative adjustment in value in comparison to the values determined using previously adopted principles.
For bad debts on loans, hypothetical recovery times, based on past history and other significant considerations, have been formulated. These loans are then actualised at the effective interest rate applicable at the time in which the loan became a bad debt or, if not available, at an estimated rate of interest according to the tax rates applicable in the year in which the loan became past-due.
As far as difficult loans are concerned, further hypotheses have been formulated taking into account the time taken to return to a good credit situation and consequent times to recovery.
The negative impact of actualising non performing loans on net equity as at 1 January 2004 amounted to 1,947 thousand Euro, with recovery in the following fiscal periods according to the time passed, resulting in a positive impact on net profit of 2004 of 200 thousand Euro.

Intangible assets

The IAS/ IFRS accounting principles allow the possibility of maintaining only the intangible assets related to controllable resources, that are able to generate future cash flows and for which the cost is reliably determined. The application of such a principle has lead to the elimination of some categories of intangible asset, previously capitalized, with a consequent negative impact on net equity of 72 thousand Euro (1 January 2004) and a positive impact on 2004 net profit of 18 thousand Euro for the relative amortization rate.

Severance/ retirement allowance

The IAS / IFRS accounting principles require that amounts put aside for employee severance/retirement allowance should be valued based on an actuarial calculation of the expected amount to be paid on the due date. This caused a reduction in net equity as at 1 January 2004 of 23 thousand Euro and on net profit of 9 thousand Euro.

Stock options

Unlike the previous accounting principles that required liabilities or costs for employee stock options to be entered at their maturity, the IFRS 2 'employee stock options' accounting principle states that the total fair value of the stock options at assignment should be divided into constant rates over their period of maturation and entered in the Profit and Loss account. These entries should be offset by a net equity reserve.
There was, therefore, a negative effect on net profit of 2004 of 227 thousand but no impact on net equity, as the increase in net equity was annulled by the reduction in profit.

Treasury shares

According to the norms previously in force in Italy, in order to buy back own shares it is necessary not only to obtain authority from the Shareholders but also to set up a correspondent net equity reserve. The accounting principles IAS / IFRS, however, state that buybacks must not be included under assets, but directly deducted from net equity. In cases of transfer, the difference between the selling price and the purchase price is posted directly to net equity. The corresponding value of equity as at 1 January 2004 for 623 thousand Euro was consequently cancelled. The net income realized through trading these shares, equal to 4 thousand Euro, has therefore been directly entered in net equity.

Recognition of income

Due to the different revenue calculations set out in the International Accounting Standards, Banca IFIS has taken measures to post income from management and guarantee services on the receivables purchased through its factoring activity according to their duration. The resulting negative impact on net equity as at 1 January 2004 was 282 thousand Euro and on net profit ,74 thousand Euro.

Fiscal effects

The effect on net equity and on net profit, as a result of the application of the IAS / IFRS accounting principles are net of taxes, determined according to the tax rates in force.

Summary

As above illustrated, the first time adoption of IAS / IFRS caused a 2,434 thousand Euro decrease in net equity as at 1 January 2004, net of taxes.
The net profit of 2004 calculated according to IAS / IFRS accounting principles, in comparison to that calculated respecting previous accounting principles, was less than 277 thousand Euro net of taxes.

Auditing on the reconciliations required by the IFRS 1

Reconciliations as at 1 January 2004, 31 December 2004 as well as those of the 2004, together with their Explanatory Notes, are subject to complete auditing by KPMG S.p.a

LIMITED AUDITING REPORT ON THE HALF YEARLY REPORT

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(Translation from the Italian original which remains the definitive version)

Review report

To the shareholders of
Banca Ifis S.p.A.

1 We have reviewed the consolidated balance sheet, consolidated income statement and relative notes of Banca Ifis group at and for the six months ended 30 June 2005, which are included in the half year report of Banca Ifis S.p.A.. This half year report is the responsibility of the management of Banca Ifis S.p.A.. Our responsibility is to prepare this report based on our review. We have also reviewed the part of the notes describing the activities of the group for the period with the sole objective of verifying consistency with the remainder of the half year report.

