bancaIFIS

CONSOLIDATED HALF YEARLY REPORT AS AT 30 JUNE 2007

TRANSLATION FROM THE ITALIAN ORIGINAL WHICH REMAINS THE DEFINITIVE VERSION

Share Capital: 29,055,962 Euro fully paid in
Bank License No.: 5508
Tax Identification No.: 02505630109
VAT No.: 02992620274

REGISTERED OFFICE AND HEADQUARTERS
Via Terraglio, 63 – 30174 Mestre, Venice, Italy
Internet Address: www.bancaifis.it

BRANCHES
Via Astagno, 3 – 60122 Ancona
Via C. Rosalba, 47/z – 70124 Bari
Viale Bonaria, 62 – 09125 Cagliari (Ca)
Viale Europa, 163 – 50126 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 B. Croce, 6 – 00142 Rome
Piazza C.L.N. 255 – 10121 Turin
Via Monti Iblei, 55 – 90146 Palermo
Via Gatta, 11 – 30174 Mestre Venice

REPRESENTATIVE OFFICES
Boulevard Burebista, 3 – 031106 Bucharest (Romania)
Bajza Utca, 50 II/6 – 1062 Budapest (Hungary)

BOARD OF DIRECTORS

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

General Manager	Alberto Staccione

BOARD OF STATUTORY AUDITORS

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

AUDITING FIRM	KPMG S.p.A

Member of Factors Chain International

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

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GROUP CONSOLIDATED FIRST HALF YEARLY REPORT AS AT 30 JUNE 2007

BOARD OF DIRECTORS' REPORT ON MANAGEMENT OF THE GROUP

RESULTS AND OPERATING TREND

Financing Small and Medium Enterprises through Factoring

The Banca IFIS Group 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 (the Basel 2 Accord).

In carrying out its activity, Banca IFIS purchases the accounts receivables of its client's enterprise and manages the collection of these receivables; in addition, it gives financing against the receivables purchased for amounts that, in some cases, reach the entire counter value of the receivables assigned by the client. Lastly, upon request, Banca IFIS can also take on the risk of bad debts on these receivables due to the debtor's failure to pay owing to insolvency.

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

Small and medium enterprises find Banca IFIS's factoring to be a valid instrument for managing and financing working capital, especially where their economic or financial circumstances would 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 client are the result of the client's enterprise's activity; they are usually of high quality and are short to very short-term (30-150 days). Banca IFIS's purchase of receivables is usually continuous and debtors are regularly notified that they must settle their commitment exclusively with the bank.

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

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

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

Banca IFIS continues to distance itself from activities such as client savings management, operations in favour of subjects other than enterprises and those connected, and the assumption of risks that are not the short-term risks that usually characterise traditional factoring operations. The assumption of risks in foreign currency, securities, derivative instruments and, more generally, all those activities that involve the assumption of market risk are limited to the management of the financial surpluses available. Banca IFIS has never carried out buying or selling activities with clients on derivative instruments.

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

* * *

Banca IFIS has continued the strategy of increasing its number of clients and further developing relationships with existing clients through focusing on products with a higher service component and more added value, hence improving client loyalty.

No significant changes occurred over the Half Year, but from the middle of the 2007, turbulence in the market has made the granting of credit to SMEs more selective and the weight of such credit on the borrower more onerous in terms of spread. Banca IFIS, aware of its position and the active role that it is able to exercise to its clients benefit, did not consider it necessary to modify its strategy as a result of such turbulence. Lending financial support to SMEs remains Banca IFIS's core business and it is working towards the rationalisation of returns resulting from doing business with clients in accordance with the new market expectations and prospective changes as far as concerns counterparty risks. Such new market conditions also allow more room for specialised factoring operators, whose activities are maximised in the face of higher credit spread such as that expected in the future in Italian and European economies.

Banca IFIS has also continued reinforcement in the development of new clients and the introduction of new services for existing clients (whilst still being based on financing Italian and international SMEs' working capital through factoring). The results of actions taken commercially and organisationally as from the second Half 2006 are largely positive and have had an effect on the bank's entire structure, presently subjected to physiological and beneficial evolutive pressure. Results in terms of:

- strengthening the sales network;
- capacity of risk analysis and risk management of counterparties;
- increases in the client base and contextual risk spreading;
- the presence of the bank in domestic and international markets;
- increases in operational parameters, volumes of business managed and income and profitability;

are presently being realised and will continue to play an important part in Banca IFIS's near future.

Banca IFIS initiated, some time ago, expansion and strengthening activities in certain organisational and control areas also through the employment of new resources and the adoption of new and more efficient procedures, ideal for supporting the bank's domestic and international growth over the next few accounting years. Such activities were a necessary step after the bank's actions on its own capital in 2004 (the issue of a convertible bond) and at the end of 2005 (the capital increases, both paid and unpaid and the cum warrants), which were all a result of the short-medium term development strategy. Even following such operations, the bank has still recovered, boasting an impressive growth rate. The volume of receivables purchased over the first Half 2007 equalled 1,473 million Euro, an increase of 27.9% compared to the first Half 2006.

Over the Half Year, a new branch in Palermo was opened, set up to lend support to SMEs operating in Sicily. Another new branch will shortly be opened in Brescia. The selection and training of young enthusiastic employees also continues in order to strengthen existing branches and to prepare for further expansion with the introduction of new operations. Amongst the asset-based products that have always characterised Banca IFIS's activity, the bank is presently studying potential new products that could complete the range offered to SMEs and allow the ever-increasing sales network to offer the client various different and compatible financing products.

Profit and Net Equity

Group profit for the first Half 2007 reached 8,246 thousand Euro, a growth of 24.2% over the first Half 2006. This result refers entirely to the Group and is thanks to the increase generated by internal expansion in Banca IFIS's activities.
Increases in write-downs on loans were not considered necessary. The amount of net adjustments for the period is, in any case, the result of a decision made to improve the quality of credit as much as possible; in this respect, the ratio of bad debts on loans over total loan commitments stood at 0.9%, which is no change from that as at 31 December 2006 – a clear indication of the excellent result achieved by the bank in this area.
Group net equity as at 30 June 2007 equalled 105,125 thousand Euro, a decrease of 2.9% when compared to the 108,318 thousand Euro of 31 December 2006.
ROE equalled 17.1%. Net equity increased due to profit for the period of 8,246 thousand Euro and due to the exercising of stock options for 1,206 thousand Euro; it decreased, aside from the allocation of the 2006 dividends, due to share buybacks for 4,949 thousand Euro and the sale of shares, classified under available for sale assets, for 1,070 thousand Euro.

It is important to state that, at the end of 2011, should the convertible bond loan expiring on 16 July 2009 be totally converted, and the outstanding warrants (exercisable from 1 August 2007 to 31 July 2008) be exercised in full, together with the exercising of the stock option plans existing today, net equity will increase by 87 million Euro, further to the part of profit that will not be distributed and to the variations in reserves resulting from accounting according to IAS.

Group Area

The composition of the group as at 30 June 2007 is composed of the parent company, Banca IFIS, and the controlled companies Immobiliare Marocco S.p.A., an instrumental subsidiary held at 100%, and IFIS Finance Sp.Z.o.o., a factoring company located in Poland and 100% purchased on 31 July 2006.

Operating Revenue

Net operating revenue increased considerably compared to the previous Half Year, climbing from 18,036 thousand Euro in 2006 to 22,411 thousand Euro in 2007 (+24.3%).
The earning margin stood at 22,874 thousand Euro in the first Half 2007, an increase of +11.4% from the 20,542 thousand Euro of the first Half 2006. It is worth mentioning that the ever increasing client tendency towards products with a significant service component, income from which being classified under factoring commission only, has brought about differing growth in the individual components making up the earning margin and makes a comparison between them senseless.
Still, in detail, the interest margin reached 8,003 thousand Euro in the first Half 2007, against 7,465 thousand Euro for the corresponding period of 2006 (+7.2%). This margin does not include the default interest, running from the end of 2005, on significant bad debts due by the Public Administration, mostly collected at the end of 2006, as such interest was not calculable at the time this report was drawn up.
Net commissions equalled 13,784 thousand Euro against 13,120 thousand Euro in the first Half 2006 (+5.1%). This increase, aside from factoring's ability to generate added value through the management and servicing of receivables, is also thanks to development in factoring activities and consequent increases in business volumes. Expenses incurred for this activity are mainly booked under personnel expenses.
Profit from the sale of shares to the market for 1,070 thousand Euro positively affected the earning margin.
The breakdown of the earning margin into interest margin and net commission stood at 35% and 60.3% respectively.

Net Profit

Total operating costs stood at 10,154 thousand Euro, an increase of 38.9% compared to 30 June 2006. Specifically, personnel expenses rose from 4,355 thousand Euro in the first Half 2006 to 6,405 thousand Euro in the first Half 2007 (+47.1%); this increase is physiological and perfectly in line with Banca IFIS's strategy aimed at strengthening the Group in terms of human resources. Other administration expenses also climbed from 2,860 thousand Euro in the first Half 2006 to 3,331 thousand Euro in the first Half 2007 (+16.5%).
Value adjustments on intangible and tangible fixed assets rose as well, from 431 thousand Euro as at 30 June 2006 to 714 thousand Euro as at 30 June 2007 (+65.7%). Instead, other net operating income fell, from 337 thousand Euro in the first Half 2006 to 296 thousand Euro in the first Half 2007 (-12.2%). This income is mainly from re-debiting third party expenses, costs of which are shown in other administrative expenses.
The cost/income ratio for the first Half 2007 stood at 44.4% due to the temporary misalignment between the structuring of the bank and the expected – and present – recovery in the growth of margins.

Pre-tax profit for current operations, equal to 12,257 thousand Euro, increased by 14.3% from the corresponding period of the previous accounting year which stood at 10,727 thousand Euro.
After tax on income for 4,011 thousand Euro (4,089 thousand in the first Half 2006, -1.9%) and in the absence of any profit deriving from third parties, net profit totalled 8,246 thousand Euro, a growth of 24.2% when compared to the 6,638 of the first Half 2006.

The parent company and the effects of consolidation

The parent company, Banca IFIS, earned a net profit of 8,186 thousand Euro, drawn up in compliance with the IFRS International Accounting Standards.
The instrumental subsidiary, Immobiliare Marocco S.p.A., suffered a net loss of 33 thousand Euro, mainly for expenses incurred for the restructuring and restoration of one of the buildings owned by this subsidiary and rented to the parent company.
The controlled company, IFIS Finance Sp.Z.o.o. had a net profit of 81 thousand Euro, redetermined according to IAS principles for consolidation purposes.
The reconciliation between parent company profit and net equity and consolidated profit and net equity is shown in the table set out later in this report.

Commitments

In general, the credit market in Italy remains characterised by a moderate gap between supply and demand owing to traditional banks and credit institutes continuing to shy away from granting SMEs the financing necessary for their quantative and qualitative improvement. From the supply side, the enterprise system, in particular SMEs, has had to once again face a poor, although improving, financing situation. Recent volatility in markets in the third Quarter 2007 may change this trend for the worst. The possibility that SMEs may encounter even more difficulty in obtaining financial resources in the second Half of this year is real.

In this scenario, adhering completely to predetermined strategies, Banca IFIS still succeeded in improving its position, achieving a growth in due from clients of 4%, reaching a total of 814 million Euro, compared to 783 million Euro as at 31 December 2006, confirming a ratio of net bad debts on loans over total loans to clients equalling 0.9%.

Due from banks as at 30 June 2007 stood at 108 million Euro, against 267 million Euro as at 31 December 2006. This item refers to short-term commitments with banking counterparties, carried out in order to optimise treasury management.

Funding

The financing of Banca IFIS's activity, aside from its own means, comes from short-medium term funding instruments, prudently correlated with medium duration commitments that are usually 'at sight'. Particular attention is paid to guaranteeing the bank's liquidity levels.

Over the first Half 2007, Banca IFIS successfully continued to diversify its funding, both in terms of duration and in terms of technical form. Total funding equalled 827 million Euro, compared to 962 million Euro as at 31 December 2006. In detail, 758 million Euro were the result of transactions with banking counterparties (-9.4% with respect to the 836 million of year-end 2006). This total is made up of 373 million Euro from direct bilateral trading with other credit institutes, 264 million Euro were regulated on e-*MID,* 121 million Euro from net funding obtained through the revolving securitization of performing receivables, 44 million Euro from the convertible bond issued in July 2004 and 26 million Euro from client deposits (-68.8% compared to 83 million at the end of 2006). The convertible bond loan, issued for a total of 50 million Euro, is booked under liabilities, net of the buybacks on such which are considered, according to IFRS IAS standards, as settlement of debt even though such instruments, acquired with the aim of investing liquid resources, are destined to be resold which is treated as the issue of a new debt.

Fitch's BBB- investment rating, assigned in early 2006 and confirmed at the beginning of 2007, allows the quality and quantity of deposits and funding to be maintained.

The structure

At the end of the first Half 2007, the group had a total of 190 employees. The structure of the group is made up of 12 Branches (Ancona, Bari, Cagliari, Florence, Imola, Cologno Monzese, Naples, Palermo, Pordenone, Rome, Turin and Venice-Mestre) and 2 representative offices (Bucharest and Budapest), together with the controlled company in Warsaw, Poland.

MAIN GROUP FIGURES

KEY FIGURES

CONSOLIDATED BALANCE SHEET
(in thousands of Euro)

	PERIOD		VARIATION	
	30/06/2007	31/12/2006	ABSOLUTE	%
Due from banks	107,842	267,294	(159,452)	(59.7)%
Due from clients	814,035	782,977	31,058	4.0%
Intangible and tangible fixed assets	33,014	31,031	1,983	6.4%
Other asset items	8,412	11,343	(2,931)	(25.8)%
Total assets	963,303	1,092,645	(129,342)	(11.8)%
Due to banks	757,597	836,393	(78,796)	(9.4)%
Due to clients	25,792	82,560	(56,768)	(68.8)%
Debts represented by securities	43,737	42,693	1,044	2.4%
Net equity	105,125	108,318	(3,193)	(2.9)%
Other liability items	31,052	22,681	8,371	36.9%
Total liabilities	963,303	1,092,645	(129,342)	(11.8)%

CONSOLIDATED PROFIT AND LOSS ACCOUNT
(in thousands of Euro)

	1st HALF		VARIATION	
	2007	2006	ABSOLUTE	%
Earning margin	22,874	20,542	2,332	11.4%
Net write-downs on credit	(463)	(2,506)	2,043	(81.5)%
Operating revenue	22,411	18,036	4,375	24.3%
Operating costs	(10,154)	(7,309)	(2,845)	38.9%
Gross ordinary profit from current operations	12,257	10,727	1,530	14.3%
Net Profit	8,246	6,638	1,608	24.2%

ECONOMIC-FINANCIAL INDEXES AND OTHER FIGURES

	30/06/2007	31/12/2006	VARIATION
Profitability indexes			
ROE (1) (2)	17.1%	16.6%	0.5%
ROA (2)	2.5%	2.2%	0.3%
Cost/income ratio	44.4%	38.4%	6.0%
Risk indexes			
Net bad debts on loans/Due from clients	0.9%	0.9%	---
Net bad debts on loans/Net equity	7.0%	6.4%	0.6%
Solvency ratios			
Tier 1 capital/Risk weighted assets	12.9%	13.4%	(0.5)%
Regulatory capital/Risk weighted assets	13.1%	13.6%	(0.5)%
Figures per employee (3) (4)			
Earning margin/Number of employees(2)	240.8	271.1	(30.3)
Total assets/Number of employees	5,070.0	7,188.5	(2,118.5)
Personnel cost/Number of employees(2)	67.4	62.4	5.0

(1) Net profit compared with the weighted average of capital, share premiums and reserves excluding the valuation reserves.
(2) Calculated using the annual projection of financial figures.
(3) Number of employees at the end of the period.
(4) Ratios in thousands of Euro.

RECLASSIFIED CONSOLIDATED BALANCE SHEET
(in thousands of Euro)

ASSETS	PERIOD		VARIATION	
	30/06/2007	31/12/2006	ABSOLUTE	%
Receivables due:				
- from clients	814,035	782,977	31,058	4.0%
- from banks	107,842	267,294	(159,452)	(59.7)%
Financial assets available for sale	4,256	6,288	(2,032)	(32.3)%
Assets:				
- tangible	31,151	29,324	1,827	6.2%
- intangible	1,863	1,707	156	9.1%
Other asset items	4,156	5,055	(899)	(17.8)%
Total assets	963,303	1,092,645	(129,342)	(11.8)%

LIABILITIES	PERIOD		VARIATION	
	30/06/2007	31/12/2006	ABSOLUTE	%
Payables due:				
- to clients	25,792	82,560	(56,768)	(68.8)%
- to banks	757,597	836,393	(78,796)	(9.4)%
Outstanding securities	43,737	42,693	1,044	2.4%
Retirement/severance allowance	1,121	1,433	(312)	(21.8)%
Tax liabilities	2,927	2,452	475	19.4%
Other liability items	27,004	18,796	8,208	43.7%
Net equity:				
Capital, share premiums and reserves	96,879	93,306	3,573	3.8%
Net profit	8,246	15,012	(6,766)	(45.1)%
Total liabilities	963,303	1,092,645	(129,342)	(11.8)%

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

	1ST HALF		VARIATION	
	2007	2006	ABSOLUTE	%
Interest margin	8,003	7,465	538	7.2%
Net commission	13,784	13,120	664	5.1%
Dividends and similar	45	7	38	*n.s.*
Net trading result	(28)	(50)	22	(44.0)%
Profit from sale of available for sale assets	1,070	---	1,070	*n.s.*
Earning margin	22,874	20,542	2,332	11.4%
Net write-downs on credit	(463)	(2,506)	2,043	(81.5)%
Operating revenue	22,411	18,036	4,375	24.3%
Personnel expenses	(6,405)	(4,355)	(2,050)	47.1%
Other administrative expenses	(3,331)	(2,860)	(471)	16.5%
Net value adjustments on tangible and intangible fixed assets	(714)	(431)	(283)	65.7%
Other operating income/expenses	296	337	(41)	(12.2)%
Operating costs	(10,154)	(7,309)	(2,845)	38.9%
Gross profit	12,257	10,727	1,530	14.3%
Income Tax	(4,011)	(4,089)	78	(1.9)%
Net profit	8,246	6,638	1,608	24.2%

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT: QUARTERLY EVOLUTION

(in thousands of Euro)

	2007		2006			
	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Receivable interest and similar	12,148	11,382	11,015	8,920	7,969	8,114
Payable interest and similar	(7,955)	(7,572)	(7,351)	(5,300)	(4,236)	(4,382)
Interest margin	4,193	3,810	3,664	3,620	3,733	3,732
Receivable commission	7,687	7,154	6,270	5,944	5,758	8,329
Payable commission	(539)	(518)	(643)	(501)	(429)	(538)
Net commission	7,148	6,636	5,627	5,443	5,329	7,791
Dividends and similar	45	---	---	---	1	6
Net trading result	(49)	21	49	(34)	13	(63)
Profit (losses) from sale or purchase of	1,070	---	2,300	---	---	---
d) financial liabilities	1,070	---	2,300	---	---	---
Earning margin	12,407	10,467	11,640	9,029	9,076	11,466
Net write-downs on:	(254)	(209)	1,053	(335)	(1,010)	(1,496)
a) credit	(254)	(209)	1,053	(335)	(1,010)	(1,496)
Operating revenue	12,153	10,258	12,693	8,694	8,066	9,970
Administration expenses:	(5,258)	(4,478)	(5,018)	(3,419)	(3,420)	(3,795)
a) personnel	(3,380)	(3,025)	(3,137)	(1,987)	(1,980)	(2,375)
b) other	(1,878)	(1,453)	(1,881)	(1,432)	(1,440)	(1,420)
Net value adjustments on tangible assets	(272)	(258)	(314)	(209)	(100)	(176)
Net value adjustments on intangible assets	(98)	(86)	(115)	(91)	(82)	(73)
Other operating income/expenses	194	102	587	77	131	206
Operating costs	(5,434)	(4,720)	(4,860)	(3,642)	(3,471)	(3,838)
Gross profit	6,719	5,538	7,833	5,052	4,595	6,132
Income Tax	(1,978)	(2,033)	(2,662)	(1,849)	(1,818)	(2,271)
Net profit	4,741	3,505	5,171	3,203	2,777	3,861

RISK MANAGEMENT

For information on group risk management, please refer to the consolidated notes of the present financial report as at 30 June 2007.

MAIN CAPITAL AGGREGATES

The group is involved almost exclusively in the factoring industry and funding for its activity, aside from its own, comes from the interbanking market, from the securitisation of performing receivables, from the issue of a convertible bond loan and, lastly, in residual amounts from direct client deposits.

MAIN CAPITAL AGGREGATES
(in thousands of Euro)

	PERIOD			ABSOLUTE VARIATION BETWEEN	
	30/06/2007	31/12/2006	30/06/2006	06/07-12/06	12/06-06/06
Due from clients	814,035	782,977	704,538	31,058	78,439
Due from banks	107,842	267,294	68,094	(159,452)	199,200
Other financial assets	4,256	6,288	7,631	(2,032)	(1,343)
Tangible and intangible assets	33,014	31,031	27,642	1,983	3,389
Balance of other items	(26,896)	(17,626)	(16,581)	(9,270)	(1,045)
Total net assets	932,251	1,069,964	791,324	(137,713)	278,640
Due to clients	25,792	82,560	17,858	(56,768)	64,702
Due to banks	757,597	836,393	627,917	(78,796)	208,476
Outstanding securities	43,737	42,693	43,511	1,044	(818)
Net equity	105,125	108,318	102,038	(3,193)	6,280
Total net liabilities	932,251	1,069,964	791,324	(137,713)	278,640

Due from banks

Total due from banks at the end of the Half Year stood at 108 million Euro against 267 million Euro as at 31 December 2006. This decrease is due to the heavy commitments at year-end (2006) of surplus liquidity with the interbanking market. Such activity was carried out in order to optimise treasury activities.

Due from clients

Total due from clients for the first Half reached 814 million Euro, an increase of 4% compared to the end of 2006 (+15.5% if compared to the results for the first Half 2006).
Net total loans to clients, excluding bad debts on loans for 7,402 thousand, equalled 807 million Euro.

BANKING PRODUCTS
(in thousands of Euro)

	PERIOD		VARIATION	
	30/06/2007	31/12/2006	ABSOLUTE	%
Current accounts and similar	41,957	31,545	10,412	33.0%
Advance accounts for future credit assignments	13,658	11,649	2,009	17.2%
Advance accounts for factoring	520,161	464,754	55,407	11.9%
Receivables from debtors for definitive purchase	228,045	265,254	(37,209)	(14.0)%
Loans	2,812	2,833	(21)	(0.8)%
Total net current loans	806,633	776,035	30,598	3.9%
Net bad debts on loans	7,402	6,942	460	6.6%
Total due from clients	814,035	782,977	31,058	4.0%

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

BREAKDOWN OF CLIENTS BY GEOGRAPHIC AREA	COMMITMENTS	TURNOVER
Northern Italy	36.0%	41.9%
Central Italy	38.4%	28.8%
Southern Italy	22.2%	16.1%
Abroad	3.4%	13.2%
Total	100%	100%

BREAKDOWN OF CLIENTS
BY PRODUCT SECTOR (*)

		COMMITMENTS	TURNOVER
051	Agriculture, forestry and fish products	0.3%	0.5%
052	Energy products	0.1%	0.4%
053	Minerals and ferrous and non-ferrous metals	0.4%	0.3%
054	Minerals and mineral based products	0.4%	0.3%
055	Chemical products	0.2%	0.3%
056	Products in metal excluding machines and equipment	8.7%	10.3%
057	Agricultural and industrial machines	1.2%	1.3%
058	Machines for offices and EDP machinery	0.3%	0.2%
059	Electrical material and supplies	1.9%	1.4%
060	Transportation vehicles	5.4%	15.1%
061	Food and beverage products	1.6%	1.6%
062	Textile, leather, shoe and clothing products	3.4%	2.9%
063	Paper, printing and publishing	0.5%	0.8%
064	Rubber and plastic products	1.2%	1.2%
065	Other industrial products	0.8%	0.9%
066	Construction and public works	8.3%	8.9%
067	Wholesale and retail trade, recoveries and repair	12.6%	12.9%
068	Hotel and public establishment services	1.0%	0.8%
069	Internal transportation services	1.5%	1.5%
070	Maritime and air transportation services	1.0%	0.3%
071	Transportation related services	2.4%	0.5%
072	Telecommunications services	0.2%	0.1%
073	Other services for sale	20.5%	23.9%
000	Non classifiable	26.1%	13.7%
	of which non-resident subjects	*3.4%*	*13.2%*
	of which financial institutions	*1.3%*	---
	of which others(**)	*21.4%*	*0.5%*
	Total	100%	100%

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

Non performing loans and country risks

The ratio of total bad debts on loans over total loan commitments to clients remained stable at 0.9% from the end of year result for 2006.
Total bad debts on loans to clients as at 30 June 2007, net of value adjustment write-downs, was 7,402 thousand Euro, against 6,942 thousand Euro as at 31 December 2006 (an increase of 6.6%). The ratio of bad debts on loans over net equity at the end of the first Half 2007 equalled 7%, against 6.4% as at 31 December 2006. Gross of any value adjustments, bad debts on loans amounted to 30,069 thousand Euro, against 29,554 thousand Euro at the end of 2006 (+1.7%). 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. 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 2007, 128 non-performing loans, for an average amount of 57 thousand Euro net, were registered. The hedging index on gross non-performing loans stood at 75.4% (76.5% as at 31 December 2006). This percentage is representative of the policy of setting aside prudential provisions over the years and also takes into consideration the effects of actualisation of presumed net values of credit recoveries, as per the IAS provisions of the IFRS.
Potential problem loans/difficult loans, net of estimated value adjustment write-downs, amounted to 925 thousand Euro, against 1,439 thousand Euro as at 31 December 2006, a decrease of 35.7%.
Rescheduled loans, net of estimated value adjustment write-downs, amounted to 325 thousand Euro as at 30 June 2007, against 347 thousand Euro as at 31 December 2006, a reduction of 6.3%.
As far as concerns country risks, loan commitments to clients located in countries at risk were of

insignificant amounts.
Net past-due loans, amounting to 67,361 thousand Euro at the end of the first Half 2007 compared to 79,395 thousand Euro at the end of 2006, refer almost completely to receivables from the Public Administration for full definitive purchase factoring activities. Taking into consideration the quality of the receivables and the counterparties involved, no value adjustments were considered necessary on these positions.
Total non-performing loans and loans to countries at risk for the period equalled 76,122 thousand Euro, of which 81.9% refer to loans to the Public Administration for full definitive purchase factoring activities.

CREDIT QUALITY (in thousands of Euro)	PERIOD		VARIATION	
	30/06/2007	31/12/2006	ABSOLUTE	%
Bad debts on loans	7,402	6,942	460	6.6%
Difficult loans	925	1,439	(514)	(35.7)%
Rescheduled loans	325	347	(22)	(6.3)%
Past-due loans	67,361	79,395	(12,034)	(15.2)%
Receivables from countries at risk	109	93	16	17.2%
Total net non-performing loans and country risks with clients	76,122	88,216	(12,094)	(13.7)%
Net performing loans	737,913	694,761	43,152	6.2%
Total due from clients	814,035	782,977	31,058	4.0%

The ratio of net bad debts on loans over total loan commitments to clients passed from 3.7 % to 3.6% in terms of nominal value and remained stable at 0.9% from 2006 if taking value adjustments into consideration. The incidence of difficult/potential problem loans over total loan commitments to clients equalled a total of 0.1% at nominal and balance sheet values, a reduction if compared to the 0.2% as at 31 December 2006.

NON-PERFORMING LOANS AND LOANS TO COUNTRIES AT RISK
(in thousands of Euro)

	BAD DEBTS ON LOANS	DIFFICULT LOANS	RESCHED LOANS	PAST-DUE	COUNTRY RISK	TOTAL
SITUATION AS AT 30/06/2007						
Nominal value of non-performing loans	30,069	1,198	326	68,343	109	100,045
Incidence on total loans at nominal value	3.6%	0.1%	0.0%	8.1%	0.0%	11.9%
Value adjustments	22,667	273	1	982	---	23,923
Incidence on non-performing loans at nominal value	75.4%	22.8%	0.3%	1.4%	0.0%	23.9%
Balance sheet value of non-performing loans	7,402	925	325	67,361	109	76,122
Incidence on net total loans	0.9%	0.1%	0.0%	8.3%	0.0%	9.4%
SITUATION AT 31/12/2006						
Nominal value of non-performing loans	29,554	1,799	349	79,445	93	111,240
Incidence on total loans at nominal value	3.7%	0.2%	0.0%	9.8%	0.0%	13.8%
Value adjustments	22,612	360	2	50	---	23,024
Incidence on non-performing loans at nominal value	76.5%	20.0%	0.6%	0.1%	0.0%	2.8%
Balance sheet value of non-performing loans	6,942	1,439	347	79,395	93	88,216
Incidence on net total loans	0.9%	0.2%	0.0%	10.1%	0.0%	11.3%

Funding

Banca IFIS obtains the resources necessary for financing its business from the inter-banking market, from the flow of liquid assets from a revolving securitisation of performing loans effected as from October 2003, from the issue of a convertible bond loan in July 2004 and, finally, from client deposits.
Total gross funding as at 30 June 2007 equalled 827,126 thousand Euro (-14% with respect to 31 December 2006).
Due to banks equal to 757,597 thousand Euro at the end of the first Half (-9.4% compared to 31 December 2006), are composed of: deposits from the inter-banking market for 636,210 thousand Euro, -11.3% compared to December 2006, of which 263,500 thousand Euro regulated on the *E-MID* (-15.7% compared to 2006), and of funding from securitisation operations for 121,387 thousand Euro, an increase of 1.9% when compared to 2006.
Due to clients, equal to 25,792 thousand Euro, decreased by 68.8% compared to December 2006, due to the atypical nature of such a financing source which, further more, peak at year-end in accordance with the physiological increase in commitments.
The convertible bond loan ‘Banca IFIS Convertible Bond Loan 2004-2009’ issued in July 2004 and underwritten for the total nominal value of 50 million Euro, stood, as at 30 June 2007, at 43,737 thousand Euro net, +2.4% compared to the results as at 31 December 2006. The debt is booked under liabilities, net of any buybacks of such convertible bonds that are considered, in adherence to IAS principles, as settlement of debt, even if these, purchased in order to invest available liquidity, are destined to be resold which is considered as the issue of a new debt.

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 1,863 thousand Euro, a net increase of 9.1% from 31 December 2006. This item includes 905 thousand Euro of booked goodwill arising from the consolidation of the shareholding in IFIS Finance Sp.Z.o.o. Gross increases equalling 340 thousand Euro refer to improvement in IT support and the implementation of Internal Rating procedures.

Tangible fixed assets increased by 6.2% to 31,151 thousand Euro.

The property entered among the consolidated tangible assets relates to: the representative office in Bucharest; the property which housed the management in Mestre-Venice up to December 2005, renovated as from 1999 and occupied in 2001, now leased in part to the controlling company La Scogliera S.p.A.; the important historical building, 'Villa Marocco', for which a renovation and expansion project was created and approved by the Monuments Office for the region and is due to be completed by the third/fourth Quarter 2007 and which became the new Banca IFIS Head Office in December 2005; and, finally, a management office building of residual value in Padua.
The new Headquarters building is not depreciated as its estimated residual value at the end of its useful life is expected to be higher than its book value.

Capital adequacy and solvency ratios

In the absence of assets attributable to third parties, the net equity of the group as at 30 June 2007 was 105,125 thousand Euro, against 108,318 thousand Euro at the end of the previous accounting year. This decrease in net equity is shown below:

NET EQUITY
(in thousands of Euro)

Net Equity at 31/12/2006	108,318
Increases Profit for period	8,246
Exercising of stock options	1,206
Sale of own instruments	---
Reductions: Dividends distributed	(6,865)
Purchase of own instruments	(4,929)
IAS reserves	(851)
Net Equity at 30/06/2007	105,125

Consolidated regulatory capital was 98,827 thousand Euro, composed of tier 1 capital and positive and negative elements of Tier 2 (supplementary capital). Based on the trend of risk-weighted assets, the total consolidated solvency ratio was 13.1%.
Surplus capital as at 30 June 2007, taking into account the 8% minimum required, equalled 38,405 thousand Euro.

CAPITAL ADEQUACY RATIOS
(In thousands of Euro)

	30/06/2007
Regulatory capital	
Tier 1 capital	97,777
Tier 2 capital	1,050
Deductibles	---
Total capital	*98,827*
Regulatory minimum requirements	
Credit risk	60,422
Market risk	---
Total minimum requirements	60,422
Solvency ratios	
Tier 1 capital/total weighted assets	12.9%
Total capital/total weighted assets	13.1%
Surplus capital compared to minimum required	38,405

PROFIT AND LOSS ACCOUNT

Formation of net operating revenue

Based on the overall trend of the sector and the result of expansions in progress, Banca IFIS has increased both its market share in the sector and the number of its clients and debtors.
Net operating revenue for the group equalled 22,411 thousand Euro as at 30 June 2007, against 18,036 thousand Euro as at 30 June 2006, an increase of 24.3%.
The earning margin passed from 20,542 thousand Euro to 22,874 thousand Euro, an increase of 11.4%. The composition of the earning margin is 60.3% from commissions and 35% from the interest margin. The individual components making up the earning margin showed differing growth due to the ever increasing client tendency towards products with a significant service component, income from which being classified under factoring commission only. The effect of such movement on the profit and loss figures is such that it makes a comparison between the individual components of the margin insignificant.
In the first Half 2007, net value adjustment write-downs fell from 2,506 thousand Euro in the first Half 2006 to 463 thousand Euro (-81.5%). This net decrease is mainly thanks to collections made on some receivables that were classified under impaired receivables and written-down in previous years, together with the constant attention given to granting credit and monitoring trends in operations. The amount of value adjustments is, in any case, a result of Banca IFIS's choice to book any write-downs as soon as presuppositions arise.

FORMATION OF OPERATING REVENUE
(in thousands of Euro)

	1st HALF		VARIATION	
	2007	2006	ABSOLUTE	%
Interest margin	8,003	7,465	538	7.2%
Net commissions	13,784	13,120	664	5.1%
Dividends and similar income	45	7	38	n.s.
Net trading result	(28)	(50)	22	(44.0)%
Profit from sale of AFS assets	1,070	---	1,070	n.s.
Earning Margin	22,874	20,542	2,332	11.4%
Net value adjustment write-downs on credit	(463)	(2,506)	2,043	(81.5)%
Net operating revenue	22,411	18,036	4,375	24.3%

Analysing in detail, **the interest margin**, passed from 7,465 thousand Euro as at 30 June 2006 to 8,003 thousand Euro for the corresponding period of 2007 (+7.2%). This margin does not include the default interest, running from the end of 2005, on significant bad debts due by the Public Administration, mostly collected at the end of 2006, as such interest was not calculable at the time this report was drawn up.

Net commissions increased from 13,120 thousand Euro for the first Half 2006 to 13,784 thousand Euro for the first Half 2007, an increase of 5.1%, demonstrating the capability of the factoring activity to generate added value through management and service of credit; the added expenses connected to this activity are diluted, above all, among personnel expenses.
Receivable commission, equal to 14,841 thousand Euro, came primarily from factoring commission on the turnover generated by individual clients (non-recourse and recourse, in a flat or monthly formula) as well as other fees usually charged to clients for services.
Payable commission, equal to 1,057 thousand Euro, resulted from:
- other credit institution banking activities;

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

NET COMMISSIONS
(in thousands of Euro)

	HALF YEAR		VARIATION	
	2007	2006	ABSOLUTE	%
Endorsement credit	4	23	(19)	(82.6)%
Management and brokerage services	161	(18)	179	n.s.
Collection and payment services	244	190	54	28.4%
Other factoring services	13,436	13,322	114	0.9%
Other services	(61)	(397)	336	(84.6)%
Total net commissions	13,784	13,120	664	5.1%

Dividends and similar income equalled 45 thousand Euro as at 30 June 2007, against 7 thousand Euro as at 30 June 2006.

The net trading result is negative for 28 thousand Euro, entirely due to the differences deriving from operations in currencies different from the Euro.

Profit from the sale of available for sale financial assets, equal to 1,070 thousand Euro, refer to the sale of part of the shares held in the available for sale portfolio. The capital gains on the residual portfolio of these shares equalled, at market price at the end of the period, 2,140 thousand Euro. This capital gain is booked, according to IAS, in an equity reserve, net of taxes, and will transit in the profit and loss account at the moment of sale.

Net value adjustment write-downs on loans passed from 2,506 thousand Euro as at 30 June 2006 to 463 thousand Euro as at 30 June 2007 (-81.5%).

Formation of net profit

The table below shows the details of the formation of the group's net profit starting from operating revenue, described above, compared with the corresponding period of the year before:

FORMATION OF NET PROFIT
(in thousands of Euro)

	FIRST HALF		VARIATION	
	2007	2006	ABSOLUTE	%
Net operating revenue	22,411	18,036	4,375	24.3%
Operating costs	(10,154)	(7,309)	(2,845)	38.9%
Gross profit	12,257	10,727	1,530	14.3%
Income tax	(4,011)	(4,089)	78	(1.9)%
Net Profit	8,246	6,638	1,608	24.2%

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, on the one hand, to selecting resources dedicated to enhancing the sales staff and, on the other, to recruiting staff dedicated to the management, control and recovery of credit. The total amount for this item reached 10,154 thousand Euro, an increase of 38.9%.

With the increase in operating costs, a physiological increase in the cost/income ratio brought the result to 44.4% as at 30 June 2007, compared to 38.4% as at 31 December 2006 and 35.6% in the first Half 2006. This was also due to the strengthening of the structure and the revising of organisational and control structures.

OPERATING COSTS
(in thousands of Euro)

	FIRST HALF		VARIATION	
	2007	2006	ABSOLUTE	%
Personnel expenses	6,405	4,355	2,050	47.1%
Other administrative expenses	3,331	2,860	471	16.5%
Value adjustments on tangible and intangible fixed assets	714	431	283	65.7%
Other operating income (expenses)	(296)	(337)	41	(12.2)%
Total operating costs	10,154	7,309	2,845	38.9%

The increase in **personnel expenses**, which totalled 6,405 thousand Euro (+47.1% compared to the 4,355 thousand Euro as at 30 June 2006), is physiological and corresponds to the forecasts, based in part on the systematic increase in the number of employees (60 new employees were taken on in the period stretching from the second Half 2006 to the end of the first Half 2007).
The increase in **other administrative expenses**, amounting to 3,331 thousand Euro for the first Half 2007 (+16.5% compared to 2,860 thousand Euro at the end of the first Half 2006), is mainly due to higher costs connected to the growth in business volumes and banking operations.

OTHER ADMINISTRATIVE EXPENSES
(in thousands of Euro)

	FIRST HALF		VARIATION	
	2007	2006	ABSOLUTE	%
Expenses for professional service	740	743	(3)	(0.4)%
Board Members' and Auditors' fees	104	97	7	7.2%
Legal and consultation	564	562	2	0.4%
Auditing	72	84	(12)	(14.3)%
Indirect taxes and taxes	283	295	(12)	(4.1)%
Maintenance expenses	45	34	11	32.4%
Car fleet management and maintenance	252	184	68	37.0%
Membership fees	45	42	3	7.1%
Clients' insurance premiums	34	19	15	78.9%
Expenses for purchasing non-professional goods and services	1,932	1,543	389	25.2%
Office/site/branch management	558	462	96	20.8%
Client information	275	220	55	25.0%
Business Trips and transfers expenses	220	125	95	76.0%
Software Assistance	196	146	50	34.2%
Postage and tax stamp expenses	137	90	47	52.2%
Telephone expenses	122	145	(23)	(15.9)%
Office material	92	81	11	13.6%
Advertising and inserts	44	104	(60)	(57.7)%
Staff training and refreshment courses	40	6	34	566.7%
Other different expenses	248	164	84	51.2%
Total other administrative expenses	3,331	2,860	471	16.5%

Other operating income equal to 296 thousand Euro (-12.2% compared to 337 thousand Euro as at 30 June 2006) is mainly made up of revenue from recoveries of third party expenses.

Gross profit stood at 12,257 thousand Euro, an increase of 14.3% compared to 30 June 2006.

Income Tax amounted to 4,011 thousand Euro, against 4,089 thousand Euro in the first Half 2006.

Net profit totalled 8,246 thousand Euro, a growth of 24.2%. In the absence of profit from third parties, these results referred entirely to the group.

Comparison between parent net profit and equity results and consoli-dated net profit and equity

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

	FIRST HALF 2007		ACCOUNTING YEAR 2006	
(in thousands of Euro)	NET EQUITY	OF WHICH PROFIT FOR THE PERIOD	NET EQUITY	OF WHICH PROFIT FOR THE PERIOD
Parent company balance	106,638	8,186	110,166	14,732
Difference compared to the value of the companies consolidated integrally	(1,513)	60	(1,848)	280
- Immobiliare Marocco	*(2,300)*	*(33)*	*(2,398)*	*(197)*
- IFIS Finance	*756*	*81*	*401*	*458*
- Effect of the adoption of IAS	*31*	*12*	*149*	*19*
Group consolidated balance	105,125	8,246	108,318	15,012

OTHER INFORMATION

Trading on STAR

Ordinary Banca IFIS shares, the 'Banca IFIS warrants 2005 – 2008' and the 'Banca IFIS convertible bond loans 2004 – 2009' are tradable on the STAR segment of the Italian Stock Exchange.
The warrants 'Banca IFIS warrants 2005 – 2008' are exercisable in a period stretching from 1 August 2007 to 31 July 2008: each warrant gives the right to subscribe one ordinary share at a nominal price of one Euro, including a share-premium of six Euro.
Conversion shares subscribed in the exercising of the warrants can be enjoyed from 1 January of the year of issue, as per articles 1 and 2 of the regulations governing the 'Banca IFIS warrants 2005 – 2008' resolved by the Extraordinary Shareholders' Meeting of 10 October 2005.

The Fitch rating

On 12 January 2007, Fitch Ratings International confirmed Banca IFIS's rating of BBB –, assigned on 10 February 2006.
In detail, Fitch improved its *Long Term Rating* from BB+ to BBB-, its *Short-term Rating* from B to F3, and its *Individual Rating* from C/D to C. In addition, Fitch confirmed its *Support Rating of* 5 with a *Stable Outlook*.

Corporate governance regulations

Banca IFIS implemented the standards of the Self-regulatory code prepared by the 'Committee for the corporate governance of listed companies' in March 2006.
The new version of the Self-regulatory code contains modification in terms of the role and composition of the Board of Directors and committees within it, requisites of independence of directors, the nomination and remuneration of Board members, the handling of privileged information, internal control systems, Board members' interests and operations with connected parties, relations with shareholders and the nomination and powers of the Statutory Auditors' Board.
Banca IFIS, in full compliance with the new Self-regulatory code, published an updated version of the Corporate Governance Report when the Annual Report 2006 was approved, informing the market of both new integrations introduced by the bank during 2006 and the modifications and integrations made to the report during the first few months of 2007 (the possibility to delay the putting in place of certain self-regulatory code principles was permitted by the Italian Stock Exchange with its regulation of 16 November 2006). In addition, during the Extra-ordinary Shareholders' Meeting of 29 June 2007 which approved the statutory changes made in order to comply with the legislative and regulatory obligations introduced by Law 262/2005 and later modified by legislative Decree 303/2006, Banca IFIS made further modifications in terms of corporate governance which were made public upon the approval of the first Half 2007.

Internal dealing regulations

On 1 April 2006, the updated version of the Issuers' Regulations implemented the new regulations regarding internal dealing, introduced into Italian law following the implementation of the EC Directive 2003/06/CE and the consequent inclusion of paragraph 7 of article 114 of the Legislative Decree 58/1998.
This regulation deals with the obligation to notify the authorities of any 'significant' operations carried out by relevant subjects on its company's shares and related financial instruments.
The previous Code of Conduct for internal dealing, already adopted in compliance with the Market Regulations organised and managed by the Italian Stock Exchange S.p.A. has been revised in accordance with said changes and an ad hoc procedure introduced, aiming to guarantee an orderly flow of information exchange between relevant subjects and Banca IFIS structures and a timely discharge of notification obligations to the market, Consob and the public.

The Self-Regulatory Code is available on Banca IFIS's company website, *www.bancaifis.it,* in the Investor Relations section.

List of Insiders

Following the implementation of the Commission EC Directive 2003/06/CE in Italian law, the discipline regarding inside information has been revised. Such revisions have led to the insertion of article 115-*bis* of the Legislative Decree 58/1998, following which listed issuers and subjects with a controlling role over these, or persons acting on their behalf, should draw up a list (the list of insiders) of people who, in carrying out their professional role, have access to inside information.
Banca IFIS has identified such people and has drawn up a list of insiders in computerised form.

Business continuity

In applying the provisions set out on 15 July 2004 by the Bank of Italy with its regulation regarding the assessment and reduction to an acceptable level of damages caused by accidents and catastrophes that can, directly or indirectly, affect the company, Banca IFIS's Board of Directors approved a group business continuity plan on 20 December 2006.
This plan was developed in three phases:

- The first phase, related to the evaluation of impact, involved examining the main corporate processes with the aim of assessing their vulnerability in a crisis situation: from the unavailability of buildings to the interruption of third party services;
- The second phase involved defining strategies for the continuation of business, illustrating lines of policies adopted by the Banca IFIS Group in order to mitigate the consequences of one or more crises;
- The third phase concentrated on the drawing up of the business continuity plan, or rather an ensemble of initiatives and counter-measures to be adopted in order to reduce business interruption to the acceptable limits defined in the business continuity strategies.

Part of the business continuity plan involves disaster recovery, in cases where corporate IT systems cease to work.
With the aim of aiding the identification of critical processes, the crisis situations cited by the Bank of Italy in terms of business continuity in its Supervisory instructions were taken into account. These are:

- the destruction of, or impeded access to, structures in which operating units or critical equipment are located;
- the absence of personnel vital to business activities;
- interruption to the functioning of the infra-structure in terms of electrical energy, telecommunication networks, interbanking networks, financial markets etc.;
- adulteration of data or the unavailability of systems, following attacks from the outside through telematic networks;
- serious damage caused by personnel.

This group business continuity plan is an instrument that is constantly updated and improved in response to changes, both within the group and externally.
The Board of Directors has nominated the General Manager as the person responsible for the business continuity plan and the initiatives proposed for the correct application of this plan.

Articles of Incorporation

As at 30 June 2007, Banca IFIS's articles of incorporation conform to that laid down by the Legislative Decree 58/98 and other provisions of the law, regulations and self-regulation.

Following the coming into force of Law 262 on 28 December 2005, certain adaptation operations became necessary. These refer to nomination procedures for the Board and its composition, selection of a managerial figure responsible for drawing up financial and accounting documents, and procedures for the election of a member of the Statutory Auditors' Board by the minority.
These modifications, following approval by the shareholders during the EGM of 29 June 2007, also took into account further modifications set out in Lgs. Decree 303 of 29 December 2006, in actuation of the delegation contained in Law 262/2005.