2 We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. The review consisted primarily of the collection of information relating to the financial data and the consistency of application of the accounting policies through discussions with company management and analytical procedures applied to the financial data presented. The review excluded such audit procedures as tests of controls and verification or validation of assets and liabilities and is significantly less than an audit performed in accordance with generally accepted auditing standards. As a consequence, contrary to our report on the consolidated financial statements, we do not express an opinion on the half year report.

3 Comparative figures relative to the annual consolidated financial statements of the previous year shown in the balance sheet and income statement and those relative to the half year report of the previous year were audited and reviewed, respectively, by other auditors and reference should be made to their reports dated 5 April 2005 and 10 September 2004.

With regard to the comparative figures shown in the separate appendix to the half year report relating to the IFRS reconciliation schedules reference should be made to our report dated 11 October 2005.

4 Based on our review, we are not aware of any material modifications or integrations that should be made to the consolidated balance sheet, consolidated income statement and relative notes referred to in paragraph 1 for them to be in conformity with the guidelines governing the preparation of the half year reports set out in article 81-bis of the Consob

regulation adopted with resolution no. 11971 dated 14 May 1999 and subsequent modifications and integrations.

5 We draw your attention to the fact that the notes to the half year report include the reconciliation schedules of the consolidated balance sheets as at 31 December 2004 and 30 June 2005 and consolidated income statement for the six months ended 30 June 2005 drawn up under the accounting policies adopted in the preparation of the consolidated financial statements of the previous year with the relevant figures under IFRS. The directors have disclosed in the notes that such reconciliation schedules have been prepared using the measurement and recognition criteria required by the IFRS adopted by the European Commission at the date of preparation of the half year report. The adoption of the IFRS by the European Commission is still in progress and, accordingly, such criteria may differ from those actually in force at 31 December 2005.

Treviso, 12 October 2005

KPMG S.p.A.

(Signed on the original)

Francesco Masetto
Director of Audit

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(Translation from the Italian original which remains the definitive version)

Report of the auditors

To the board of directors of
Banca Ifis S.p.A.

1 We have audited the attached IFRS reconciliation schedules of the Banca Ifis Group, comprising the consolidated balance sheets as at 1 January 2004 and 31 December 2004, consolidated income statement for the year ended 31 December 2004 and notes thereto (the "IFRS reconciliation schedules"), included in the section entitled "Appendix" of the consolidated half year report at 30 June 2005.
The above IFRS reconciliation schedules are derived from the consolidated financial statements of Banca Ifis S.p.A. as at and for the year ended 31 December 2004, prepared in accordance with Italian legislation governing the preparation of financial statements. The IFRS reconciliation schedules have been prepared as part of the transition to the International Financial Reporting Standards (IFRS) adopted by the European Commission. The IFRS reconciliation schedules are the responsibility of the parent company's management. Our responsibility is to express an opinion on these schedules based on our audit.

2 We conducted our audit in accordance with the auditing standards generally accepted in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the IFRS reconciliation schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS reconciliation schedules. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

3 In our opinion, the IFRS reconciliation schedules referred to in paragraph 1 taken as a whole comply with the preparation criteria and principles set out in article 81-bis of Issuer Regulation no. 11971/1999, adopted by Consob, the Italian Commission for Listed Companies and the Stock Exchange, with resolution no. 14990 of 14 April 2005.

4 We draw your attention to the disclosure set out in the notes to the IFRS reconciliation schedules which states that such schedules have been prepared only for the purposes of the transition to IFRS for the preparation of the first complete set of consolidated financial statements in accordance with the IFRS adopted by the European Commission. Therefore, they do not include the comparative figures and notes which would be

required to give a view of the financial position and results of the Banca Ifis Group in full compliance with IFRS.

Furthermore, as disclosed in the notes, the IFRS reconciliation schedules show the figures that will be presented for comparative purposes in the first complete set of IFRS-compliant consolidated financial statements. Such figures may change should any IFRS be modified before the issue of such financial statements.

Treviso, 11 October 2005

KPMG S.p.A.

(Signed on the original)

Francesco Masetto
Director of Audit