The impact of the Basel 2 Accord

Banca IFIS has opted for the delayed application of the new rules for measuring Capital and Capital ratios (Basel 2) which will come into effect on 1 January 2008.
Banca IFIS believes the best approach in the first phase would be to follow a standardised method of calculating capital requirements to face credit risks and at a later date, and subject to approval from supervisory authorities, to use its own internal rating system to define such requisites.
In the first phase (starting from 2008), a neutral effect or a slight worsening in solvency ratios (to date, well above the regulatory minimum) is expected, due to the combined effect of improvements

in the bank's activities (factoring mainly in the favour of SMEs) and in order to take in account requisites of operational risks.
Banca IFIS should benefit from a non-marginal reduction for capital requirements against credit risk due 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 capital consumption connected to the operating risk, albeit additional to the supervisory situation, should not greatly worsen the situation in terms of total capital consumption.

At present, the bank has not come across any particular difficulties as far as concerns the solvency ratio, both immediate and medium term, despite the rapid growth of the company. The ratio is much higher than the minimum required, with increases in own equity so as to maintain the levels necessary to support the expected growth in the group.

Confirmation of external auditors

At the Shareholders' Meeting of 30 April 2007, Banca IFIS resolved to extend KPMG's role as external auditors from 2008 to 2013, originally only due to run from 2005 to 2007. This decision was based on the provisions set out in article 8, paragraph 7 of the Lgs. Decree 303/06. Such provisions state that external auditing contracts existing on the date in which this Lgs. Decree came into force, with a duration of less than 9 accounting years including renewals and extensions, can be extended. Such an extension must occur by the date of the first Shareholders' Meeting called to approve the annual report, and can be extended up to the limit stated in article 159, paragraph 4 of the Lgs. Decree 58/98, as modified by the Lgs. Decree 303/6.

Share capital operations

Banca IFIS warrants 2005-2008

In December 2005, a paid share capital increase was concluded with warrants called the Banca IFIS Warrant 2005-2008, resolved by the Extraordinary Shareholders' Meeting of 10 October 2005, reserved for all shareholders and convertible bondholders, through the issue of 5,079,284 shares of a nominal price of 1 Euro and a unit price of 6 Euro each. For every share issued, a warrant was attached. This warrant circulates autonomously and offers the right to subscribe one share of nominal value of 1 Euro, at an exercise price of 6 Euro, from 1 August 2007 to 31 July 2008.
There was a maximum of 5,079,284 of conversion shares backing the warrants, all of a nominal value of 1 Euro, enjoyment of which as from 1 January of the year of issue.
To date, 400 "Banca IFIS Warrants 2005-2008" have been exercised.

Banca IFIS convertible bond loan 2004-2009

The Extraordinary Shareholders' Meeting resolutions of 17 December 2003 and the consequent Board of Directors' resolutions of 5 May 2004, 14 June 2004 and 2 July 2004, led to the issue (option rights art 2441- paragraph 5 of the Italian Civil Code excluded) of a bond loan convertible into 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, following the conclusion of the capital increase operations (both paid and unpaid), resolved on 10 October 2005 and consequent dilution of share value, has been fixed at 1.1 shares for every convertible bond submitted at 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.

Stock option plans for management and employees

At 30 June 2007, the following stock option plans remain in place:
- Plan A2/D2 (deliberated 5 May 2004), that amounts to a total of 214,500 shares at a nominal value of 1 Euro, subscribable at a price of 7.42, originally exercisable between 1 January and 31 December 2007 and then modified in part, so as to respect new provisions concerning tax on profit, to a period from 6 May to 31 December 2007, of which 64,500 for directors and 150,000 for employees;

-Plan A3/D3, (deliberated 15 December 2004) that amounts to a value of 214,500 shares at a nominal value of 1 Euro, subscribable at a price of 7.05 Euro, exercisable in the period between 1 January 2008 and 31 December 2008, of which 64,500 for directors and 150,000 for employees.
- Plan no. 4 amounting to 214,500 shares at nominal value of 1 Euro, subscribable at a price of 10.10 Euro, exercisable in the period between 1 September to 31 December 2010, of which 64,500 for directors and 150,000 for employees.
- Plan no. 5 amounting to 250,000 shares at nominal value of 1 Euro, subscribable at a price of 10.10 Euro, exercisable in the period between 1 January to 30 April 2011, of which 59,200 for directors and 190,800 for employees.
To the date of this Half Year report, 168,050 options relating to the A2/D2 plan have been exercised.

Transactions on treasury shares

Banca IFIS's Shareholders' Meeting of 30 April 2007 renewed authorization to buy back and sell treasury shares according to articles 2357 and thereafter of the Italian Civil Code, as well as article 132 of the Italian Legislative Decree 58/98, establishing a purchase price range of between 3 Euro and 30 Euro for a maximum amount of 10 million Euro. The Meeting also established that the duration of the authorization is equal to 18 months from the date the resolution was effected.
At the beginning of the year, Banca IFIS held 352,122 treasury shares for a counter value of 3,727 thousand Euro and a nominal value of 352,122 Euro.
Over the Half Year, Banca IFIS bought back 494,768 treasury shares for a weighted average price of 9.96 Euro, a counter value of 4,929 thousand Euro and a nominal value of 494,768 Euro.
The remaining amount at the end of the Half Year 2007 equalled 846,890 treasury shares, for a counter value of 8,656 thousand Euro and a nominal value of 846,890 Euro (average book price = 10.22 Euro per share).

Shareholders

The share capital of the parent company amounts to 29,055,962 Euro and is broken down into 29,055,962 shares with a nominal value of 1 Euro.
Shareholders who, as at 30 June 2007, held shares representing more than 2% of share capital are as follows:

	NUMBER OF SHARES	% SHARE CAPITAL
La Scogliera S.p.A.	18,188,206	62.61%
Alchimia S.p.A.	1,335,579	4.60%
Giovanni Bossi	843,995	2.91%
Riccardo Preve	694,000	2.39%

Transactions on own bonds

At 30 June 2007, Banca IFIS held 602,522 own bonds for a counter value of 7,598 thousand Euro and a nominal value of 7,531,525 Euro. Over the course of the Half Year, Banca IFIS did not buy or sell any treasury bonds.

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 for the Half Year.

Exposure in subprime mortgages and connected financial instruments

With reference to the events which led to the sub-prime mortgages crisis in the last few months, and as per CONSOB communication no. 70795569 of 30 August 2007, Banca IFIS, having carried out a self-assessment, can confirm that:

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

Factors subsequent to Half Year closing

Operation continued normally in the period between the close of the Half Year and the date this report was drawn up. No significant factors occurred after closing that are not explained in this report.
The turbulence in financial and credit markets in August and September does not appear to have the characteristics necessary to seriously affect Banca IFIS's activity, as the bank's financial resources are mainly collected as a result of short-term interbanking agreements with short to very short-term connected credit commitments.

Forecasts

Forecasts on economic trends for the second part of 2007, taking the turbulence on financial and credit markets into consideration, are uncertain.
After years of continuous expansion (and the relative under-valuation of the credit risk), trends in macro-economic variables appear to be moving towards a declining phase. Specifically, some authorities predict a reduction in financial availability on the credit market whilst, in general, it has been forecasted that there will be increases in charges related to capital availability (in part, already occurring), and such increases are not solely a result of fluctuations in reference parameters.
As far as concerns Banca IFIS's clients, this situation would entail better screening of counterparty risks and a presumable improvement in returns on operations, also affected by less availability of credit on the market.
Banca IFIS is not exposed to market risks as regards securities portfolios, as this is not part of the bank's strategies. As such, its management is in no way influenced by turbulence on the credit market.
Banca IFIS's prospects remain 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 client.

Venice-Mestre, 27 September 2007

For the Board of Directors

The President
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
(in thousands of Euro)

ASSETS		PERIOD 30/06/2007	31/12/2006
10	Cash and cash equivalents	23	14
40	Financial assets available for sale	4,256	6,288
60	Due from banks	107,842	267,294
70	Due from clients	814,035	782,977
120	Tangible assets	31,151	29,324
130	Intangible assets	1,863	1,707
	of which: goodwill	905	893
140	Tax assets	1,418	2,428
	a) current	0	22
	b) prepaid	1,418	2,406
160	Other assets	2,715	2,613
	TOTAL ASSETS	963,303	1,092,645

LIABILITIES		PERIOD 30/06/2007	31/12/2006
10	Due to banks	757,597	836,393
20	Due to clients	25,792	82,560
30	Outstanding securities	43,737	42,693
80	Tax Liabilities	2,927	2,452
	a) current	206	308
	b) deferred	2,721	2,144
100	Other Liabilities	27,004	18,796
110	Employee retirement/severance allowance	1,121	1,433
140	Valuation reserve	2,100	3,284
160	Capital instruments	611	611
170	Reserves	38,857	28,377
180	Share premiums	34,911	35,869
190	Capital	29,056	28,892
200	Treasury shares (-)	(8,656)	(3,727)
220	Net profit (loss)	8,246	15,012
	TOTAL LIABILITIES	963,303	1,092,645

CONSOLIDATED PROFIT AND LOSS ACCOUNT
(in thousands of Euro)

		30/06/2007	30/06/2006
10	Receivable interest and similar income	23,530	16,083
20	Payable interest and similar expenses	(15,527)	(8,618)
30	Interest margin	8,003	7,465
40	Receivable commission	14,841	14,087
50	Payable commission	(1,057)	(967)
60	Net commission	13,784	13,120
70	Dividends and similar income	45	7
80	Net trading result	(28)	(50)
100	Profits (losses) on sale or buyback of:	1,070	0
	a) credit	0	0
	b) available for sale financial assets	1,070	
	c) held to maturity financial assets		
	d) financial liabilities	0	0
110	Net result of financial assets and liabilities at fair value	0	0
120	Earning margin	22,874	20,542
130	Net adjustment write-downs/write-backs on:	(463)	*(2,506)*
	a) credit	*(463)*	*(2,506)*
140	Net operating revenue	22,411	18,036
180	Administrative expenses	(9,736)	(7,215)
	a) personnel costs	*(6,405)*	*(4,355)*
	b) other administrative costs	*(3,331)*	*(2,860)*
200	Net value adjustments/recoveries on tangible assets	(530)	(276)
210	Net value adjustments/recoveries on intangible assets	(184)	(155)
220	Other operating income (expenses)	296	337
230	Operating costs	(10,154)	(7,309)
280	Gross profit from current operations	12,257	10,727
290	Income tax on current operations for the period	(4,011)	(4,089)
340	Parent company net profit	8,246	6,638

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

	Balance at 31.12.2006		Changes in opening balances	Balance at 1.1.2007		Allocation of profit of previous period			Variations of period												Net equity at 30.06.2007	
						Reserves		Dividends and other destinations	Variations in reserves		Operations on net equity								Profit (loss)			
											Issue of new shares		Buy back of treasury shares		Distribution extraordinary dividends	Variations on capital instruments	Derivatives on treasury shares	Stock options				
	Of Group	Of 3rd Ps		Of Group	Of 3rd Ps	Of Group	Of 3rd Ps		Of Group	Of 3rd Ps	Of Group	Of 3rd Ps	Of Group	Of 3rd Ps					Of Group	Of 3rd Ps	Of Group	Of 3rd Ps
Capital:																						
a) ordinary shares	28,892	–	–	28,892	–	–	–	–	–	–	164	–	–	–	–	–	–	–	–	–	**29,056**	–
b) other shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share premiums	35,869	–	–	35,869	–	–	–	–	–	–	1,042	–	(2,000)	–	–	–	–	–	–	–	**34,911**	–
Reserves:																						
a) of profit	19,530	–	–	19,530	–	8,147	–	–	275	–	–	–	–	–	–	–	–	–	–	–	**27,952**	–
b) others	8,847	–	–	8,847	–	–	–	–	–	–	–	–	2,000	–	–	–	–	58	–	–	**10,905**	–
Valuation reserves:																						
a) available for sale	3,284	–	–	3,284	–	–	–		(1,184)	–	–	–	–	–	–	–	–	–	–	–	**2,100**	–
b) hedging cash flows	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
c) others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Capital instruments	611	–	–	611	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**611**	–
Treasury shares	(3,727)	–	–	(3,727)	–	–	–	–	–	–	–	–	(4,929)	–	–	–	–	–	–	–	**(8,656)**	–
Profit (loss) for period	15,012	–	–	15,012	–	(8,147)	-	(6,865)	–	–	–	–	–	–	–	–	–	–	8,246	–	**8,246**	–
Net Equity	**108,318**	–	–	**108,318**	–	–	–	**(6,865)**	**(909)**	–	**1,206**	–	**(4,929)**	–	–	**0**	-	**58**	**8,246**	–	**105,125**	–

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY AS AT 30 JUNE 2006
(In thousands of Euro)

	Balance at 31.12.2005		Changes in opening balances	Balance at 1.1.2006		Allocation of profit of previous period			Variations of period											Net equity at 30.06.2006	
						Reserves		Dividends and other destinations	Variations in reserves		Operations on net equity								Net Profit			
											Issue of new shares		Buy back of treasury shares		Distribution extraordinary dividends	Variations on capital instruments	Derivatives on treasury shares	Stock options				
	Of Group	Of 3rd Ps		Of Group	Of 3rd Ps	Of Group	Of 3rd Ps		Of Group	Of 3rd Ps	Of Group	Of 3rd Ps	Of Group	Of 3rd Ps					Of Group	Of 3rd Ps	Of Group	Of 3rd Ps
Capital:																						
a) ordinary shares	28,685	–	–	28,685	–	–	–	–	–	–	206	–	–	–	–	–	–	–	–	–	**28,891**	–
b) other shares	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**–**	–
Share premiums	34,348	–	–	34,348	–	–	–	–	–	–	1,515	–	–	–	–	–	–	–	–	–	**35,863**	–
Reserves:																						
a) of profit	12,238	–	(666)	11,572	–	8,015	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**19,587**	–
b) others	8,000	–	666	8,666	–	–	–	–	–	–	382	–	–	–	–	–	–	(291)	–	–	**8,757**	–
Valuation reserves:																						
a) available for sale	2.575	–	–	2.575	–	–	–	–	876	–	–	–	–	–	–	–	–	–	–	–	**3,451**	–
b) hedging cash flows	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
c) others	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Capital instruments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	611	–	–	–	–	**611**	–
Treasury shares	(481)	–	–	(481)	–	–	–	–	–	–	2,465	–	(3,744)	–	–	–	–	–	–	–	**(1,760)**	–
Profit (loss) for period	14,948	–	–	14,948	–	(8,015)	-	(6,933)	–	–	–	–	–	–	–	–	–	–	6,638	–	**6,638**	–
Net Equity	**100,313**	–	–	**100,313**	–	–	–	**(6,933)**	**876**	–	**4,568**	–	**(3,744)**	–	–	**611**	-	**(291)**	**6,638**	–	**102,038**	–

FINANCIAL ACCOUNT *(in thousands of Euro)*

Indirect Method	30/06/2007	30/06/2006
A. OPERATIONS		
1. Management	13,446	13,734
- Result for period (+/-)	8,246	6,638
- profit/loss on financial assets held for trading and on financial assets/liabilities at fair value (-/+)	–	–
- profit/loss on hedging activities	–	–
- net write downs/recoveries on loans (+/-)	463	2,506
- net write downs/recoveries on tangible and intangible assets (+/-)	741	431
- net provisions for risk and contingency funds and other income/expenses (+/-)	(15)	70
- taxes unpaid	4,011	4,089
- other adjustments (+/-)	–	–
2. Liquidity generated/absorbed by financial assets	126,036	65,136
- financial assets held for trading	–	–
- financial assets valued at fair value	–	–
- financial assets available for sale	782	(700)
- receivables from banks at sight	12,120	60,751
- other receivables from banks	147,332	–
- receivables from customers	(31,521)	3,857
- other assets	(2,677)	1,228
3. Liquidity generated/absorbed by financial liabilities	(126,524)	(69,486)
- payables to banks at sight	8,920	–
- other payables to banks	(87,729)	872
- payables to customers	(56,768)	(76,016)
- outstanding securities	1,044	8,001
- financial liabilities from trading	–	–
- financial liabilities at fair value	–	–
- other liabilities	8,009	(2,343)
Net liquidity generated/absorbed by operations A (+/-)	**12,958**	**9,384**
B. INVESTMENT ACTIVITIES		
1. Liquidity generated by:	50	49
- sale of equity investments	–	–
- dividends collected on equity investments	–	–
- sale of financial assets held to maturity	–	–
- sale of tangible assets	50	49
- sale of intangible assets	–	–
- sale of branches of the company	–	–
2. Liquidity absorbed by:	(2,774)	(3,815)
- purchase of equity investments	–	–
- purchase of financial assets held to maturity	–	–
- purchase of tangible assets	(2,434)	(3,640)
- purchase of intangible assets	(340)	(175)
- Purchase of branches of the company	–	–
Net liquidity generated/absorbed by investment activities B (+/-)	**(2,724)**	**(3,766)**
C. FUNDING ACTIVITIES		
- issue/buyback of treasury shares	(4,929)	(932)
- issue/acquisitions of capital instruments	1,294	2,254
- distribution of dividends and similar	(6,590)	(6,933)
Net liquidity generated/absorbed by funding activities C (+/-)	**(10,225)**	**(5,611)**

RECONCILIATION

CASH AND CASH EQUIVALENTS AT START OF ACCOUNTING YEAR E	**14**	**9**
NET LIQUIDITY GENERATED/ABSORBED DURING ACCOUNTING YEAR D	**9**	**7**
CASH AND CASH EQUIVALENTS: EXCHANGE RATE EFFECTS F		
CASH AND CASH EQUIVALENTS: AT CLOSE OF ACCOUNTING YEAR G=E+/-D+/-F	**23**	**16**

NOTES TO THE FINANCIAL STATEMENTS

EXPLANATORY NOTES

The explanatory notes are divided into the following parts:

Part A – Accounting policies

Part B – Information on the consolidated balance sheet

Part C – Information on the consolidated profit and loss account

Part D – Information on the sector

Part E – Information on risks and risk management

Part F – Information on consolidated capital

Part G – Integration operations with companies or branches

Part H – Operations with connected parties

Part A- ACCOUNTING POLICIES

A.1 – GENERAL PART

Section 1 –Statement of compliance with the International Accounting Standards

Banca IFIS Group's consolidated financial statements as at 30 June 2007 have been drawn up according to the Issuers' Regulations issued by Consob with resolution 11971/1999 and ensuing modifications.
In compliance with that laid down by article 81 of said regulations, Banca IFIS has prepared this Half Yearly report according to IAS 34 as far as concerns interim financial reports.

The consolidated financial statements as at 30 June 2007 have been drawn up according to the International Accounting Standards issued by the International Accounting Standards Board (IASB) and approved by the European Commission according to the provision in article 6 of the European Union Regulation no. 1606/2002, in force since 30 June 2007.

The consolidated Half Year report 2007 is subjected to limited auditing by the independent auditing company, KPMG S.p.A..

Section 2 - General standards used in drawing up financial statements

The consolidated Half Yearly report as at 30 June 2007 consists of the consolidated balance sheet and profit and loss account, the statement of changes in consolidated net equity, the consolidated financial account and all relative explanatory notes. In addition, it contains the Board of Directors' report on group management.
As laid down by IAS 34, the consolidated financial statements as at 30 June 2007 are compared, as far as concerns the balance sheet, with those of 31 December 2006 and, as regards the profit and loss account, with those of 30 June 2006.
Where not otherwise expressed, amounts in the consolidated balance sheet are expressed in thousands of Euro.
The frameworks used are those prepared by Bank of Italy's circular guidelines 262 of 22 December 2005; The explanatory notes show the most significant tables set forth by this circular.
The adoption of the International Accounting Standards was carried out referring to IASB's "Framework for the preparation and presentation of the financial statements", with particular attention to the fundamental clauses regarding the importance of substance over legal form and the concept of the relevance and importance of information.
Offsetting between assets and liabilities and between costs and income has been effected only if required or permitted by the relative accounting standards or interpretation of such.

Section 3 - Consolidation area and method

The consolidated Half Yearly report has been compiled on the basis of the financial situation as at 30 June 2007, prepared by the Board members and the companies included in the consolidation area.
It includes the financial statements of the parent company Banca IFIS S.p.A, and its controlled companies - Immobiliare Marocco S.p.A., the instrumental real estate company, and IFIS Finance, the Polish factoring company that was purchased on 31 July 2006 -, all drawn up according to the line-by-line method of consolidation.
Here follows a summary of the main information on the financial situation of the subsidiaries:

	Site location	Net Equity as at 30/06/2007	Net Profit as at 30/06/2007	% of direct shareholding
Immobiliare Marocco S.p.A.	Venice- Mestre	1,052	(33)	100
IFIS Finance Sp.Z.o.o.	Warsaw	5,446	81	100

Where the assets and liabilities of a company are assumed, the value of the shareholding consolidated

using the line-by-line method is eliminated against the corresponding part of the group's net equity.
The financial statements for the controlled companies expressed in foreign currencies are converted into Euro in asset and liability items according to the rate of exchange at the end of the period. In the profit and loss account, however, figures are converted according to the average exchange rate, which is considered as a valid approximation of the existing exchange rate. The consequent exchange differences deriving from the application of different exchange rates for the balance sheet and the profit and loss account, together with the exchange differences from the conversion of the net equity of the shareholdings, are booked in the net equity reserve.
Assets and liabilities, off balance sheet transactions, income and expenses, and the profit and loss between companies included in the consolidation area are all excluded.
For companies that are included for the first time in the consolidation area, the fair value of the cost incurred in obtaining control of such a shareholding is measured on the acquisition date. The acquisition cost is determined as the sum of:
- the fair value at the acquisition date of the assets ceded, the liabilities assumed and the net equity instruments issued by the purchaser in exchange for the control of the company acquired;
- any directly attributable costs.

During line-by-line consolidation, the acquisition cost is allocated to the different assets, liabilities and potentially identifiable liabilities acquired, modifying their value to adapt it to their fair value. Consequent positive differences are booked as goodwill under 'intangible assets', whereas negative differences are booked to the profit and loss account.

As far as concerns the controlled company, Immobiliare Marocco, the line-by-line consolidation process has brought about an increase in fixed assets of 7,854 thousand Euro. This increase is entered under item 120 'tangible assets'.
As far as concerns the controlled company, IFIS Finance Sp. Z.o.o., the line-by-line consolidation process has brought about goodwill for 905 thousand Euro, entered under item 130 'intangible assets'.

1. *Shareholdings in exclusively and jointly controlled companies (consolidated using the proportional method)*

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

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

Section 4 – Events subsequent to Half Year closing

No significant factors occurred between the end of the period and the drawing up of the first Half Yearly report other than those already included in this report. For information on such events, please refer to the Board of Directors' report on management of the group.

Section 5 – Other aspects

As laid down by IAS 1, paragraph 116 and IAS 8, paragraphs 28,29,30,31,39,40 and 49, no other aspects require mentioning herein.

A.2 – PART RELATIVE TO THE MAIN ITEMS OF THE FINANCIAL STATEMENT

Herein, the main accounting principles adopted in the drawing up of the consolidated Half Yearly report 2007, which are the same as those used in drawing up the annual report as at 31 December 2006, are shown.

1 – Financial assets held for trading

Classification criteria
Financial assets held for trading include financial instruments held with the intention of generating, in the short-term, profit from differences in their price.

Recognition Criteria
Debt and capital securities, together with contracts held for trading purposes are classified in this category. Initial entry is at the instrument's fair value, not considering the attributable costs and income from this instrument that are entered in the profit and loss account.

Valuation criteria
Subsequent to initial entry, financial assets held for trading purposes are valued at fair value. To determine the fair value of such instruments listed in an active market, market quotations are used (demand - supply prices or average prices). Capital instruments not listed in an active market and for which fair value cannot be reliably determined, are valued, instead, at cost.

Derecognition criteria
Financial assets held for trading are derecognised the moment in which all the financial asset's risks and rewards 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 the moment of transfer. Where it is not possible to ascertain the substantial transfer of the risks and benefits, financial assets are only eliminated if all control of the asset has been transferred. If, instead, some control has been maintained, the financial assets are booked proportionally to the entity's continuing involvement in the asset, measured by exposure to changes in value in the transferred assets and by variations in the cash flows from the same.
Lastly, as far as concerns the transfer of rights to collect on the financial asset, the financial assets are eliminated from the balance sheet even if contractual rights to receive financial flows are maintained, but an obligation to pay such flows to one or more companies is taken on.

2 - Financial assets available for sale

Classification criteria
These are financial assets which are not classified as loans and receivables, held-to-maturity investments, or financial assets held for trading. 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 and shares.

Recognition criteria
Financial investments available for sale are initially entered at fair value, which corresponds to the cost of the transaction including expenses.
For interest bearing instruments, interest is entered at amortised cost, using the effective interest method.

Valuation criteria
Subsequent to their initial entry, these investments are valued at fair value at the closure of the reference period. Their fair value is determined using the same criteria as that concerning financial assets held for trading. The profit and loss resulting from the fair value variations is 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.
In cases of securities, instead, if the reasons for having written them down no longer exist, the losses booked as a result of a reduction in the value are later recovered with effect on the profit and loss account.

Derecognition criteria
Financial assets held for trading are derecognised the moment in which all the financial asset's risks and rewards 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 the moment of transfer. Where it is not possible to ascertain the substantial transfer of the risks and benefits, financial assets are only eliminated if all 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, measured according to the exposure to changes in value in the transferred assets and by variations in the cash flows from the same.
Lastly, as far as concerns the transfer of rights to collect on the financial asset, the financial assets are eliminated from the balance sheet even if contractual rights to receive financial flows are maintained, but an obligation to pay such flows to one or more companies is taken on.

4 - Receivables

Classification criteria
Receivables are composed of loans to clients and banks, both issued directly or acquired by third parties, with fixed or determinable payment dates that are not traded in an active market.
Due from clients are almost entirely made up of advances at sight granted to clients during factoring operations against a recourse portfolio that remains in the assigning counterparty's balance sheet or against short-term credit acquired under non-recourse agreements, providing no contractual clauses that eliminate the presuppositions for their entry exist.

Recognition criteria
Receivables are initially entered at the date they are granted to the counterparty at their fair value, including any costs that are directly attributable to their acquisition or determinable right from the beginning of the operation, even if liquidated at a later date. Costs that are to be reimbursed by the debtor counterparty or can be considered a normal internal administrative cost are excluded.

Valuation criteria
After initial entry, the receivables are valued at amortised cost which is equal to the entry value reduced/increased by capital reimbursements, value adjustments and depreciation - calculated using the effective interest method. The effective interest rate is calculated based on actualising the present value of expected cash flows for capital and interest of the amount granted, including any directly attributable costs/income. This method of accounting using financial logic allows the economic effect of the costs/income to be distributed over the residual life of the loan. Such calculations are not applied for short-term loans, as the effect of actualisation future cash flows would be insignificant. These are valued at their historical cost. An analogous criterion is adopted for loans without a fixed due date or for revocable loans.

At the closure of every financial period, a recognition operation is effected in order to determine any loans that, due to events subsequent to their initial entry, show signs of a possible decline in value. In adherence to both Bank of Italy's regulations and IAS standards, bad debts, difficult loans, rescheduled loans or those past-due according to Bank of Italy's rules all fall into this category.

Specifically, bad debts on loans are subjected to an analytical valuation and the total amount of the value adjustment write-down on each loan is equal to the difference between the balance sheet value at the moment of valuation (amortised cost) and the present value of expected future cash flows, calculated using the effective interest method at the moment in which the loan became a bad debt. Expected future cash

flows are calculated taking into account hypothetical recovery times based on past history and other significant characteristics, the probable realisation value of any possible guarantees, together with any costs that are expected to be incurred in recovering this bad debt. Each subsequent change in the amount or due dates of expected cash flows causing a negative variation compared to initial estimates, results in a write-down of the receivables in the profit and loss account.
If the quality of a written-down 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 that would have occurred in the absence of the previous write-downs.

Difficult loans are mainly valued in a collective manner based on past-history/statistics, or analytically if particular elements render it advisable.

Rescheduled loans, represented by loans to counterparties with whom special agreements have been reached providing moratorium on payments and temporary renegotiation of terms and conditions at interest rates lower than market rates, are valued collectively, or, where particular elements render it advisable, analytically.

Past-due loans, as defined by the Bank of Italy, are valued collectively on a past history /statistical basis.

Receivables from loans for which no singular evidence of possible loss has been individuated, are subjected to collective valuation. Such valuation takes place according to categories of loans considered homogeneous in terms of credit risk and the relative percentage of expected loss. Expected loss takes into account past history and any significant elements existing at the time of valuation that permit the calculation of the value of latent losses for each category.

Derecognition criteria
The entire elimination of a receivable is effected when it is considered unrecoverable or liquidated in its entirety. Cancellations are booked directly to value adjustments 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.

Transferred 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 the moment of transfer. 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, some control has been maintained, the financial assets are booked proportionally to the entity's continuing involvement in the asset.

Lastly, as far as concerns the transfer of rights to collect on the financial asset, the financial assets are eliminated from the balance sheet even if contractual rights to receive financial flows are maintained, but an obligation to pay such flows to one or more companies is taken on.

In reference to the revolving reassignment of performing receivables due from assigned debtors, due to 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.

8 – Tangible assets

Classification criteria

This item includes tangible assets that are for functional use and those held for investment purposes, as well as financially leased assets. 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. Buildings of functional use include all buildings owned or leased for company use and which are expected to be used for more than one fiscal year.

Tangible assets for functional use include:
• land;
• buildings;
• furniture and accessories;
• electronic office machines;
• various machines and equipment;
• vehicles;
• improvements on third party property.

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 in the role of lessee for leasing contracts. Leasing contracts are those that substantially transfer all the risks and rewards deriving from ownership of an asset to the lessee.
Improvements on third party property are improvements and expenses relative to identifiable and separable tangible assets. Normally, this kind of investment is sustained in order to make a property, rented out by third parties, suitable for use.

Recognition criteria

Tangible assets are initially entered at cost, including all directly attributable costs connected to the acquisition or to the functioning of this asset. 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.

Valuation criteria

Tangible assets, including property possessed as investments, are valued at cost, net of any depreciation or losses in value.
Fixed assets with a finite useful life are systematically depreciated at constant rates during their useful life.
Fixed assets with an infinite useful life, whose residual value is equal to or more than their book value, are not depreciated.
Land is treated separately, where both acquired singularly and where part of the value of a property, as it is normally characterized by an infinite useful life. Where the value of land is included in the value of a property, the two are considered separately. The separate value of the land and the building are calculated by an independent expert in this field and only for units possessed ‘from the ground to the roof’.
The useful life of 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 previous years.

Derecognition criteria

A tangible asset is eliminated from the balance sheet when it is sold or when no future economic gains are forecast from its use or its disposal.

9 – Intangible assets

Classification criteria
Intangible assets are non-monetary assets, identifiable even if not of a physical nature, that satisfy the characteristics of identification, control of the resource and the existence of future financial benefits. Intangible assets also include goodwill and software purchased externally.

Recognition criteria
Intangible assets are entered in the balance sheet at cost, i.e. the purchase price and any direct cost incurred in preparing the asset for use.
Goodwill is represented by the positive difference between the acquisition cost and the fair value of the purchased company's assets and liabilities and when such positive difference shows the capacity to give further return on the investment.

Valuation criteria
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 the 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 in the profit and loss account.
If the value of an intangible asset, previously written-down, is recovered, excluding goodwill, 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.
Goodwill is entered in the balance sheet at cost, net of any eventual accumulated losses and is not subject to depreciation. This goodwill is annually subjected to an impairment test, by comparing its book value to its recovery value. Any consequent decrease in value is booked to the profit and loss account and is not eliminated over the following years in cases in which a recovery in value occurs.

Derecognition criteria
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.

11 – Current and deferred tax assets

Classification criteria
Current and deferred taxes, calculated in compliance with national tax laws, are entered in the profit and loss account with the exception of items credited or debited directly to net equity.
Debit of current taxes is shown in the balance sheet net of relative prepaid taxes for the current accounting year.
Prepaid and deferred taxes are recorded as open balances without offsetting compensations and are included in the item 'tax assets' and 'tax liabilities' respectively.

Recognition and valuation criteria
Prepaid and deferred tax are calculated according to the temporary differences – without timing limits – between the value attributed to the asset or liability according to statutory criteria and the corresponding fiscal value. This is achieved applying the tax rates expected to be applicable in the accounting year in which the fiscal asset will be realised, or the fiscal liability will be settled, according to theoretical fiscal laws in force on the realisation date.
Prepaid tax assets are entered in the balance sheet according to the probability of their recovery, calculated on the basis of the company's (or, due to fiscal consolidation, the parent company's) ability to continue to generate positive taxable income.
Deferred tax liabilities are entered in the balance sheet with all the taxable temporary timing differences, with the only exception of large asset amounts awaiting taxation represented by shareholdings and reserves.

12 – Risk and contingency fund

These funds consist of liabilities arising when:
- a legal or implicit obligation exists as a result of a past event;
- it is probable that it will be necessary to spend resources to produce financial benefits to settle the obligation;
- a reliable estimation of the amount of the obligations can be produced.

If not all these conditions are satisfied, no liability is shown.

13 – Payables and outstanding securities

Classification criteria
Due to banks, due to clients and outstanding securities cover the various forms of Group funding. Funding effected through outstanding obligation bonds is net of any buybacks.
In addition, payables entered by the lessee in financial leasing operations are also included.

Recognition criteria
Due to banks, due to clients and outstanding securities are initially entered at their fair value, which corresponds to the received payment, net of transaction costs directly attributable to the financial liability.

Valuation criteria
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 treasury 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, 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 is attributed to net equity.
The financial liability is entered net of directly attributable transaction costs and later measured at amortised cost using the effective interest method.

Derecognition criteria
Financial liabilities are derecognized when they expire or are settled. The difference between the book value and the acquisition cost is entered in the profit and loss account. Such derecognition also applies to buybacks of own securities even though such securities are destined for future sale. Profit and loss from such operations are posted to the profit and loss account where the buyback price is superior or inferior to the book value.
Subsequent sales of own bonds on the market are considered as issue of a new debt.

16 – Currency operations

Initial recognition
Transactions made in foreign currency are entered in Euro, applying the exchange rate applicable at the time of entry.

Subsequent entry
At the closure of every period, balance sheet amounts in foreign currency are converted into Euro using the exchange rate at the closure date.
Non-monetary assets and liabilities booked at historical cost are converted according to the historical exchange rate, while those valued at fair value are converted using the end of period exchange rate. Any

exchange differences occurring as a result of settling monetary elements or converting these elements at exchange rates different from those of initial entry or previous balance sheet values, are shown in the profit and loss account of the period in which such differences arose.

18 – Other information

Retirement/severance allowance (TFR)

Applying IAS 19 “employee benefits” and up to 31 December 2006, the so-called ‘TFR’ retirement and severance allowance was considered a post-employment benefit classified as a defined benefit plan. This indemnity had to be entered in the balance sheet for an amount calculated using the projected unit credit method actuarial technique.

Following the coming into force of the Financial Law 2007, which brought the reform regarding complementary pension plans - as per the Lgs. Decree 252 of 5 December 2005 - forward to 1 January 2007, the employee was given a choice as to whether to allocate the retirement /severance allowance maturing as from 1 January 2007 to alternative pension funds or to maintain these amounts in the company. In the latter case, the funds are transferred by the company to a specific fund managed by Social Security.

This reform has lead to changes in terms of the accounting of such fund, both in terms of the amounts accumulated up to 31 December 2006 and in terms of that accumulating as from 1 January 2007. Specifically:

- amounts accumulating as from 1 January 2007 constitute a defined contribution plan, both where the employee has chosen to allocate these funds to a complementary fund and where he/she has decided to allocate them to a treasury fund care of Social Security. The amounts accumulated must be calculated according to contributions due and not actuarially;
- amounts accumulated up to 31 December 2006 continue to be considered as a defined benefit plan and as such are calculated using actuarial techniques. However, in comparison to calculation methods applied before 31 December 2006, methods used following 31 December 2007 do not involve proportionally attributing the benefit to the length of service, as the employee’s service is considered performed in its entirety due to the accounting modification to amounts maturing as from 1 January 2007.

As a result of applying these new norms, the retirement/severance fund as at 31 December 2006 has been recalculated according to the new actuarial techniques. The difference deriving from this recalculation constitutes a reduction in the defined benefit plan and the calculated profit or loss (including the actuarial components previously not calculated due to applying the corridor method) are booked to the profit and loss account as per IAS 19.

Stock Options

As remuneration of employee performance, employees are given shares representing the parent company capital that consist of assigning rights to subscribe paid increases in capital.

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 the entry of an equity reserve.

Treasury shares

According to the norms in force in Italy, in order to buy back treasury shares it is necessary to obtain authority from the Shareholders and also to set up a correspondent net equity reserve. Treasury shares in the portfolio are deducted from net equity at the cost calculated using the FIFO method. Differences between the purchase price and the selling price deriving from trading activities effected during the accounting period are entered in the net equity reserves.

Recognition of income

Income from management and guarantee services on the receivables purchased through its factoring activity are posted according to duration.

Part B – INFORMATION ON THE CONSOLIDATED BALANCE SHEET

ASSETS

Section 1 – Cash and cash equivalents – item 10

1.1 Cash and cash equivalents: composition

Type/Values	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 31/12/2006**
a) Cash	23	---	---	23	14
b) Demand deposits at central banks	---	---	---	---	---
Total	**23**	**---**	**---**	**23**	**14**

Section 4 – Financial assets available for sale – item 40

4.1 Financial assets available for sale: breakdown

Type/Values	Banking group		Insurance companies		Other companies		**Total 30/06/2007**		**Total 31/12/2006**	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
1. Debt securities	---	---	---	---	---	---	---	---	282	---
1.1 Structured	---	---	---	---	---	---	---	---	---	---
1.2 Others	---	---	---	---	---	---	---	---	*282*	---
2. Capital securities	3,140	1,116	---	---	---	---	3,140	1,116	4,890	1,116
2.1 At fair value	*3,140*	*1,116*	---	---	---	---	*3,140*	*1,116*	*4,890*	*1,116*
2.2 At cost	---	---	---	---	---	---	---	---	---	---
3. O.I.C.R. quotas	---	---	---	---	---	---	---	---	---	---
4. Financing	---	---	---	---	---	---	---	---	---	---
5. Impaired assets	---	---	---	---	---	---	---	---	---	---
6. Sold and not derecognised	---	---	---	---	---	---	---	---	---	---
Total	**3,140**	**1,116**	---	---	---	---	**3,140**	**1,116**	**5,172**	**1,116**

The listed capital securities, valued at fair value, refer to shares attributed over the 2005 accounting year as a consideration for credit previously included under impaired assets.
The unlisted securities refer mainly to listed shares of Italian banks and to the purchase of a minority share in a company involved in the development of a new initiative in the photovoltaic energy sector.

4.2 Financial assets available for sale: breakdown by debtor/issuer

Type/Values	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 31/12/2006**
1. Debt Securities	---	---	---	--	**282**
a) Governments and Central banks	---	---	---	---	282
b) Other public entities	---	---	---	---	---
c) Banks	---	---	---	---	---
d) Other issuers	---	---	---	---	---
2. Capital Securities	**4,256**	---	---	**4,256**	**6,006**
a) Banks	414	---	---	414	414
b) Other issuers	3,842	---	---	3,842	5,592
- insurance companies	---	---	---	---	---
- financial institutions	2	---	---	2	2
- non financial institutions	3,840	---	---	3,840	5,590
- others	---	---	---	---	---
3. OICR quotas	---	---	---	---	---
4. Financing	---	---	---	---	---
a) Governments/Central banks	---	---	---	---	---
b) Other public entities	---	---	---	---	---
c) Banks	---	---	---	---	---
d) Other subjects	---	---	---	---	---
5. Impaired assets	---	---	---	---	---
a) Governments/Central banks	---	---	---	---	---
b) Other public entities	---	---	---	---	---
c) Banks	---	---	---	---	---
d) Other subjects	---	---	---	---	---
6. Sold and not derecognised	---	---	---	---	---
a) Governments/Central banks	---	---	---	---	---
b) Other public entities	---	---	---	---	---
c) Banks	---	---	---	---	---
d) Other subjects	---	---	---	---	---
Total	**4,256**	---	---	**4,256**	**6,288**

4.5 Financial assets available for sale (different to those sold and not derecognised and those impaired). Annual variation

4.5.1. of banking group

	Debt Securities	Capital Securities	O.I.C.R. quotas	Financing	**Total**
A. Initial balances	**282**	**6,006**	**---**	**---**	**6,288**
B. Increases	**---**	**1,070**	**---**	**---**	**1,070**
B1. Acquisitions	---	---	---	---	---
B2. Positive variations in fair value	---	---	---	---	---
B3. Value recoveries	---	---	---	---	---
- booked to profit and loss account	---	X	---	---	---
- booked to balance sheet	---	---	---	---	---
B4. Transferred from other portfolios	---	---	---	---	---
B5. Other variations	---	1,070	---	---	1,070
C. Reductions	**(282)**	**(2,820)**	**---**	**---**	**(3,102)**
C1. Sales	---	(1,570)	---	---	(1,570)
C2. Redemptions	(282)	---	---	---	(282)
C3. Negative variations in fair value	---	(120)	---	---	(120)
C4. Value write-downs	---	---	---	---	---
- booked to profit and loss	---	---	---	---	---
- booked to balance sheet	---	---	---	---	---
C5. Transferred from other portfolios	---	---	---	---	---
C6. Other variations	---	(1,130)	---	---	(1,130)
D. Final balances	**---**	**4,256**	**---**	**---**	**4,256**

Sales refer to the selling of a part of the shares in portfolio. Profit from this sale, and entered in the profit and loss account under item 100 ‘profits (loss) from the sale or buyback of available for sale financial assets’, is entered amongst the increases under ‘other variations’.

The reversal of the relative valuation reserve to the profit and loss account, gross of tax and previously booked under the net equity items, is booked under reductions in ‘other variations’.

Section 6 – Due from banks – item 60

6.1 Due from banks: breakdown
6.1.1. of the banking group

Type /Values	**Total 30/06/2007**	**Total 31/12/2006**
A. Due from central banks	**1,127**	**908**
1. Fixed deposits	---	---
2. Compulsory reserve	1,127	908
3. Repurchase agreements	---	---
4. Others	---	---
B. Due from banks	**106,715**	**266,386**
1. Current accounts and demand deposits	23,273	40,393
2. Fixed deposits	15,942	368
3. Other financing:	67,500	225,625
3.1 Repurchase agreements	---	---
3.2 Financial leasing	---	---
3.3 Others	*67,500*	*225,625*
4. Debt securities	---	---
4.1 Structured securities	---	---
4.2 Others	---	---
5. Impaired assets/written-down receivables	---	---
6. Assets sold and not derecognised	---	---
Total (Balance Sheet Value)	**107,842**	**267,294**
Total (fair value)	**107,842**	**267,294**

Other financing refers to receivable *E-mid* deposits existent at 30 June 2007, traded on the interbanking market with the aim of investing temporary liquidity surpluses.
The fair value of due from banks proves aligned with the relative balance sheet value, when considering the fact that interbanking deposits are short or very short-term.

Section 7 – Due from clients – item 70

7.1 Due from clients: breakdown
7.1.1. of the banking group

Type /Values	Total 30/06/2007	Total 31/12/2006
1. Current accounts	41,032	30,106
2. Repurchase agreements	---	---
3. Loans	2,487	2,486
4. Credit cards, personal loans and loans on wages	---	---
5. Financial leasing	---	---
6. Factoring	680,845	650,612
7. Other operations	13,658	11,650
8. Debt securities	---	---
8.1 Structured	---	---
8.2 Other	---	---
9. Impaired/written-down receivables	76,013	88,123
10.Assets sold and not derecognised	---	---
Total (Balance sheet value)	**814,035**	**782,977**
Total (fair value)	**814,035**	**782,977**

Impaired/written-down receivables include 67,361 thousand Euro of net past-due receivables calculated according to the Bank of Italy. Given the reliability of the debtor and the quality of the credit, no value adjustments were considered necessary.

7.2 Due from clients, breakdown by debtor/issuer
7.2.1. of the banking group

Type/Values	Total 30/06/2007	Total 31/12/2006
1. Debt securities:	---	---
a) Governments	---	---
b) Other public entities	---	---
c) Other issuers	---	---
- Non financial institutions	---	---
- Financial institutions	---	---
- Insurance companies	---	---
- others	---	---
2. Financing with:	**738,022**	**694,854**
a) Governments	12,378	3,289
b) Other public entities	103,210	131,913
c) Other subjects	622,434	559,652
- Non financial institutions	*608,719*	*555,224*
- Financial institutions	*10,642*	*1,086*
- Insurance companies	---	---
- others	*3,073*	*3,342*
3. Impaired assets/written-down receivables:	**76,013**	**88,123**
a) Governments	32,989	48,712
b) Other public entities	28,386	19,827
c) Other subjects	14,638	19,584
- Non financial institutions	*14,313*	*19,584*
- Financial institutions	---	---
- Insurance companies	---	---
- others	*325*	---
4. Assets sold but not derecognised:	---	---
a) Governments	---	---
b) Other public entities	---	---
c) Other subjects	---	---
- Non financial institutions	---	---
- Financial institutions	---	---
- Insurance companies	---	---
- others	---	---
Total	**814,035**	**782,977**

Impaired assets/written-down receivables due from governments and other public entities, equal to 62,334 thousand Euro as at 30 June 2007 and 68,539 thousand Euro as at 31 December 2006, refer to past-due receivables from the Public Administration from full definitive purchase factoring operations. Given the reliability of the debtor and the quality of credit, no value adjustments were considered necessary.

Section 12 – Tangible assets – item 120

12.1 Tangible assets: breakdown of assets valued at cost

Assets/Values	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 31/12/2006**
A. Assets for functional use					
1.1 Owned	**27,836**	---	---	**27,836**	**25,974**
a) land	6,106	---	---	6,106	6,106
b) buildings	18,917	---	---	18,917	17,196
c) furnishings	1,281	---	---	1,281	1,272
d) electronic systems	390	---	---	390	338
e) others	1,142	---	---	1,142	1,062
1.2 Acquired in financial leasing	**2,583**	---	---	**2,583**	**2,618**
a) land	632	---	---	632	632
b) buildings	1,951	---	---	1,951	1,986
c) furnishings	---	---	---	---	---
d) electronic systems	---	---	---	---	---
e) others	---	---	---	---	---
Total A	**30,419**	---	---	**30,419**	**28,592**
B. Investment Assets		---	---		
2.1 Owned	344	---	---	344	344
a) land	---	---	---	---	---
b) buildings	344	---	---	344	344
2.2 Acquired in financial leasing	**388**	---	---	**388**	**388**
a) land	---	---	---	---	---
b) buildings	388	---	---	388	388
Total B	**732**	---	---	**732**	**732**
Total (A + B)	**31,151**	---	---	**31,151**	**29,324**

The property included in consolidated assets under tangible fixed assets for functional use includes: the representative office site in Bucharest; the property that was restructured in 1999, occupied in 2001 and housed Banca IFIS's management up until December 2005, sublet to the controlling company La Scogliera S.p.A. since 2006; and the important historical property ' Villa Marocco' for which a renovation and expansion project has been created and approved by the Monuments Office for the region, completion of which is expected between the third and fourth Quarter of 2007. The building, which partly became the new Banca IFIS Head Office in 2005, is not depreciated as, thanks to its remarkable characteristics, its estimated residual value at the end of its useful life is expected to be higher than its book value. The final value of the property has been confirmed by professionals in valuing such buildings taking into account the estimation of presumed costs for the conclusion of the restructuring, expected by the end of 2007.
The property included in consolidated assets under tangible fixed assets held for investment purposes includes a management office in Padua and another building of residual value.

12.3 Tangible assets for functional use: annual variation
12.3.1. belonging to the banking group

	Land	Buildings	Furnishings	Electronic systems	Other	**Total**
A. Gross initial balances	**6,738**	**19,591**	**1,998**	**1,247**	**1,777**	**31,351**
A.1 Total net reduction in values	---	(409)	(726)	(909)	(715)	(2,759)
A.2 Net initial balances	**6,738**	**19,182**	**1,272**	**338**	**1,062**	**28,592**
B. Increases	**---**	**1,721**	**205**	**176**	**333**	**2,435**
B.1 Acquisitions	---	---	205	176	307	688
B.2 Capitalised improvement expenses	---	1,721	---	---	26	1,747
B.3 Value recoveries/write-backs	---	---	---	---	---	---
B.4 Positive variation in fair value booked to:	---	---	---	---	---	---
a) balance sheet	---	---	---	---	---	---
b) profit and loss account	---	---	---	---	---	---
B.5 Positive difference in exchanges	---	---	---	---	---	---
B.6 Transfer from held for investment property	---	---	---	---	---	---
B.7 Other variations	---	---	---	---	---	---
C. Reductions	**---**	**(35)**	**(196)**	**(124)**	**(253)**	**(608)**
C.1 Sales	---	---	(2)	(2)	(74)	(78)
C.2 Depreciations/amortisation	---	(35)	(194)	(122)	(179)	(530)
C.3 Value adjustment write-downs booked to:	---	---	---	---	---	---
a) balance sheet	---	---	---	---	---	---
b) profit and loss account	---	---	---	---	---	---
C.4 Negative variations in fair value booked to:	---	---	---	---	---	---
a) balance sheet	---	---	---	---	---	---
b) profit and loss account	---	---	---	---	---	---
C.5 Negative differences in exchanges	---	---	---	---	---	---
C.6 Transfer to:	---	---	---	---	---	---
a) tangible assets held for investment purposes	---	---	---	---	---	---
b) assets under disposal	---	---	---	---	---	---
C.7 Other variations	---	---	---	---	---	---
D. Net final balances	**6,738**	**20,868**	**1,281**	**390**	**1,142**	**30,419**
D.1 Total net reductions in values	---	(444)	(909)	(1,023)	(802)	(3,178)
D.2 Gross final balances	**6,738**	**21,312**	**2,190**	**1,413**	**1,944**	**33,597**
E. Values at cost	---	---	---	---	---	---

The tangible assets for functional use are valued at cost and depreciated at constant rates throughout their useful life, with the exclusion of land with an indefinite useful life and the property Villa Marocco whose residual value at the end of its useful life is expected to be higher than its book value.

12.4 Tangible investment assets: annual variation

	Banking group		Insurance companies		Others		**Total**	
	land	buildings	land	buildings	land	buildings	land	buildings
A. Gross initial balances	---	**863**	---	---	---	---	---	**863**
A.1 Total net reduction in values	---	(131)	---	---	---	---	---	(131)
A.2 **Net initial balances**	---	**732**	---	---	---	---	---	**732**
B. Increases	---	---	---	---	---	---	---	---
B.1 Acquisitions	---	---	---	---	---	---	---	---
B.2 Capitalised improvement expenses	---	---	---	---	---	---	---	---
B.3 Positive variation in fair value	---	---	---	---	---	---	---	---
B.4 Value recoveries/write-backs	---	---	---	---	---	---	---	---
B.5 Positive difference in exchanges	---	---	---	---	---	---	---	---
B.6 Transfer from property for functional use	---	---	---	---	---	---	---	---
B.7 Other variations	---	---	---	---	---	---	---	---
C. Reductions	---	---	---	---	---	---	---	---
C.1 Sales	---	---	---	---	---	---	---	---
C.2 Depreciations	---	---	---	---	---	---	---	---
C.3 Negative variations in fair value	---	---	---	---	---	---	---	---
C.4 Value adjustments write-downs	---	---	---	---	---	---	---	---
C.5 Negative differences in exchanges	---	---	---	---	---	---	---	---
C.6 Transfer to other asset portfolios:	---	---	---	---	---	---	---	---
a) assets for functional use	---	---	---	---	---	---	---	---
b) non current assets under disposal	---	---	---	---	---	---	---	---
C.7 Other variations	---	---	---	---	---	---	---	---
D. Net final balances	---	**732**	---	---	---			**732**
D.1 Total net reductions in value	---	(131)	---	---	---	---	---	(131)
D.2 Gross final balances	---	**863**	---	---	---	---	---	**863**
E. Valuation at fair value	---	732	---	---	---	---	---	732

Buildings held for investment purposes are valued at cost.

Section 13 – Intangible assets – item 130

13.1 Intangible assets: breakdown by asset type

Asset/Values	Banking group		Insurance companies		Other companies		**Total 30/06/2007**		**Total 31/12/2006**	
	Limited duration	Unlimited duration	Limited duration	Unlimited duration	Limited duration	Unlimited duration	Limited duration	Unlimited duration	Limited duration	Unlimited duration
A.1 Goodwill:	X	**905**	X	---	X	---	X	**905**	X	**893**
A.1.1 of the group	X	905	X	---	X	---	X	905	X	**893**
A.1.2 of third parties	X	---	X	---	X	---	X	---	X	---
A.2 Other intangible assets	**958**	**---**	---	---	---	---	**958**	**---**	**814**	**---**
A.2.1 Assets valued at cost:	958	---	---	---	---	---	958	---	814	---
a)Internally generated intangible assets	---	---	---	---	---	---	---	---	---	---
b)Other assets	*958*	---	---	---	---	---	*958*	---	*814*	---
A.2.2Assets valued at fair value:	---	---	---	---	---	---	---	---	---	---
a)Internally generated intangible assets	---	---	---	---	---	---	---	---	---	---
b)Other assets	---	---	---	---	---	---	---	---	---	---
Total	**958**	**905**	---	---	---	---	**958**	**905**	**814**	**893**

Goodwill, equal to 905 thousand Euro, comes from the line-by-line consolidation process of the controlled company IFIS Finance Sp. Z.o.o., purchased on 31 July 2006.
Other intangible assets refer to the reinforcement of IT support for 958 thousand Euro and are depreciated at constant rates over the estimated useful life, which is 5 years from their entry into use.

13.2. Intangible assets: annual variation
13.2.1. belonging to the banking group

	Goodwill	Other intangible assets: generated internally		Other intangible assets: other		**Total**
		Limited duration	Unlimited duration	Limited duration	Unlimited duration	
A. Initial balance	**893**	---	---	**814**	---	**1,707**
A.1 Total net reductions in values	---	---	---	---	---	---
A.2 **Net initial balance**	**893**	---	---	**814**	---	**1,707**
B. Increases	**12**	---	---	**328**	---	**340**
B.1 Acquisitions	---	---	---	328	---	328
B.2 Increases in internal intangible assets	---	---	---	---	---	---
B.3 Value recoveries/write-backs	---	---	---	---	---	---
B.4 Positive variation in fair value	---	---	---	---	---	---
- to balance sheet	---	---	---	---	---	---
- to profit and loss account	---	---	---	---	---	---
B.5 Positive exchange differences	12	---	---	---	---	12
B.6 Other variations	---	---	---	---	---	---
C. Reductions	---	---	---	**(184)**	---	**(184)**
C.1 Sales	---	---	---	---	---	---
C.2 Value adjustments:	---	---	---	(184)	---	(184)
- Depreciation	---	---	---	(184)	---	(184)
- Write-downs	---	---	---	---	---	---
+ balance sheet	---	---	---	---	---	---
+ profit and loss account	---	---	---	---	---	---
C.3 Negative variations in fair value	---	---	---	---	---	---
- to balance sheet	---	---	---	---	---	---
- to profit and loss account	---	---	---	---	---	---
C.4 Transfer of non current assets under disposal	---	---	---	---	---	---
C.5 Negative differences in exchanges	---	---	---	---	---	---
C.6 Other variations	---	---	---	---	---	---
D. Net final balance	**905**	---	---	**958**	---	**1,863**
D.1 Total net value adjustments	---	---	---	---	---	---
E. Gross final balance	**905**	---	---	**958**	---	**1,863**
F. Valuation at cost	---	---	---	---	---	---

Acquisitions concerning other tangible assets refer to software for 271 thousand Euro and to the implementation of the Internal Rating System for 57 thousand Euro.

Section 14 – Tax assets and liabilities – item 140 of assets and 80 of liabilities

14.1 Tax assets for prepaid taxes: composition

The main areas of assets represented by prepaid taxes are set out below:

Prepaid tax assets	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 31/12/2006**
Due from clients	844	---	---	844	1,545
Outstanding securities	203	---	---	203	224
Share capital	116	---	---	116	139
Others	255	---	---	255	498
Total	**1,418**	---	---	**1,418**	**2,406**

Other assets represented by prepaid taxes refer to a fiscal benefit for 177 thousand Euro. This benefit relates to the devaluation, deductible over several accounting periods, of the shareholding in the controlled instrumental subsidiary, Immobiliare Marocco S.p.A., previously carried out by Banca IFIS so as to benefit from the fiscal benefits entailed. The controlling company did not consider it necessary to enter deferred taxes on the differences between the recognised fiscal value of this shareholding and its statutory 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 used as the new Banca IFIS Headquarters as from December 2005.

14.2 Deferred tax liabilities: composition

The main areas of deferred tax liabilities are shown below:

Deferred tax liabilities	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 31/12/2006**
Tangible assets	2,171	---	---	2,171	1,625
Due from clients	286	---	---	286	286
Available for sale securities	158	---	---	158	224
Others	106	---	---	106	9
Total	**2,721**	---	---	**2,721**	**2,144**

14.3 Variations in prepaid taxes (as a counter-entry of the profit and loss account)

	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 31/12/2006**
1. Initial balance	**2,267**	**---**	**---**	**2,267**	**3,349**
2. Increases	164	---	---	164	22
2.1 Prepaid taxes relative to current period	164	---	---	164	*15*
a) relative to previous periods	*159*	---	---	*159*	---
b) due to changeover of accounting standards	---	---	---	---	---
c) value recoveries/write-backs	---	---	---	---	---
d) others	---	---	---	---	*15*
2.2 New taxes or increases in tax rates	---	---	---	---	---
2.3 Other increases	*5*	---	---	*5*	*7*
3. Reductions	**(1,129)**	---	---	**(1,129)**	**(1,104)**
3.1 Prepaid taxes cancelled over period	(1,129)	---	---	(1,129)	(1,104)
a) reversals	*(1,129)*	---	---	*(1,129)*	*(981)*
b) write-downs for irrecoverability	---	---	---	---	*(123)*
c) due to changeover of accounting standards	---	---	---	---	---
3.2 Reductions in tax rates	---	---	---	---	---
3.3 Other reductions	---	---	---	---	---
4. Final balance	**1,302**	**---**	**---**	**1,302**	**2,267**

14.4 Variations in deferred taxes (as a counter-entry of the profit and loss account)

	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 31/12/2006**
1. Initial balance	**1,920**	**---**	**---**	**1,920**	**1,256**
2. Increases	**643**	**---**	**---**	**643**	**664**
2.1 Deferred taxes recognised for the period:	643	---	---	643	663
a) relative to previous periods	---	---	---	---	---
b) due to change in accounting standards					
c) others	---	---	---	---	---
2.2 New taxes or increases in tax rates	643	---	---	643	663
2.3 Other increases	---	---	---	---	---
	---	---	---	---	1
		---	---		
3. Reductions	**---**	**---**	**---**	**---**	**---**
3.1 Deferred taxes cancelled during period	---	---	---	---	---
a) reversals	---	---	---	---	---
b) due to change in accounting standards	---	---	---	---	---
c) others	---	---	---	---	---
3.2 Reductions in tax rates	---	---	---	---	---
3.3 Other reductions	---	---	---	---	---
4. Final balance	**2,563**	**---**	**---**	**2,563**	**1,920**

14.5 Variations of prepaid taxes (as a counter-entry of the balance sheet)

	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 31/12/2006**
1. Initial balance	**139**	**---**	**---**	**139**	**188**
2. Increases	**---**	**---**	**---**	**---**	**---**
2.1 Prepaid taxes recognised for the period	---	---	---	---	---
a) relative to previous periods	---	---	---	---	---
b) due to change in accounting standards	---	---	---	---	---
c) others	---	---	---	---	---
2.2 New taxes or increases in tax rates	---	---	---	---	---
2.3 Other increases	---	---	---	---	---
3. Reductions	***(23)***	---	---	***(23)***	**(49)**
3.1 Prepaid taxes cancelled over the period	*(23)*	---	---	*(23)*	---
a) reversals	*(23)*	---	---	*(23)*	---
b) write-downs due to irrecoverability					
c) due to change in accounting standards	---	---	---	---	---
3.2 Reductions in tax rates	---	---	---	---	---
3.3 Other reductions	---	---	---	---	---
	---	---	---	---	*(49)*
4. Final balance	**116**	**---**	**---**	**116**	**139**

14.6 Variations of deferred taxes (as a counter-entry of the balance sheet)

	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 31/12/2006**
1. Initial balance	**224**	**---**	**---**	**224**	**172**
2. Increases	**0**	---	---	**0**	**52**
2.1 Deferred taxes recognised for period	---	---	---	---	52
a) relative to previous periods	---	---	---	---	---
b) due to the change in accounting standards	---	---	---	---	---
c) others	---	---	---	---	52
2.2 New taxes or increases in tax rates	---	---	---	---	---
2.3 Other increases	---	---	---	---	---
3. Reductions	**---**	**---**	**---**	**---**	**---**
3.1 Deferred taxes cancelled over period	---	---	---	---	---
a) Reversals	*66*	---	---	*66*	---
b) write-downs due to irrecoverability					
c) due to the change in accounting standards	---	---	---	---	---
3.2 Reductions in tax rates	---	---	---	---	---
3.3 Other reductions	---	---	---	---	---
	---	---	---	---	---
4. Final balance	**158**	**---**	**---**	**158**	**224**

Section 16 – Other assets - item 160

16.1 Other assets: composition

Type /Values	**Total 30/06/2007**	**Total 31/12/2006**
a) Prepayments and accrued income	596	387
b) Credit with the Tax office	787	1.223
c) Debtors for invoices	148	201
d) Guarantee deposits	128	107
e) Others	1,057	695
Total	**2,715**	**2,613**

‘Others’ includes Immobiliare Marocco’s credit due from La Scogliera S.p.A. for 556 thousand Euro, from the application of Group taxation (fiscal consolidation) as per articles 117 and the ensuing modifications of the Italian D.P.R. 917/86.

LIABILITIES

Section 1 – Due to banks – item 10

1.1 Due to banks: breakdown

Type /Group components	Banking group	Insurance companies	Other companies	**Total 30/06/07**	**Total 31/12/06**
1. Due to central banks	---	---	---	---	---
2. Due to banks	**757,597**	---	---	**757,597**	**836,393**
2.1 Current accounts and demand deposits	17,321	---	---	17,321	8,401
2.2 Fixed deposits	---	---	---	---	64,900
2.3 Financing	740,276	---	---	740,276	763,092
2.3.1 Financial leasing	708	---	---	708	789
2.3.2 Others	739,568	---	---	739,568	762,303
2.4 Payables from buyback commitments on own equity instruments	---	---	---	---	---
2.5 Liabilities from sold assets not derecognized from balance sheet	---	---	---	---	---
2.5.1 Repurchase agreements	---	---	---	---	---
2.5.2 Others	---	---	---	---	---
2.6 Other payables	---	---	---	---	---
Total	**757,597**	---	---	**757,597**	**836,393**
Fair value	**757,597**	---	---	**757,597**	**836,393**

Other financing as at 30 June 2007 refers to 263,500 thousand Euro of payable E-mid deposits, to 121,387 thousand Euro of net funding from the reassignment of purchased accounts receivables portfolios and to 354,681 thousand Euro of other interbanking funding with a maximum duration of 18 months.

1.5 Payables for financial leasing

Due to banks for financial leasing refers to the payables arising from the application of the IAS 17 financial method to a building under leasing. This building, restructured in 1991, occupied in 2001 and housing Banca IFIS's management up until December 2005 was financially leased with an agreement drawn up 28 October 1999 with Leasing Roma. This contract foresees an overall payment equal to 2,061 thousand Euro plus VAT divided into 96 monthly fees, the first of which for 733 thousand Euro (entirely paid) and the following ones for 14 thousand Euro plus VAT, indexed to the three monthly Euribor. The duration of the financial leasing is eight years from the date the property was handed over (18/10/2001). The contract also states that at the end of the eighth year of the leasing, the lessee will have the right to purchase the property, provided that he has respected all the payments and consequential obligations of the contract, for the price of 201 thousand Euro plus VAT. Alternatively, the lessee, by means of written communication to the lessor at least three months before the expiry of the contract, will have the possibility to have the contract renewed with the conditions and terms set out in the new contract between the parties. If neither of these rights is exercised, the property must be returned to the lessor and, in cases of delay, the lessee must pay a penalty equal to the monthly fee for every month or fraction of month that passes.

Here follows the total amount of minimum future payments owed by Banca IFIS as at 30 June 2007, broken down by due date:

	Total 30/06/2007	
	Future leasing payments	Present value of future leasing payments
Up to a year	192	187
From one to five years	470	434
Over five years	---	---
Total	**662**	**621**

Section 2 – Due to clients – item 20

2.1 Due to clients: breakdown

Type / Group components	Banking group	Insurance companies	Other companies	**Total 30/06/07**	**Total 31/12/06**
1. Current accounts and demand deposits	**25,792**	---	---	**25,792**	**82,560**
2. Fixed deposits	---	---	---	---	---
3. Third party funds under management	---	---	---	---	---
4. Financing	---	---	---	---	---
4.1 Financial leasing	---	---	---	---	---
4.2 Other	---	---	---	---	---
5. Payables for buyback commitments on own equity instruments	---	---	---	---	---
6. Liabilities from sold assets not derecognised from the balance sheet	---	---	---	---	---
6.1 Repurchase agreements	---	---	---	---	---
6.2 Others	---	---	---	---	---
7. Other payables	---	---	---	---	---
Total	**25,792**	---	---	**25,792**	**82,560**
Fair value	**25,792**	---	---	**25,792**	**82,560**

Section 3 – Outstanding securities – item 30

3.1 Outstanding securities: breakdown

Type of securities / Values	Banking group		Insurance companies		Other companies		**Total 30/06/2007**		**Total 31/12/2006**	
	VB	FV	VB	FV	VB	FV	VB	FV	VB	FV
A. Listed securities	**43,737**	**43,737**	---	---	---	---	**43,737**	**43,737**	**42,693**	**43,032**
1. Bonds	43,737	43,737	---	---	---	---	43,737	43,737	42,693	43,032
- structured	43,737	43,737	---	---	---	---	43,737	43,737	42,693	43,032
- others	---	---	---	---	---	---	---	---	---	---
2. Other securities	---	---	---	---	---	---	---	---	---	---
- structured	---	---	---	---	---	---	---	---	---	---
- others	---	---	---	---	---	---	---	---	---	---
B. Unlisted securities	---	---	---	---	---	---	---	---	---	---
1. Bonds	---	---	---	---	---	---	---	---	---	---
- structured	---	---	---	---	---	---	---	---	---	---
- others	---	---	---	---	---	---	---	---	---	---
2. Other securities	---	---	---	---	---	---	---	---	---	---
- structured	---	---	---	---	---	---	---	---	---	---
- others	---	---	---	---	---	---	---	---	---	---
Total	**43,737**	**43,737**	---	---	---	---	**43,737**	**43,737**	**42,693**	**43,032**

KEY
VB=value of balance sheet
FV=fair value

Outstanding securities refer to the convertible bond loan 'Banca IFIS Convertible Bond Loan 2004-2009' net of any buybacks, which, in adherence to the IAS/IFRS standards, are treated as settlement of debt even though they are destined to be resold, which is treated as the issue of a new debt.

Section 8 – Tax liabilities – item 80

Please refer to section 14 under assets.

Section 10 – Other liabilities – item 100

10.1 Other liabilities: composition

Type /Values	Total 30/06/2007	Total 31/12/2006
a) Accrued expenses and deferred income	3,751	2,977
b) Sums available to clients	1,832	1,832
c) Payables to suppliers	1,915	2,723
d) Payables to the Tax Office and Social Security agencies	861	1,131
e) Payables to personnel	1,759	1,340
f) Other payables	16,884	8,793
Total	**27,004**	**18,796**

'Other payables' refer to 219 thousand Euro of payables to the controlling company La Scogliera S.p.A. following the application of group taxation (fiscal consolidation) under article 117 et seq of the D.P.R. 917/86 and represent Banca IFIS's current IRES payables for 2,719 thousand Euro net of 2,500 paid over the course of the year. The result in terms of taxable income takes into account offsetting for the tax loss of the controlling company as according to regulations and to specific agreements between companies of the group.

In addition, other payables refer to 15,668 thousand Euro of illiquid items due to clients but for which values have not yet reached maturity.

Section 11 – Retirement/severance allowance – item 110

11.1 Retirement/severance allowance: annual variation

	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 31/12/2006**
A. Initial balance	**1,433**	---	---	**1,433**	**1,307**
B. Increases	---	---	---	---	**218**
B.1 Allocations for the period	---	---	---	---	215
B.2 Other increases	---	---	---	---	3
C. Reductions	**(312)**	---	---	**(312)**	**(92)**
C.1 Allowances paid	(86)	---	---	(86)	(89)
C.2 Other decreases	(226)	---	---	(226)	(3)
D. Final balance	**1,121**	---	---	**1,121**	**1,433**
Total	**1,121**	---	---	**1,121**	**1,433**

Other decreases include Social Security costs for current employment for 40 thousand Euro; a 266 thousand Euro actuarial profit was registered. The positive effect of applying the reform regarding complementary pension funds as per Legislative Decree 252 of 5 December 2005 amounted to 220 thousand Euro.
The allowances paid represent the benefits paid to employees during the Half Year.

Section 12 – Risk and contingency funds – item 120

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 and Como Income Tax offices respectively. The first of these notices relates to the tax period 1 January 1997 – 30 June 1997 and the second to the following tax period.
  The first notice was contested by Intesa Lariana and the liquidator and taken to the Provincial Revenue Tribunal who, with judgement 57/10/03, entered 17 December 2003, rejected Intesa Lariana's and the liquidator's appeal. A further appeal was presented to the Regional Revenue Tribunal Milan 6 section 18, 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 regarding the second notice of assessment is conditioned by the result of the first case.

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

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

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

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

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

  - The bankruptcy trustee of a former assignor dating back to the September 2001, took 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 Euro.

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 and hence that it is unlikely that Banca IFIS should lose the case, as at 30 June 2007, the bank did not deem it necessary to set aside any provision for such an event. Banca IFIS does not however exclude the possibility that strategic convenience or financial opportunities will lead to the settling of the case out of court.

Section 15 – Group Equity – items 140,160,170,180,190,200 and 220

15.1 Composition of Equity

Type/Values	Total 30/06/2007	Total 31/12/2006
1. Capital	29,056	28,892
2. Share premiums	34,911	35,869
3. Reserves	38,857	28,377
4. (Treasury shares)	(8,656)	(3,727)
a) Parent company	*(8,656)*	*(3,727)*
b) Controlled companies	---	---
5. Valuation reserves	2,100	3,284
6. Capital instruments	611	611
7. Group profit(loss) for the period	8,246	15,012
Total	**105,125**	**108,318**

Any changes in capital and reserves over the year are shown below:

Type/Values	Capital	Share premiums	Reserves	Valuation reserve	Capital instruments
Initial balances	**28,892**	**35,869**	**28,377**	**3,284**	**611**
Variations	**164**	**(958)**	**10,480**	**(1,184)**	**0**
Exercising of stock options	164	1,042	---	---	---
Variations in reserves for future buybacks	---	(2,000)	2,000	---	---
Variations in fair value of AFS securities	---	---	---	(114)	---
Sale/redemption of AFS securities				(1,070)	
Profit allocation for 2006 accounting year	---	---	8,147	---	---
Other variations in reserves	---	---	333	---	---
Net profit	---	---	---	---	---
Final balances	**29,056**	**34,911**	**38,857**	**2,100**	**611**

15.2 Capital and treasury shares: composition

		30/06/2007	31/12/2006
190	Share capital	29,056	28,892
	Number of ordinary shares	29,055,962	28,892,362
	Nominal value of ordinary shares	1 Euro	1 Euro
200	Treasury shares	8,656	3,727
	Number of treasury shares	846,890	352,122

15.3 Capital – Number of parent company shares: annual variation

Type/Values	Ordinary	Others
A. Shares held at the beginning of the year	**28,540,240**	---
- fully paid up shares	28,892,362	---
- non fully paid up shares	---	---
A.1 Treasury shares (-)	(352,122)	---
A.2 Outstanding shares (initial balance)	**28,540,240**	---
B. Increases	**163,600**	---
B.1 New issue	163,600	---
- paid:	163,600	
- company integrations	---	---
- conversion of bonds	---	---
- exercise of warrants	---	---
- others	*163,600*	---
- free:	---	
- in favour of employees	---	---
- in favour of directors	---	---
- others	---	---
B.2 Sale of treasury shares	---	---
B.3 Other variations	---	---
C. Reductions	**494,768**	---
C.1 Annulments	---	---
C.2 Buybacks of treasury shares	494,768	---
C.3 Company sell-offs	---	---
C.4 Other variations	---	---
D. Outstanding shares – final balance	**28,209,072**	---
D.1 Treasury shares (+)	846,890	---
D.2 Shares held at the end of the year	29,055,962	---
- fully paid up	29,055,962	---
- not fully paid up	---	---

15.4 Capital: Other information

Share capital is composed of 29,055,962 ordinary shares at a nominal value of 1 Euro each, for which no rights, privileges or terms are foreseen, including those connected to dividend distribution and the paying off of capital.

The issue of new shares over the first Half 2007 is the consequence of the exercising of stock options making up the second plan, A2/D2, for 163,200 new shares of a nominal value of 1 Euro.

15.5 Profit reserves: other information

Item/Value	Total 30/06/2007
Legal reserve	3,572
Extraordinary reserve	28,071
Other reserves	(3,691)
Total profit reserves	**27,952**
Stock options reserve	905
Buyback reserve	8,656
Future buyback reserve	1,344
Total item 170 reserves	**38,857**

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 awaiting tax for 8,120 thousand Euro as a result of the EC framework for the 'single tax declaration form' 2007.

15.6 Valuation reserves: composition

Items/Type	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 31/12/2006**
1. Financial assets available for sale	2,100	---	---	2,100	**3,284**
2. Tangible assets	---	---	---	---	---
3. Intangible assets	---	---	---	---	---
4. Hedging of foreign investments	---	---	---	---	---
5. Hedging of financial flows	---	---	---	---	---
6. Exchange differences	---	---	---	---	---
7. Non current assets under disposal	---	---	---	---	---
8. Special revaluation obligations	---	---	---	---	---
Total	**2,100**	---	---	**2,100**	**3,284**

15.7 Valuation reserve: annual variation
15.7.1. of the banking group

Type/Values	Financial assets available for sale	Tangible assets	Intangible assets	Hedging of foreign investments	Hedging of financial flows	Exchange differences	Non current assets under disposal	Special revaluation laws
A. Initial balances	**3,284**	---	---	---	---	---	---	---
B. Increases	---	---	---	---	---	---	---	---
B1. Increases in fair value	---	---	---	---	---	---	---	---
B2. Other variations	---							
C. Reductions	(1,184)	---	---	---	---	---	---	---
C1. Reduction in fair value	(114)							
C2. Other variations	(1,070)	---	---	---	---	---	---	---
D. Final balance	**2,100**	---	---	---	---	---	---	---

Please refer to section 4.5 under assets.

15.8 Valuation reserves for financial assets available for sale: composition

Assets/Values	Banking group		Insurance companies		Other companies		**Total 30/06/2007**		**Total 31/12/2006**	
	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve	Positive Reserve	Negative Reserve
1. Debt security	---	---	---	---	---	---	---	---	---	---
2. Capital security	2,100	---	---	---	---	---	2,100	---	3,284	---
3. O.I.C.R. shares	---	---	---	---	---	---	---	---	---	---
4. Financing	---	---	---	---	---	---	---	---	---	---
Total	**2,100**	---	---	---	---	---	**2,100**	---	**3,284**	---

15.9 Valuation reserves for financial assets available for sale: annual variation
15.9.1 of the banking group

	Debt securities	Capital securities	O.I.C.R. quotas	Financing
1. Initial balances	---	**3,284**	---	---
2. Increases	---	---	---	---
2.1 Increases in fair value	---	---	---	---
2.2 Reversals from negative reserves to profit and loss account	---	---	---	---
- from write-downs	---	---	---	---
- from realisation	---	---	---	---
2.3 Other variations	---	---	---	---
3. Reductions	---	**1,184**	---	---
3.1 Decreases in fair value	---	114	---	---
3.2 Value adjustment write-downs	---	---	---	---
3.3 Reversals from positive reserves to profit and loss account	---	---	---	---
3.4 Other variations	---	1,070	---	---
4. Final balances	---	**2,100**	---	---

OTHER INFORMATION

1. Commitments and Guarantees

Operations/Type	Banking group	Insurance companies	Other companies	**Total 30/06/07**	**Total 31/12/06**
1) Financial guarantees					
a) Banks	---	---	---	---	---
b) Clients	2,512	---	---	2,512	2,958
2) Commercial guarantees					
a) Banks	---	---	---	---	---
b) Clients	---	---	---	---	---
3) Irrevocable commitment to issue funds					
a) Banks	662	---	---	662	758
i) Certain use	*662*	---	---	*662*	*758*
ii) Uncertain use	---	---	---		---
b) Clients	327,027	---	---	327,027	260,490
i) Certain use	---	---	---		---
ii) Uncertain use	*327,027*	---	---	*327,027*	*260,490*
4) Commitments underlying credit derivatives: Sale of protection	---	---	---	---	---
5) Assets used as collateral by third parties	---	---	---	---	---
6) Other commitments	---	---	---	---	---
Total	**330,201**	---	---	**330,201**	**264,206**

Financial guarantees refer 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 clients; these sureties are counter-guaranteed for 650 thousand Euro by deposits in fixed current accounts used as collateral. They also refer to 1,752 thousand Euro of sureties issued directly by Banca IFIS in favour of other companies.

Commitments to funds of uncertain use with clients include 326,231 thousand Euro of non-recourse credit approvals granted to clients.

Part C – INFORMATION ON THE CONSOLIDATED PROFIT AND LOSS ACCOUNT

Section 1 – Interest - item 10 and 20

1.1. Receivable interest and similar income: composition
1.1.1 of the banking group

Item/Type	Performing financial assets		Impaired financial assets	Other assets	**Total 30/06/07**	**Total 30/06/06**
	Debt securities	Financing				
1. Financial assets held for trading	---	---	---	---	---	---
2. Financial assets at fair value	---	---	---	---	---	---
3. Financial assets available for sale	---	---	---	---	---	---
4. Financial assets held to maturity	---	---	---	---	---	---
5. Due from banks	---	*1,725*	---	*220*	*1,945*	*671*
6. Due from clients	---	*21,528*	*47*	---	*21,575*	*15,396*
7. Hedging derivatives	*X*	*X*	*X*	---	---	---
8. Financial assets sold and not derecognised	---	---	---	---	---	---
9. Other assets	*X*	*X*	*X*	*10*	*10*	*10*
Total	**---**	**23,253**	**47**	**230**	**23,530**	**16,083**

1.4 Payable interest and similar expenses: composition
1.4.1 of the banking group

Items/Types	Payables	Securities	Other liabilities	**Total 30/06/2007**	**Total 30/06/2006**
1. Due to banks	13,988	X	---	13,988	7,312
2. Due to clients	495	X	---	495	319
3. Outstanding securities	X	1,044	---	1,044	987
4. Financial liabilities from trading	---	---	---		---
5. Financial liabilities at fair value	---	---	---		---
6. Financial liabilities from assets sold and not derecognised	---	---	---		---
7. Other liabilities	X	X	---		---
8. Hedging derivatives	X	X	---		---
Total	**14,483**	**1,044**	**---**	**15,527**	**8,618**

Section 2 – Commissions – item 40 and 50

2.1 Receivable commission: composition
2.1.1 of the banking group

Type of service/Values	**Total 30/06/2007**	**Total 30/06/2006**
a) Guarantees granted	8	24
b) Derivatives on credit	---	---
c) Management, brokerage and consultancy:	172	---
1) trading of financial instruments	---	---
2) trading in currency	---	---
3) asset management	---	---
3.1. individual	---	---
3.2. collective	---	---
4) safe custody and management of securities	---	---
5) depository bank	---	---
6) placement of securities	---	---
7) order collection	---	---
8) consultancy	---	--
9) services to third parties	172	---
9.1. asset management	---	---
9.1.1. individual	---	---
9.1.2. collective	---	---
9.2. insurance products	---	---
9.3. other products	---	---
d) Services of collection and payment	346	236
e) Servicing services for securitisation operations	---	---
f) Services for factoring operations	13,436	13,322
g) Rate and tax collection	---	---
h) Other services	879	505
Total	**14,841**	**14,087**

2.3. Payable commission: composition
2.3.1 of the banking group

Services/Values	Total 30/06/2007	Total 30/06/2006
a) Guarantees received	4	1
b) Derivatives on credit	---	---
c) Services of management and brokerage:	11	18
1. trading of financial instruments	---	---
2. trading in currency	---	---
3. asset management:	---	---
3.1 own portfolio	---	---
3.2 third party portfolio	---	---
4. safe custody and management of securities	11	18
5. placement of financial instruments	---	---
6. off site offer of financial instruments, services and products	---	---
d) Services of collection and payment	102	46
e) Other services	940	902
Total	**1,057**	**967**

Payable commissions for other services as at 30 June 2007 include 670 thousand Euro for client attainment operations and activities promoting the bank’s factoring services.

Section 3 – Dividends and similar income – item 70

3.1. Dividends and similar income: composition

Items/Types	Banking group		Insurance companies		Other companies		**Total 30/06/2007**		**Total 30/06/2006**	
	Dividends	Income from O.I.C.R. quotas	Dividends	Income from O.I.C.R. quotas	Dividends	Income from O.I.C.R. quotas	Dividends	Income from O.I.C.R. quotas	Dividends	Income from O.I.C.R. quotas
A. Financial assets held for trading	---	---	---	---	---	---	---	---	---	---
B. Financial assets available for sale	*45*	---	---	---	---	---	*45*	---	*7*	---
C. Financial assets valued at fair value	---	---	---	---	---	---	---	---	---	---
D. Equity investments	---	*X*	---	*X*	---	*X*	---	---	---	*X*
Total	**45**	---	---	---	---	---	**45**	---	**7**	---

Dividends and similar income as at 30 June 2007 refer mainly to shares listed in the Italian regulated stock market and classified under available for sale assets.

Section 4 – Net trading result – item 80

4.1. Net trading result: composition
4.1.1. of the banking group

Operations/Returns	Capital gain (A)	Profit from trading (B)	Capital loss (C)	Losses from trading (D)	Net result [(A+B) – (C+D)]
1. Financial assets from trading	**---**	**---**	**---**	**---**	**---**
1.1. Debt securities	---	---	---	---	---
1.2. Capital securities	---	---	---	---	---
1.3. O.I.C.R. quotas	---	---	---	---	---
1.4 Financing	---	---	---	---	---
1.5 Others	---	---	---	---	---
2. Financial liabilities from trading	---	---	---	---	---
2.1 Debt securities	---	---	---	---	---
2.2 Debts	---	---	---	---	---
2.3 Others	---	---	---	---	---
3. Other financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(28)**
4. Derivative instruments	---	---	---	---	---
4.1 Financial derivatives:	---	---	---	---	---
- on debt securities and interest rates	---	---	---	---	---
- on capital securities and shares indexes	---	---	---	---	---
- on currency and gold	X	X	X	X	---
- others	---	---	---	---	---
4.2 Derivatives on credit	---	---	---	---	---
Total	**---**	**---**	**---**	**---**	**(28)**

Section 6 – Profit (losses) from sale/buybacks - item 100

6.1. Profit (losses) from reassignments/buybacks: composition

Items/Returns	Banking group			Insurance companies			Other companies			**Total 30/06/2007**			**Total 30/06/2006**		
	Profit	losses	Net result	Profit	losses	Net result	Profit	losses	Net result	Profit	losses	Net result	Profit	losses	Net result
Financial assets															
1. Due from banks	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
2. Due from clients	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
3. Financial assets available for sale	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
3.1 Debt securities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
3.2 Capital securities	1,070	---	1,070	---	---	---	---	---	---	1,070	---	1,070	---	---	---
3.3 O.I.C.R. quotas	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
3.4 Financing	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
4. Held to maturity financial assets	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Total assets	**1,070**	**---**	**1,070**	**---**	**---**	**---**	**---**	**---**	**---**	**1,070**	**---**	**1,070**	**---**	**---**	**---**
Financial liabilities															
1. Due to banks	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
2. Due to clients	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
3. Outstanding securities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
Total liabilities	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Profit from capital instruments as at 30 June 2007, equal to 1,070 thousand Euro, refers to the sale of a part of shares in the available for sale portfolio in the second Quarter 2007.

Section 8 – Value adjustment write-downs/recoveries – item 130

8.1 Net value adjustment write-downs on credit: composition
8.1.1.of the banking group

Items/Type	Value adjustments (1)			Value recoveries (2)				**Total 30/06/07 (3)=(1)-(2)**	**Total 30/06/06**
	Specific		Of portfolio	Specific		Of portfolio			
	Write offs	Others		From interest	Other recoveries	From interest	Other recoveries		
A. Due from banks	---	---	---	---	---	---	---	---	---
B. Due from clients	---	(248)	(859)	225	419	---	---	(463)	(2,506)
C. Total	---	**(248)**	**(859)**	**225**	**419**	---	---	(463)	**(2,506)**

Section 11 – Administrative expenses – item 180

11.1 Personnel expenses: composition

Expenses/Type	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 30/06/2006**
1) Directly employed employees	5,424	---	---	5,424	3,750
a) Salaries and wages	4,309	---	---	4,309	2,807
b) Payroll taxes	1,020	---	---	1,020	717
c) Retirement/severance allowance	---	---	---	---	4
d) Social security expenses	---	---	---	---	---
e) Allocations for retirement/severance allowance	(16)	---	---	(16)	70
f) Allocations to retirement funds and similar:					
- fixed contributions	---	---	---	---	---
- defined benefit plan	---	---	---	---	---
g) Payments made to complementary external funds					
- fixed contributions	---	---	---	---	---
- defined benefit plan	---	---	---	---	---
h) Costs deriving from payment agreements based on own asset instruments	---	---	---	---	---
i) Other employee benefits	111	---	---	111	152
2) Other personnel	65	---	---	65	51
3) Directors	916	---	---	916	554
Total	**6,405**	---	---	**6,405**	**4,355**

Following the Social Security reform of Lgs. Decree 252 of 2005, matured allowance/severance amounts can now be allocated to complementary pension funds. Net allocations as at 30 June 2007 were made up of 6 thousand Euro allocated to complementary funds, 187 thousand Euro of allowance that employees chose to maintain within the bank and to be deposited in the National Social Security Treasury, and the effects of the application of the IAS 19 actuarial technique rendering 220 thousand Euro net.

11.2 Average number of employees by category: of the banking group

	Average number of employees	**1st Half 2007**
(a)	Top level Managers	3.5
(b)	Middle managers	18
(c)	Remaining personnel	149.5
	Total	**171**

11.5 Other administrative expenses: composition

Type of expenses/Values	Total 30/06/2007	Total 30/06/2006
a) Expenses for professional services	740	743
Board members' and Auditors' fees	104	*97*
Legal and consultation	564	*562*
Auditing	72	*84*
b) Indirect taxes and taxes	283	295
c) Maintenance expenses	45	34
d) Car fleet management and maintenance	252	184
e) Membership fees	45	42
f) Clients' insurance premiums	34	19
g) Expenses for purchasing non professional goods and services	1,932	1,543
Office/site/branch management	*558*	*462*
Client information	*275*	*220*
Software assistance	*196*	*146*
Telephone expenses	*122*	*145*
Business trips and transfers	*220*	*125*
Postage and tax stamp expenses	*137*	*90*
Office material	*92*	*81*
Training/updating staff	*40*	*6*
Advertising and inserts	*44*	*104*
Other different expenses	*248*	*170*
Total	**3,331**	**2,860**

Section 13 – Net value adjustments/recoveries on tangible assets – item 200

13.1 Value adjustments on tangible assets: composition
13.1.1 of the banking group

Assets/Type	Depreciation (a)	Value adjustment write-downs(b)	Value recoveries(c)	**Net result (a + b – c)**
A. Tangible assets				
A.1 Owned	(495)	---	---	(495)
- for functional use	(495)	---	---	(495)
- for investment purposes	---	---	---	---
A.2 Acquired under financial leasing	(35)	---	---	(35)
- for functional use	(35)	---	---	(35)
- for investment purposes	---	---	---	---
Total	**(530)**	---	---	**(530)**

Section 14 – Value adjustments/recoveries on intangible assets – item 210

14.1 Net value adjustments on intangible assets: composition
14.1.1 of the banking group

Assets/Types	Depreciation (a)	Value adjustment write-downs (b)	Value recoveries (c)	**Net result (a + b –c)**
A. Intangible assets				
A.1 Owned	(184)	---	---	(184)
- Internally generated	---	---	---	---
- Others	(184)	---	---	(184)
A.2 Acquired under financial leasing	---	---	---	---
Total	**(184)**	---	---	**(184)**

Section 15 – Other operating income and expenses – item 220

15.1 Other operating expenses: composition

Type/Values	**Total 30/06/2007**	**Total 30/06/2006**
a) Other expenses	129	28
Total	**129**	**28**

15.2. Other operating income: composition

Type/Values	**Total 30/06/2007**	**Total 30/06/2006**
a) Recovery of third party expenses	360	286
b) Insurance reimbursements	8	11
c) Receivable rental fees	37	30
d) Other income	20	38
Total	**425**	**365**

Section 20 – Income tax on current operations for the period – item 290

20.1 Income tax on current operations for the period: composition

Component/Type	Banking group	Insurance companies	Other companies	**Total 30/06/2007**	**Total 30/06/2006**
1. Current taxes (-)	(3,637)	---	---	**(3,637)**	**(3,652)**
2. Variations in current taxes of previous periods (+/-)	1,205	---	---	**1,205**	**123**
3. Reductions in current taxes for period (+)					
4. Variations in prepaid taxes (+/-)	29	---	---	**29**	**45**
5. Variations in deferred taxes(+/-)	(965)	---	---	**(965)**	**(524)**
6. Taxes for period (-)	(643)	---	---	**(643)**	**(81)**
(-1+/-2+3+/-4+/-5)	(4,011)	---	---	**(4,011)**	**(4,089)**

Section 24 – Profit per share

Type/Values	**Total 30/06/2007**	**Total 31/12/2006**
Consolidated net profit	**16,432**	**15,012**
Average number of outstanding shares	28,467,352	28,638,052
Average number of potentially diluted shares	5,758,084	5,509,300
Average number of diluted shares	34,225,436	34,147,352
Profit per share (Euro per unit)	**0.58**	**0.52**
Profit per diluted share (Euro per unit)	**0.48**	**0.44**

Part D – INFORMATION ON THE SECTOR

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

As far as concerns information relative to the geographic distribution and client breakdown, please refer to the applicable table in the report on management of the group.

Part E – INFORMATION ON RISKS AND RISK MANAGEMENT

SECTION 1 – RISKS OF THE BANKING GROUP

Banca IFIS's risk management and control system aims to guarantee a reliable and maintainable generation of value in a context of controlled risk, knowingly assumed, so as to protect Banca IFIS's financial solidity.
The Internal Control System (ICS), with particular attention to credit risk, aims to guarantee awareness and balance between profitability and risk assumption.
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.

1. CREDIT RISK

QUALITATIVE INFORMATION

1. General aspects

The Banca IFIS Group pays particular attention to credit risk, given its orientation towards awareness in the assumption of risk when financing enterprises.
Maintaining effective management of credit risk is a strategic objective for the Banca IFIS Group, 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 purchasing enterprises' accounts receivables, credit risk is the greatest risk to which the bank and the group are exposed.

Banca IFIS Group's activity is characterised by the assumption of credit risks directly related to granting financing and guaranteeing SME credit. More specifically, its credit activity mainly involves granting the client advances on the receivables due to him/her from debtors (private or public entities) that are assigned to the bank. The advance given, at sight in short-term cases, is usually equal to a percentage of the total nominal value of the receivables assigned. This percentage can reach 100% in cases where the counterparties are of very good credit standing and the quality of the receivables assigned is particularly high. In recourse factoring activities, the credit risk is represented by the amount of the advance given to the assignor and hence is linked to the possibility that, coupled with the assigned debtor insolvency, the assignor himself should become insolvent. In non-recourse operations, the credit risk depends on the measure of guarantee against loss granted to the assignor regarding assigned debtor insolvency, without the possibility of recourse against the assignor or with only partial possibility of recourse. Another common credit risk lies where assigned receivables are in part or completely disputed by the debtor. Following investigation into the debtor's complaints, there may be no possibility of action against the assigned debtor, in which case the credit risk for the amount of financing granted depends entirely on the solvability of the assignor. Remaining Banca IFIS operations involving risk assumption relate to direct financing through current account credit, loans and guarantees.
The Banca IFIS Group does not carry out any activity involving derivative products on credit.
All the operational units adopt commercial policies that respect the operational model previously described. Indeed the centralization of risk assumption and control at Head Office does not allow for autonomous policies.
No changes to the objectives and strategies underpinning the credit activity came about over the Half Year.

2. Credit risk management policies
2.1.Organisational aspects

Credit risks are generated as a direct consequence of financing the client's enterprise and granting, where requested, guarantees against losses from bad debts caused by debtor insolvency.
In general, the organizational structure set up to control credit risks has the duty, not only of assessing the credit standing of both the assigning client and the assigned debtors, but also the nature and quality of the receivables assigned and the business relationship linking the subjects. In order to maximize the quality of Banca IFIS Group's portfolio, the bank has chosen, through the specialization of resources and separation of functions at every decisional phase, to concentrate all the phases of credit risk assumption and management at Head Office, thus allowing for a high level of homogeneity in granting credit and strict monitoring of individual positions. This is also true of IFIS Finance, whose decisions are taken within the parameters defined by the parent company, Banca IFIS S.p.A.
Credit risks are presided over at various levels of the operational process with the support of ideal instruments and, due to their vital importance, strictly monitored by parent company top management.
As approaches may differ, assigned debtors are assessed in the credit assessment area by a specific debtor assessment service, distinct from that responsible for assessing the assignors. The counterparties are, where possible, subjected to analysis and monitoring by the Internal Rating System (IRS). The delegation system gives the credit assessors with most experience the possibility to assume risks of substantial importance in terms of size. Larger risks are assumed by the heads of the department or service and particularly large risks are the responsibility of the General Manager, the C.E.O., the Credit Committee and the Board of Directors.
Where credit risks taken on by the controlled company, IFIS Finance, are significant, they are previously subjected to preliminary assessment by the governing bodies of the parent company. For operations involving a more contained risk, controlled company compliance with parent company credit risk assumption policies is guaranteed by a controlled company deliberating body headed by high-level managers of the bank.

2.2 Management, measure and control systems

The granting of credit by the Banca IFIS Group requires the punctual and analytical assessment of the assignor counterparty and the assigned debtor counterparties. Exceptions are possible only where assignments involve assigned debtors of particularly high credit standing, good quality credit and no risk of revoking action. In such cases, assessment of the assignor's credit standing may be very contained.
The Banca IFIS Group does not assume credit risks based on a statistical approach or without analytical assessment instruments.
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 client, 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 clients and debtors, automatically verifying any significant aspects of the operation on a monthly basis.

At present, and taking into consideration that few counterparties are not part of groups with Italian roots having a group rating, counterparties located in Poland are subjected to assessment using a bottom-up traditional analytical method.

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 purchased and the operation as a whole.
Specifically, the IRS makes it possible to assign a credit rating to the assignor and to the debtor and to evaluate 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 counterparty, analysis of the industry, information from the National Credit Risks Bureau, 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).
As for the assumption of large credit risks (defined as risks involving the group 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.

2.3 Risk mitigation techniques

In some cases, Banca IFIS takes measures to protect itself against the risk of default on payment by the assigned debtor. This coverage, achieved through insurance policies taken out with specialists, is common in cases of non-domestic debtors and non-recourse agreements.
Further more, in cases where the quality of the receivables assigned or the assignor's credit rating are not ideal, the bank may obtain surety guarantees from the assignor's company's shareholders or directors.

2.4. Written-down receivables

As the development of business and client relations is the responsibility of the bank's branches and, being a autonomous business unit, also of the controlled company, IFIS Finance, each unit manages client relations, operations and risk management in its area whilst respecting the limits and models set up by Head Office. Operations are frequently supervised by competent members of Head Office both in terms of operational trends and in terms of instruments used to assess and control credit (National Credit Risks Bureau, protests, prejudicial events etc.)
In cases of trend anomalies or prejudicial elements, the situation is placed under observation and the management of operations by the individual unit is directly supervised by Head Office until such anomalies or prejudicial elements have been overcome.
In cases where the situation deteriorates or becomes critical, management of the entire operation passes to Head Office and remains under Head Office's direct control until such problems have been overcome and the situation returns to normal. On the basis of available information, possible classification under bad debts or difficult loans is also assessed.
Management of bad debts on loans falls under the responsibility of the legal department which examines the credit from the point of view of its recoverability, periodically reporting back to top management and the Board of Directors. Value adjustment write-downs, proposed by the legal department, are effected by top management and subject to deliberation by the Board of Directors.

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

QUANTATIVE INFORMATION

A. QUALITY OF CREDIT

A.1. NON-PERFORMING AND PERFORMING LOANS: CONSISTENCE, VALUE ADJUSTMENTS, CHANGES, ECONOMIC AND GEOGRAPHICAL DISTRIBUTION

A.1.1. Distribution of financial assets by portfolio and credit quality (balance sheet values)

Portfolio/Quality	Banking group						Other companies		**Total**
	Bad debts	Difficult loans	Rescheduled	Past-due	Country risk	Other assets	Written-down	Others	
1. Financial assets held for trading	---	---	---	---	---	---	---	---	**---**
2. Financial assets available for sale	---	---	---	---	---	4,256	---	---	**4,256**
3. Financial assets held to maturity	---	---	---	---	---	---	---	---	**---**
4. Due from banks	---	---	---	---	---	107,842	---	---	**107,842**
5. Due from clients	7,402	925	325	67,361	109	737,913	---	---	**814,035**
6. Financial assets valued at fair value	---	---	---	---	---	---	---	---	**---**
7. Financial assets under disposal	---	---	---	---	---	---	---	---	**---**
8. Hedging derivatives	---	---	---	---	---	---	---	---	**---**
Total 30/06/2007	**7,402**	**925**	**325**	**67,361**	**109**	**850,011**	**---**	**---**	**926,133**
Total 31/12/2006	**6,942**	**1,439**	**347**	**79,395**	**93**	**968,343**	**---**	**---**	**1,056,559**

A.1.2. Distribution of financial assets by portfolio and credit quality (gross and net values)

Portfolio/Quality	Impaired/ Written-down assets				Other assets			Total (net receivables)
	Gross receivables	Specific value adjustments	Portfolio v. adjustments	Net receivables	Gross receivables	Portfolio v. adjustments	Net receivables	
A. Banking group								
1. Financial assets held for trading	---	---	---	---	X	X	---	---
2. Financial assets available for sale	---	---	---	---	4,256	---	4,256	**4,256**
3. Financial assets held to maturity	---	---	---	---	---	---	---	---
4. Due from banks	---	---	---	---	107,842	---	107,842	**107,842**
5. Due from clients	99,936	(22,667)	(1,256)	76,013	740,333	(2,311)	738,022	**814,035**
6. Financial assets valued at fair value	---	---	---	---	X	X	---	---
7. Financial assets under disposal	---	---	---	---	---	---	---	---
8. Hedging derivatives	---	---	---	---	X	X	---	---
Total A	**99,936**	**(22,667)**	**(1,256)**	**76,013**	**852,431**	**(2,311)**	**850,120**	**926,133**
B. Other companies included in the consolidation								
1. Financial assets held for trading	---	---	---	---	X	X	---	---
2. Financial assets available for sale	---	---	---	---	---	---	---	---
3. Financial assets held to maturity	---	---	---	---	---	---	---	---
4. Due from banks	---	---	---	---	---	---	---	---
5. Due from clients	---	---	---	---	---	---	---	---
6. Financial assets valued at fair value	---	---	---	---	X	X	---	---
7. Financial assets under disposal	---	---	---	---	---	---	---	---
8. Hedging derivatives	---	---	---	---	X	X	---	---
Total B	---	---	---	---	---	---	---	---
Total 30/06/2007	**99,936**	**(22,667)**	**(1,256)**	**76,013**	**852,431**	**(2,311)**	**850,120**	**926,133**
Total 31/12/2006	**111,147**	**(22,612)**	**(412)**	**88,123**	**971,064**	**(2,628)**	**968,436**	**1,056,559**

A.1.3. Cash and off balance sheet due from clients: gross and net values

Type/Values	Gross receivables	Specific value adjustments	Portfolio value adjustments	Net receivables
A. CASH RECEIVABLES				
A.1 Banking group				
a) Bad debts on loans	---	---	---	---
b) Difficult loans	---	---	---	---
c) Rescheduled loans	---	---	---	---
d) Past-due loans	---	---	---	---
e) Country risk	---	X	---	---
f) Other assets	108,256	X	---	108,256
TOTAL A.1	**108,256**	**---**	**---**	**108,256**
A.2 Other companies	---	---	---	---
a) Written-down	---	---	---	---
b) Others	---	X	---	---
TOTAL A.2	---	---	---	---
TOTAL A	**108,256**	**---**	**---**	**108,256**
B. OFF BALANCE SHEET RECEIVABLES				
B.1 Banking group	---	---	---	--
a) Written-down	---	---	---	---
b) Others	662	X	---	662
TOTAL B.1	**662**	**---**	**---**	**662**
B.2 Other companies	---	---	---	---
a) Written-down	---	---	---	---
b) Others	---	X	---	---
TOTAL B.2	---	---	---	---
TOTAL B	**662**	**---**	**---**	**662**

Cash receivables include all the cash financial assets due from banks, regardless of their portfolio category (available for sale, held to maturity, credit etc.).

The Banca IFIS Group does not present impaired assets or country risk due from banks, for which reason it has not included tables A.1.4 and A.1.5.

A.1.6 Cash and off balance sheet due from clients: gross and net values

Item/Type	Gross receivables	Specific value adjustments	Portfolio value adjustments	Net receivables
A. CASH RECEIVABLES				
A.1 Banking group				
a) Bad debts on loans	30,069	(22,667)	---	7,402
b) Difficult loans	1,198	---	(273)	925
c) Rescheduled loans	326	---	(1)	325
d) Past-due loans	68,343	---	(982)	67,361
e) Country risk	109	X	---	109
f) Other assets	744,066	X	(2,311)	741,755
TOTAL A.1	**844,111**	**(22,667)**	**(3,567)**	**817,877**
A.2 Other companies	---	---	---	---
a) Written-down	---	---	---	---
b) Others	---	---	---	---
TOTAL A.2	---	---	---	---
TOTAL A	**844,111**	**(22,667)**	**(3,567)**	**817,877**
B. OFF BALANCE SHEET RECEIVABLES				
B.1 Banking group				
a) Written-down	---	---	---	---
b) Others	329,539	---	---	329,539
TOTAL B.1	**329,539**	---	---	**329,539**
B.2 Other companies				
a) Written-down	---	---	---	---
b) Others	---	---	---	---
TOTAL B.2	---	---	---	---
TOTAL B	**329,539**	---	---	**329,539**

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

A.1.7 Cash receivables due from clients: dynamics in non-performing loans and those subject to country risk (gross)

Type/Categories	Bad debts	Difficult loans	Rescheduled loans	Past-due loans	Country risk
***A.* Initial gross receivables**	29,554	1,799	349	79,445	93
-of which: transferred but not derecognised	---	---	---	---	---
***B.* Increases**	1,394	733	---	16,211	98
B.1 inflows from performing loans	747	677	---	16,211	---
B.2 transferred from other non-performing loan categories	348	---	---	---	---
B.3 other increases	299	56	---	---	98
***C.* Reductions**	(879)	(1,334)		(27,312)	(82)
C.1 outflows to performing loans	---	(410)	---	---	---
C.2 write-offs	(1)	---	---	---	---
C.3 collections	(850)	(575)	(23)	(27,312)	(82)
C.4 income from transfer/reassignment	----	---	---	---	---
C.5 transferred to other non-performing loan categories	---	(348)	---	---	---
C.6 other decreases	(28)	(1)	---	---	---
***D.* Final gross receivables**	30,069	1,198	326	68,343	109
- of which: transferred but not derecognised	---	---	---	---	---

A.1.8. Cash receivables on due from clients: dynamics in total value adjustments

Type/Categories	Bad debts	Difficult loans	Rescheduled loans	Past-due loans	Country risk
A. **Initial total value adjustments**	22,612	360	2	50	---
- of which: transferred and not derecognised	---	---	---	---	---
B. **Increases**	699	245	---	968	---
B.1 value adjustments	367	245	---	968	---
B.2 transferred from other non-performing loan categories	332	---	---	---	---
B.3 other increases	---	---	---	---	---
C. **Reductions**	(644)	(332)	(1)	(36)	
C.1 write-backs from revaluations	(621)	---	---	---	---
C.2 value recoveries from collection	(23)	---	---	---	---
C.3 write-offs	---	---	---	---	---
C.4 transferred to other non-performing loan categories	---	(332)	(1)	---	
C.5 other decreases	---	---	---	(36)	---
D. **Final value adjustments**	22,667	273	1	982	---
-of which: transferred and not derecognised	---	---	---	---	---

B. CONCENTRATION AND DISTRIBUTION OF RECEIVABLES

B.1. Distribution of cash and off balance sheet receivables on due from clients by category

Receivables/Counterparties	Governments and central banks				Other public entities				Financial institutions				Insurance companies				Non financial institutions				Other subjects			
	Gross receivables	Specific value adjustments	Portfolio value adjustments	Net receivables	Gross receivables	Specific value adjustments	Portfolio value adjustments	Net receivables	Gross receivables	Specific value adjustments	Portfolio value adjustments	Net receivables	Gross receivables	Specific value adjustments	Portfolio value adjustments	Net receivables	Gross receivables	Specific value adjustments	Portfolio value adjustments	Net receivables	Gross receivables	Specific value adjustments	Portfolio value adjustments	Net receivables
A. Cash receivables																								
A.1 Bad debts	---	---	---	---	---	---	---	---	112	(112)	---	---	---	---	---	---	29,958	(22,556)	---	7,402	---	---	---	---
A.2 Difficult loans	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	1,198	---	(273)	925	---	---	---	---
A.3 Rescheduled loans	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	326	---	(1)	325	---	---	---	---
A.4 Past-due loans	32,989	---	---	32,989	28,386	---	---	28,386	---	---	---	---	---	---	---	---	6,009	---	(23)	5,986	---	---	---	---
A.5 Others	12,378	X	---	12,378	103,210	X	---	103,210	15,460	X	(39)	15,421	---	X	---	---	610,675	X	(3,218)	607,457	3,410	X	(12)	3,398
TOTAL	**45,367**	---	---	**45,367**	**131,596**	---	---	**131,596**	**15,572**	**(112)**	**(39)**	**15,421**	---	---	---	---	**648,166**	**(22,556)**	**(3,515)**	**622,095**	**3,410**	---	**(12)**	**3,398**
B.'Off balance sheet' receivables	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
B.1 Bad debts	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
B.2 Difficult loans	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
B.3 Other non-performing loans	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---
B.4 Others	29,251	X	---	29,251	90,312	X	---	90,312	---	X	---	---	---	X	---	---	208,420	X	---	208,420	1,556	X	---	1,556
TOTAL	**29,251**	---	---	**29,251**	**90,312**	---	---	**90,312**	---	---	---	---	---	---	---	---	**208,420**	---	---	**208,420**	**1,556**	---	---	**1,556**
TOTAL 30/06/2007	**74,618**	---	---	**74,618**	**221,908**	---	---	**221,908**	**15,572**	**(112)**	**(5)**	**15,421**	---	---	---	---	**856,586**	**(22,500)**	**(3,020)**	**830,515**	**4,966**	---	**(12)**	**4,954**
TOTAL 31/12/2006	**79,645**	---	---	**79,645**	**243,684**	---	---	**243,684**	**1,205**	**(112)**	**(5)**	**1,088**	---	---	---	---	**738,597**	**(22,500)**	**(3,019)**	**713,078**	**14,820**	---	**(16)**	**14,804**

B.2. Distribution of financing to resident non financial institutions

		30/06/2007
(a)	Other services destined for sale	169,594
(b)	Construction and public works	99,207
(c)	Metal products exempting machines	71,438
(d)	Commercial services	61,491
(e)	Means of transport	45,009
(f)	Other branches	148,620
	Total	**595,359**

B.3 Geographical distribution of cash and off balance sheet receivables due from clients (balance sheet values)

Receivables/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross receivables	Net receivables	Gross receivables	Net receivables	Gross receivables	Net receivables	Gross receivables	Net receivables	Gross receivables	Net receivables
A. Cash receivables										
A.1 Bad debts	29,131	7,186	938	216	---	---	---	---	---	---
A.2 Difficult loans	1,198	925	---	---	---	---	---	---	---	---
A.3 Rescheduled	326	325	---	---	---	---	---	---	---	---
A.4 Past-due	68,343	67,361	---	---	---	---	---	---	---	---
A.5 Others	716,556	714,328	27,294	27,212	281	280	43	43	1	1
TOTAL A	**815,554**	**790,125**	**28,232**	**27,428**	**281**	**280**	**43**	**43**	**1**	**1**
B. Off balance sheet receivables										
B.1 Bad debts	---	---	---	---	---	---	---	---	---	---
B.2 Difficult loans	---	---	---	---	---	---	---	---	---	---
B.3 Other written-down receivables	---	---	---	---	---	---	---	---	---	---
B.4 Others	299,088	299,088	28,266	28,266	229	229	1,702	1,702	254	254
TOTAL B	**299,088**	**299,088**	**28,266**	**28,266**	**229**	**229**	**1,702**	**1,702**	**254**	**254**
TOTAL 30/06/2007	**1,114,642**	**1,089,213**	**56,498**	**55,694**	**510**	**509**	**1,745**	**1,745**	**255**	**255**
TOTAL 31/12/2006	**1,032,711**	**1,007,870**	**43,043**	**42,233**	**695**	**695**	**1,402**	**1,401**	**100**	**100**

B.4 Geographical distribution of cash and off balance sheet receivables due from banks (balance sheet values)

Receivables/Geographical areas	ITALY		OTHER EUROPEAN COUNTRIES		AMERICA		ASIA		REST OF THE WORLD	
	Gross receivables	Net receivables	Gross receivables	Net receivables	Gross receivables	Net receivables	Gross receivables	Net receivables	Gross receivables	Net receivables
A. Cash receivables										
A.1 Bad debts	---	---	---	---	---	---	---	---	---	---
A.2 Difficult loans	---	---	---	---	---	---	---	---	---	---
A.3 Rescheduled	---	---	---	---	---	---	---	---	---	---
A.4 Past-due	---	---	---	---	---	---	---	---	---	---
A.5 Others	107,552	107,552	704	704	---	---	---	---	---	---
TOTAL A	**107,522**	**107,522**	**704**	**704**	**---**	**---**	**---**	**---**	**---**	**---**
B. Off balance sheet receivables										
B.1 Bad debts	---	---	---	---	---	---	---	---	---	---
B.2 Difficult loans	---	---	---	---	---	---	---	---	---	---
B.3 Other written-down receivables	---	---	---	---	---	---	---	---	---	---
B.4 Others	662	662	---	---	---	---	---	---	---	---
TOTAL B	**662**	**662**	**---**	**---**	**---**	**---**	**---**	**---**	**---**	**---**
TOTAL 30/06/2007	**108,214**	**108,214**	**704**	**704**	**---**	**---**	**---**	**---**	**---**	**---**
TOTAL 31/12/2006	**265,346**	**265,346**	**3,120**	**3,120**	---	---	---	---	---	---

B.5. Big risks (according to the Supervisory regulations)

		30/06/2007	31/12/2006
(a)	Total	67,576	97,197
(b)	Amount	5	6

C. SECURITISATION OPERATIONS AND ASSET TRANSFER

C.1. SECURITISATION OPERATIONS

QUALITATIVE INFORMATION

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

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

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

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

Specifically, this model foresees that, in order to cover both the risks on the portfolio of receivables reassigned for the programme and the connected operating risks, mathematical reserves are calculated, the overall result of which determines the amount of Class S Units that are then issued by FCC Rialto and subscribed by Banca IFIS.
The maximum dimension of this programme, that is Banca IFIS's maximum net funding, passed from 150 million Euro to 200 million Euro as a result of an agreement reached 3 November 2005.
The net funding for Banca IFIS deriving from this transaction is equal to the nominal value of the assigned credit on a time-to-time basis, minus the discount and the amount of Class S Units the bank subscribes.
If net funding exceeds the ceiling for the programme, the extra amount will be used by Banca IFIS to subscribe Class A2 Units.
A ceiling for the receivable portfolio of assigned debtors that can be purchased by CAI Milan has been established at 300 million Euro, in preparation of possible future increases in the size of the programme.

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

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

- they must be domestic and expressed in Euro (thus receivables assigned by non-resident assigning clients and/or against non-resident assigning debtors are excluded);
- they must be fully owned by Banca IFIS and the original assignment of the receivable between the assigning client and Banca IFIS must have been notified to the assigned debtor;

- they must be freely assignable and transferable;
- they must be related to solvent subjects (assignor and debtor) and not have been classified as bad debts on loans or difficult loans in the six months prior to the assignment;
- they must not be past-due by more than 120 days and they must not have a residual duration over 150 days from the date of assignment for the securitisation programme.

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

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

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

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

Specifically, CAI Milano, in turn, reassigns the portfolio purchased from Banca IFIS to its Luxembourg branch, which purchases the receivables completely counter-guaranteed by CAI's Paris branch through a deposit previously set up for an amount equal to the ceiling which can be purchased in the programme (300 million Euro). In this way, the risk of failure to collect on this operation is transferred to the deposit. CAI's Paris branch, in turn, assigns the deposit and all its rights and risks to FCC Rialto, managed by Eurotitrisation s.a. as FCC Manager. In order to acquire this deposit, FCC Rialto uses financial resources from the periodic issue of various classes of asset-backed securities. The essential condition for FCC Rialto to periodically acquire the deposit is subscription by Banca IFIS of Class S Units at fixed maturities for an amount equal to the mathematical reserves created to guarantee operation of the programme, and Class A2 Units, when conditions requiring such exist.
In the event that the portfolio performance worsens, reaching the level of the prescribed triggers, the amount of the mathematical reserves, and thus Class S Units subscribed by Banca IFIS, are proportionally increased. In the event that the portfolio performance improves, the amount of the mathematical reserves, and thus Class S Units subscribed by Banca IFIS, are proportionally decreased.
The FCC then issues the following classes of asset-backed securities against the securitised portfolio: (i) Class A0 Units, for an amount equal to the portion of the deposit unused by CAI Luxembourg to purchase the receivables to be subscribed by CAI Luxembourg; (ii) Class A1 Units, for the remaining amount of the securitised portfolio not covered by subscription of Class A2 or Class S Units, to be subscribed by Hexagon Finance a.r.l., which finances the purchase by issuing Billets de Tresorerie on the French market; (iii) Class A2 Units, for an amount equal to the

positive difference between the amount of net funding and the maximum limit of the programme, to be subscribed, if conditions warrant it, by Banca IFIS; (iv) Class S Units for an amount equal to the sum of the reserves guaranteeing the various risk profiles (operating and portfolio) of the transaction, minus the discount for the receivables portfolio existing at the calculation date and plus any receivables past-due for more than 120 days or with a due date superior to 150 days ('ineligible' receivables), to be subscribed by Banca IFIS.

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

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

Tranches	**Amount at 30/06/2007** (thousands of Euro)	**Percentage**
Class A0 Senior Units	32,323	10.8%
Class A1 Senior Units	146,575	48.8%
Class A2 Senior Units	---	---
Class S Units	121,102	40.4%
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, are issued.
Nevertheless, it is necessary to point out that possible loss on the Class S Units can occur only in cases of non-payment by the assigned debtors,:

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

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

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

The final 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.

The main figures relative to the securitisation operation are shown in the table below (as at 30 June 2007):

Country	Residual credit portfolio	Distribution %
Italy	247,069	100.0 %
Other E.U. countries	---	---
Rest of the world	---	---
Total	247,069	100.0 %

Aims and objectives

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

SECTION 2 - MARKET RISKS

Generally, as the Banca IFIS Group does not habitually carry out trading activities on financial instruments, the financial risk profile refers mainly to the bank portfolio.

INTEREST RATE RISKS

QUALITATIVE INFORMATION

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

In general, the Banca IFIS Group does not tend to assume interest rate risks, as it takes provisions mainly from interbanking deposits at fixed short-term rates and, to a lesser extent with stable financial resources, at variable and indexed rates, or fixed short-term rates using them in the very short-term. Loan commitments to clients are usually revocable and at variable tax rates. Interest rates applied to clients are normally indexed (mainly at the 3-month Euribor rate) with automatic adaptation to monetary trends. In other cases, the interest rate is still unilaterally modifiable by the bank, in accordance with applicable rules and regulations.
The issue of the convertible bond loan 'Banca IFIS Convertible Bond Loan 2004-2009' at a fixed rate in July 2004 has not caused any significant changes. Operations regarding this instrument are controlled directly by top management who also makes decisions regarding sales or buybacks on Banca IFIS's own convertible bonds. As a result of the above, it is possible to say that the main interest rate risk that Banca IFIS faces, is that connected to the Convertible Bond Loan for 50 million Euro at a fixed interest rate of 4.375% with expiry in July 2009, excepting cases of anticipated conversion by bondholders.
The assumption of interest rate risks connected to treasury funding activities occurs respecting the limits and policies of the Board of Directors and is governed by precise proxies fixing limits of autonomy for individuals, together with overall limits on the fixed interest position of Banca IFIS on the basis of the 'one year equivalent'.
Taking into account the small size of the risk and the type of operations in place, the management and control of interest rate risks and their methods of measurement are controlled by top management on the basis of frequent reporting by the Treasury department. Risk hedging instruments are not used due to the small size of the risk taken on.

B. Fair value hedge accounting activities

No fair value hedging activities are present.

C. Cash flow hedging activities

No cash flow hedging activities are present

QUANTITATIVE INFORMATION

1. Banking portfolio: distribution by residual duration (by re-pricing date) of financial assets and liabilities in Euro

Type/Residual value	At sight	Up to 3 months	Over 3 – 6 months	Over 6 months to 1 year	1 to 5 years	From 5 to 10 years	Over 10 years	Indefinite duration
1. Cash assets	---	---	---	---	---	---	---	---
1.1 Debit securities	---	---	---	---	---	---	---	---
- with early redemption option	---	---	---	---	---	---	---	---
- others	---	---	---	---	---	---	---	---
1.2 Financing to banks	96,423	---	10,292	---	---	---	---	1,127
1.3 Financing to clients	682,501	37,332	56,835	13,250	16,022	692	---	11,245
- current a/c	36,368	---	---	---	---	---	---	---
- other financing	---	---	---	---	---	---	---	---
- with early redemption option								
- others	13,524	---	---	---	---	---	---	---
	632,609	37,332	56,835	13,250	16,022	692	---	11,245
2. Cash liabilities								
2.1 Due to clients	25,792	---	---	---	---	---	---	---
- current a/cs	25,792	---	---	---	---	---	---	---
- other debts	---	---	---	---	---	---	---	---
- with early redemption option	---	---	---	---	---	---	---	---
- others	---	---	---	---	---	---	---	---
2.2 Due to banks	---	---	---	---	---	---	---	---
- current a/cs	117,556	---	---	---	---	---	---	---
- other debts	69,828	---	---	---	---	---	---	---
2.3 Debt securities	47,728	---	---	---	---	---	---	---
- with early redemption option	---				43,737			
- others		---	---	---	---	---	---	---
2.4 Other liabilities	---	---	---	---	43,737	---	---	---
- with early redemption option	---	---	---	---	---	---	---	---
- others	---	---	---	---	---	---	---	---
	---	---	---	---	---	---	---	---

	---							
3. Financial derivatives								
3.1 With underlying security								
- Options	---	---	---	---	---	---	---	---
+ long	---	---	---	---	---	---	---	---
+ short	---	---	---	---	---	---	---	---
- Others	---	---	---	---	---	---	---	---
+ long	---	---	---	---	---	---	---	---
+ short	---	---	---	---	---	---	---	---
3.2 Without underlying securities	---	---	---	---	---	---	---	---
- Options	---	---	---	---	---	---	---	---
+ long	---	---	---	---	---	---	---	---
+ short	---	---	---	---	---	---	---	---
- Others	---	---	---	---	---	---	---	---
+ long	---	---	---	---	---	---	---	---
+ short	---	---	---	---	---	---	---	---

PRICE RISKS

QUALITATIVE INFORMATION

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

The bank does not generally assume risks connected with price fluctuation as its activity is almost exclusively aimed at financing SMEs' working capital.
As far as concerns the bank portfolio, Banca IFIS booked shares listed on the regulated Italian market and attributed over 2005 accounting year as consideration for credit previously included in non-performing assets. Over 2007, a part of these shares was sold. Information on this sale is included in the group management report herein.
The monitoring of the price risk connected to this activity is top management's responsibility.

QUANTATIVE INFORMATION

1. Bank portfolio: cash receivables in capital securities and O.I.C.R. quotas

Type/Values	Balance sheet value	
	Listed	Unlisted
A. Capital securities	**3,140**	**1,116**
A.1 Shares	3,140	1,116
A.2 Innovative capital instruments	---	---
A.3 Other capital securities	---	---
B. O.I.C.R. securities	---	---
B.1 Italian	---	---
− harmonised, open	---	---
− not harmonised, open	---	---
− closed	---	---
− reserved	---	---
− speculative	---	---
B.2 Other EU countries	---	---
− harmonised	---	---
− not harmonised, open	---	---
− not harmonised, closed	---	---
B.3 Other countries	---	---
− open	---	---
− closed	---	---
Total	**3,140**	**1,116**

EXCHANGE RISKS

QUALITATIVE INFORMATION

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

The assumption of exchange rate risks, intended as a management component potentially ideal for improving 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, clients and are normally correlated with the typical factoring activity. In this sense, the advances given to the client are backed by financial cover in the same currency, thus eliminating the risk of losses connected to exchange rate fluctuations.

Indeed, it is normal for the bank to provision itself with a particular currency should there be an advance on credit in that currency. This activity can entail long or short-term positions in currency due to mismatches between the client's use and the treasury's procurement of this currency. Such mismatches are a result of the difficulty in forecasting the exact amount needed, with particular reference to cash flows from assigned debtors in respect of the client's financing expiry, together with the effect of interest on this financing.

The treasury department is committed to minimizing such differences, realigning the dimensions and frequency of positions in different currencies. The assumption of exchange rate risks occurs respecting the limits and policies of the Board of Directors and is governed by precise proxies fixing limits of autonomy for individual operators, together with particularly strict limits on the daily net position in currency.

Expansion into the Polish market through the controlled company, IFIS Finance Sp.Z.o.o., does not change the above: As the currency for operations in Poland is the Zloty, assets in zloty are, as a general rule, financed using funding from the Polish domestic market in the same currency.

QUANTITATIVE INFORMATION

1. Distribution of assets and liabilities and derivatives by currency

Items	Currency					
	US Dollars	Sterling	Yen	Canadian Dollars	Swiss Francs	Other currencies
A. Financial assets						
A.1 Debt securities	---	---	---	---	---	---
A.2 Capital securities	---	---	---	---	---	---
A.3 Financing with banks	10,297	11	4	---	---	629
A.4 Financing with clients	9,316	96	---	---	---	4,776
A.5 Other financial assets	---	---	---	---	---	---
B. Other assets	---	---	---	---	---	---
C. Financial liabilities						
C.1 Due to banks	19,347	---	---	---	---	101
C.2 Due to clients	21	3	---	---	---	---
C.3 Debt securities	---	---	---	---	---	---
D. Other liabilities	152	1	---	---	---	---
E. Financial derivatives						
- Options	---	---	---	---	---	---
+ long	---	---	---	---	---	---
+ short	---	---	---	---	---	---
- Other derivatives	---	---	---	---	---	---
+ long	---	---	---	---	---	---
+short	---	---	---	---	---	---
Total assets	19,613	107	4	---	---	5,405
Total liabilities	19,520	4	---	---	---	101
Unbalance (+/–)	(93)	103	4	---	---	5,304

SECTION 3 - LIQUIDITY RISK

QUALITATIVE INFORMATION

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

The risk of liquidity relates to the possibility that the group is not able to maintain its payment commitments due to lack of funds or inability to sell enough assets on the market to meet its financing needs. The liquidity risk also refers to inability to obtain new resources hence forcing the group to slow down or stop development of its activity or sustain very steep funding costs in order to respect its payment commitments.
Banca IFIS does not carry out saving deposit activities and therefore does not enjoy financial resources that can be considered at least partly stable with contained costs. Financial sources are represented therefore by equity, by the convertible bond loan, by a securitisation programme and, mainly, by savings and deposits on the domestic and international interbanking market (in cases of the controlled company IFIS Finance Sp.z.o.o., only on the domestic market). Considering the bank's asset composition, the type of activity it carries out and the strategies the Board of Directors has defined in order to limit operations on commercial credit to short or very short duration (as a rule not exceeding 6 months, with the exception of that with the Public Administration that can be up to 12 months), the liquidity risk for Banca IFIS is not critical.
The bank has also set up a programme geared at strengthening Banca IFIS's equity position. This programme, partly realised in the month of November 2005 and partly prospective, supports not only the development of the bank's activity in terms of solidity and stability but also the development of interbanking sources in line with planned increases in volume and dimension. The financial resources available at present are adequate to support the bank's present and expected business volumes. The bank is also constantly committed to the harmonic development of its financial resources, both from a dimensional and a cost point of view.

The treasury department is not only in charge of guaranteeing the correct application of policies regarding liquidity but also deals with the management of liquidity, while top management concerns itself with risk management, defining and monitoring the indicators and limits.

In general, based on indications coming from the treasury and evaluations on the development of commitments and in order to support the ordinary short to very short-term treasury activities and manage and monitor liquidity risk trends, top management establishes policies regarding the assumption of lines of financing that exceed a 3-month duration.

The monitoring of the liquidity risk means observing a series of indicators such as Bank of Italy's rules involving expiry transformation, certain balance sheet ratios, the verification of interbanking market receivables subdivided into the various technical forms and, lastly, funding concentration on these forms. Furthermore, in order to monitor the short-term liquidity risk, a daily report on the treasury position, exposing theoretically usable alternative funding sources, has also been introduced.

Particular attention is paid to the risk connected to non-renewal or anticipated amortisation of the securitisation programme. Such an eventuality would mean the bank would have to refinance an amount equal to a maximum of 200 million Euro, respecting the procedures and times contractually predefined. Hence, Banca IFIS systematically assesses the elements that could cause this to happen and maintains alternative lines of financing with the purpose of minimising the cost of the substitution.

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

QUANTATIVE INFORMATION

1. Financial assets and liabilities broken down by residual duration – in Euro

Items/duration	At sight	1-7-days	8-14 days	15 days to 1 month	1-3 months	Over 3-6-months	Over 6 months to 1 year	1 to 5 years	Over 5 years
Cash assets									
A.1 Government securities	---	---	---	---	---	---	---	---	---
A.2 Listed debt securities	---	---	---	---	---	---	---	---	---
A.3 Other debt securities	---	---	---	---	---	---	---	---	---
A. 4 O.IC.R. securities	---	---	---	---	---	---	---	---	---
A. 5 Financing	537,919	7,021	---	89,532	92,644	113,297	59,962	12,400	12,944
-banks	30,045	---	---	---	---	77,797	---	---	---
-clients	507,874	7,021	---	89,532	92,644	35,500	59,962	12,400	12,944
Cash liabilities									
B. 1 Deposits	47,728	---	---	---	---	669,869	65,792	---	---
-banks	47,728	---	---	---	---	669,869	40,000	---	---
-clients	---	---	---	---	---	---	25,792	---	---
B.2 Debt securities	---	---	---	---	---	---	---	43,737	---
B.3 Other liabilities	---	---	---	---	---	---	---	---	---
Off balance sheet operations									
C. 1 Financial derivatives with capital exchange	---	---	---	---	---	---	---	---	---
-long	---	---	---	---	---	---	---	---	---
-short	---	---	---	---	---	---	---	---	---
C. 2 Deposits and financing to be received	---	---	---	---	---	---	---	---	---
-long	---	---	---	---	---	---	---	---	---
-short	---	---	---	---	---	---	---	---	---
C. 3 irrevocable commitments to grant funds	---	---	---	---	48	47	93	2,226	---
-long	---	---	---	---	---	---	---	---	---
-short	---	---	---	---	48	47	93	2,226	---

2. Distribution of financial liabilities by sector

Type /counterparties	Governments and Central banks	Other public entities	Financial institutions	Insurance companies	Non financial institutions	Other subjects
1. Due to clients	---	---	16,283	---	9,315	194
2. Outstanding securities	---	---	---	---	---	43,737
3. Financial liabilities of trading	---	---	---	---	---	----
4. Financial liabilities at fair value	---	---	---	---	---	---
TOTAL 30/06/2007	**---**	**---**	**16,283**	**--**	**9,315**	**43,931**
TOTAL 31/12/2006	**---**	**---**	**7,034**	**--**	**75,446**	**42,773**

Type /counterparties	Italy	Other European Countries	America	Asia	Rest of World
1. Due to clients	24,353	506	1	931	1
2. Due to banks	693,597	64,.000	---	---	---
3. Outstanding securities	43,737	---	---	---	---
4. Financial liabilities of trading	---	---	---	---	---
5. Financial liabilities at fair value	---	---	---	---	---
TOTAL 30/06/2007	**761,687**	**64,506**	**1**	**931**	**1**
TOTAL 31/12/2006	**923,281**	**37,944**	**1**	**417**	**3**

SECTION 4 - OPERATIONAL RISKS

QUALITATIVE INFORMATION

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

Operational risks are generally defined as risks of economic loss due to poor functioning of internal processes, inadequate procedures, human error or external events. Management of operational risks requires the ability to identify the risks present in all the significant products, activities, processes and systems that can compromise the achievement of Banca IFIS Group's goals.

Management of this type of risk is currently Banca IFIS's top management's responsibility but taking into account the fact that this risk affects all the group's processes, monitoring of such is carried out by a group Internal Auditing Function which reports back to top management.

As far as concerns pending law suits connected to the operational risk and possible consequent losses, to date no pending law suits, even potential, connected to this risk have been entered.

With regards to internal systems of measurement, Banca IFIS is a member of the Assifact GRIFO project (the government of operational risks in factoring operations) whose aim is to define methodologies and measurement instruments for the control of this risk. Furthermore, the bank has set up a procedure of critical analysis of bad debts on loans so as to discover their origins and, where applicable, subdivide effective and potential loss into different categories of credit or operational risks so as to establish if the risk of loss exists within operational procedures.

The risk of economic loss resulting from facts that affect the 100% controlled companies is also part of this category.

Currently, the monitoring of subsidiaries' operational risks is ensured through systematic reporting to the parent company's top management, who then make all the decisions regarding the strategies of this subsidiary for all risks.

Finally, as far as concerns business continuity, Banca IFIS's Board of Directors approved a group business continuity plan on 20 December 2006.
This plan was developed in three phases:

- The first phase, related to the evaluation of impact, involved examining the main corporate processes with the aim of assessing their vulnerability in a crisis situation: from the unavailability of buildings to the interruption of third party services;
- The second phase involved defining strategies for the continuation of business, illustrating lines of policies adopted by the Banca IFIS Group in order to mitigate the consequences of one or more crises;
- The third phase concentrated on the drawing up of the business continuity plan, or rather an ensemble of initiatives and counter-measures to be adopted in order to reduce business interruption to the acceptable limits set within the business continuity strategies.

Part of the business continuity plan involves disaster recovery in cases where corporate IT systems cease to work.

Part F – INFORMATION ON CONSOLIDATED CAPITAL

SECTION 1 – CONSOLIDATED CAPITAL

QUALITATIVE INFORMATION

Capital management concerns an ensemble of policies and decisions necessary to establish coherent capital dimensions. The Banca IFIS Group is subject to the capital adequacy requirements established by the Basel Committee according to Bank of Italy regulations which state that, on a consolidated basis, the ratio between capital and risk weighted assets must be at least 8%. Ensuring, over time, that such supervisory requirements are respected is challenging and requires fixed objectives to be set right from planning on.
Firstly, during the assignment of budget objectives and according to expected growth in loan commitments, assets and economic aggregates, the risks involved are quantified and compatibility with capital requirements is consequently checked.
Adherence to capital adequacy requirements is achieved through a pay out policy: the definition of strategic financial strategies (capital increases, convertible loans etc.) and the management of loan commitment policies.
Over the course of the year and on a quarterly basis, a monitoring activity of the level of adherence to supervisory capital adequacy requirements is carried out.
A further phase of analysis and control of group capital adequacy occurs every time an extraordinary operation is planned. In these cases, on the basis of available information regarding this operation, the Banca IFIS Group takes measures to forecast the effect on capital adequacy ratios and analyse the possible actions necessary to remain within the requirements.

Operations on treasury shares

The Banca IFIS Shareholders' Meeting of 30 April 2007 renewed authorisation to buy back and sell treasury shares according to articles 2357 and thereafter of the Italian Civil Code, as well as article 132 of the Italian Legislative Decree 58/98, establishing a purchase price range of between 3 Euro and 30 Euro for a maximum amount of 10 million Euro. The Meeting also established that the duration of the authorisation is equal to 18 months from the date the deliberation was effected.
At 31 December 2006, Banca IFIS held 352,122 treasury shares for a counter value of 3,727 thousand Euro and a nominal value of 352,122 thousand.
Specifically, during the course of the first Half 2007, Banca IFIS bought, at a weighted average price of 9.96 Euro, 494,768 treasury shares for a counter value of 4,929 thousand Euro.
The remaining balance at the end of the Half Year 2007 equalled 846,890 treasury shares for a counter value of 8,656 thousand Euro (average book price =10.22 Euro per share) and a nominal value of 846,890 Euro.

QUANTATIVE INFORMATION

Net Equity items	**Amounts at 30/06/2007**	**Amounts at 31/12/2006**
Capital	29,056	28,892
Share premiums	34,911	35,869
Reserves:	38,857	28,377
- Legal Reserves	*3,572*	*2,835*
- Extraordinary reserves	*28,071*	*20,941*
- Transition to International Accounting Standards	*(1,389)*	*(1,141)*
- Buy-back reserve(for treasury share purchase)	*10,000*	*8,000*
- Other reserves	*(1,397)*	*(2,258)*
Valuation reserve:	2,100	3,284
- Financial assets available for sale	*2,100*	*3,284*
Capital instruments	611	611
Treasury shares (-)	(8,656)	(3,727)
Profit from period	8,246	15,012
Total net equity	**105,125**	**108,318**

SECTION 2 – CAPITAL AND CAPITAL RATIOS

2.1 APPLICATION AREA OF REGULATIONS

Capital and coefficients have been calculated according to Bank of Italy's Circular 155.

2.2 REGULATORY CAPITAL

QUALITATIVE INFORMATION

1. Tier 1 capital

The positive elements playing a part in the determination of tier 1 capital are share capital, share premiums and reserves. The deductions include treasury shares held by the bank at the end of the period and intangible assets.

2. Tier 2 capital

Tier 2 capital or supplementary capital is made up of the positive balances in the reserves from positive and negative valuations, net of taxes, of capital securities in the 'Financial assets available for sale' portfolio, prudently adjusted according to negative prudential filters.

3. Tier 3 capital

Tier 3 capital or ancillary capital is not quantifiable in the absence of elements.

QUANTATIVE INFORMATION

	Total 30/06/2007	Total 31/12/2006
A. Tier 1 capital before application of prudential filters	**97,777**	**96,477**
Tier 1 prudential filters	---	---
- Positive IAS/IFRS prudential filters	---	---
- Negative IAS/IFRS prudential filters	---	---
B. Tier 1 capital after application of prudential filters	**97,777**	**96,477**
C. Tier 2 capital before application of prudential filters	**2,100**	**2,985**
Tier 2 prudential filters		
- Positive IAS/IFRS prudential filters	---	---
- Negative IAS/IFRS prudential filters	**(1,050)**	**(1,642)**
D. Tier 2 capital after application of prudential filters	**1,050**	**1,343**
E. Total Tier 1 and 2 capital after application of prudential filters	**98,827**	**97,820**
Deductions	---	---
F. Regulatory capital	**98,827**	**97,820**

2.2 CAPITAL ADEQUACY

QUALITATIVE INFORMATION

As shown in the table on regulatory capital and capital ratios, the Banca IFIS Group, as at 30 June 2007, had a ratio between tier 1 capital and risk weighted assets of 12.9% and between regulatory capital and risk weighted assets of 13.1%, well exceeding the minimum requirement of 8%.

QUANTITATIVE INFORMATION

Categories/Values	Unweighted amounts		Weighted amounts/ requirements	
	30/06/07	31/12/06	30/06/07	31/12/06
A. RISK ASSETS				
A.1 CREDIT RISK	1,031,261	1,147,883	755,282	720,975
STANDARD METHODOLOGY				
CASH ASSETS	964,263	1,093,160	708,584	686,435
1. Receivables (different from capital securities and other subordinated assets) with (or guaranteed by):	932,117	1,049,881	676,596	656,359
1.1 Governments and central banks	48,703	56,335	---	---
1.2 Public entities	144,395	154,470	28,879	30,894
1.3 Banks	107,842	267,014	21,568	53,403
1.4 Other subjects (different from mortgages on residential and non residential property)	631,177	572,062	626,149	572,062
2. Mortgages on residential property	---	---	---	---
3. Mortgages on non residential property	---	---	---	---
4. Shares, equity investments and subordinated assets	702	702	702	702
5. Other cash assets	31,444	42,577	31,286	29,374
OFF BALANCE SHEET ASSETS	66,998	54,723	46,698	34,540
1. Guarantees and commitments with (or guaranteed by):	66,998	54,723	46,698	34,540
1.1 Governments and central banks	5,850	5,472	---	---
1.2 Public entities	18,062	18,389	3,612	3,678
1.3 Banks	---	---	---	---
1.4 Other subjects	43,086	30,862	43,086	30,862
2. Derivative contracts with (or guaranteed by):	---	---	---	---
2.1 Governments and central banks	---	---	---	---
2.2 Public entities	---	---	---	---
2.3 Banks	---	---	---	---
2.4 Other subjects	---	---	---	---
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 CREDIT RISK	---	---	60,422	57,678
B.2 MARKET RISK	---	---	---	---
1. ***STANDARD METHODOLOGY***	X	X	---	---
of which:				
+ position risk on debt securities	X	X	---	---
+ position risk on capital securities	X	X	---	---
+ exchange risk	X	X	---	---
+ other risks	X	X	---	---
2. INTERNAL MODELS	X	X	---	---
of which:			---	---
+ position risk on debt securities	X	X	---	---
+ position risk on capital securities	X	X	---	---
+ exchange risk	X	X	---	---
B.3 OTHER PRUDENTIAL REQUIREMENTS	X	X	---	---
B.4 TOTAL PRUDENTIAL REQUIREMENTS (B1+B2+B3)	X	X	60,422	57,678
C. RISK ASSETS AND CAPITAL REQUIREMENT RATIOS	X	X		
C.1 Risk weighted assets	X	X	755,282	720,975
C.2 Tier 1/ risk weighted assets (Tier 1 capital ratio)	X	X	12.9%	13.4%
C.3 Regulatory capital/ weighted risk assets (Total capital ratio)	X	X	13.1%	13.6%

Part G – INTEGRATION OPERATIONS REGARDING COMPANIES OR COMPANY BRANCHES

Section 1 – Operations carried out during the Half Year

The Banca IFIS group did not carry out any such operations during the first Half 2007.

Section 2 – Operations carried out after the closing of the period

The Banca IFIS group did not carry out any such operations after the first Half Year closed..

Part H – OPERATIONS WITH CONNECTED PARTIES

As at 30 June 2007, Banca IFIS S.p.A. remains controlled by La Scogliera S.p.A. and continues to control the 100% held instrumental estate agency subsidiary, Immobiliare Marocco S.p.A., and IFIS Finance Sp.z.o.o., a Polish factoring company, acquired on 31 July 2006.

1. *Information on compensation and remuneration of directors and management*

Managers with strategic responsibilities

Short-term employee benefits	Benefits successive to employer-employee relationship	Other long term benefits	Retirement/severance allowance	Share based remuneration
1,147	---	---	13	44

2. Information on transactions with connected parties

(in thousands of Euro)	DUE FROM	DUE TO	GUARANTEES AND COMMITMENTS GRANTED	INCOME FROM	EXPENSES DUE TO
Controlling company	556	7,453	---	99	4
La Scogliera S.p.A.	556	7,453	---	99	4
Fully consolidated controlled company	---	---	---	---	---
Immobiliare Marocco S.p.A.	---	---	---	---	---
Managers with strategic responsibilities	---	180	---	1	---
Other connected parties	5,657	13	---	199	---
Total	6,214	7,647	---	299	4

During the first Half 2007, the following operations with connected parties took place:

The current account with the controlling company, La Scogliera S.p.A., continued. The balance as at 30 June 2007 represents a credit Banca IFIS has with La Scogliera S.p.A. equal to 7,453 thousand Euro. Transactions with La Scogliera S.p.A. are governed by market conditions.
In addition, Banca IFIS leased a part of its previous Headquarters (until 2005) to La Scogliera. This contract led to Banca IFIS receiving rental fees for 42 thousand Euro, plus annual VAT. This price is based on market conditions.

Banca IFIS, together with the controlling company, La Scogliera S.p.A., and the subsidiary, Immobiliare Marocco S.p.A., opted for the application of group taxation (fiscal consolidation) according to articles 117 et seq of the D.P.R. 917/86.
Operations between group companies were regulated by means of private written agreements between the parties on 28 May 2007 valid for the three years stretching from 2007-2009. 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.

With this application in force, Banca IFIS's taxable income is transferred to La Scogliera S.p.A. who is responsible for calculating overall group income. Following this option, Banca IFIS entered a debt with its controlling company of 219 thousand Euro as at 30 June 2007 for the amount due to the same for current IRES payments. This debt takes into account the compensation of the controlling company's fiscal losses as according to procedures set out in the regulations and to specific agreements drawn up between companies of the group. In the application of group taxation, the controlled company Immobiliare Marocco has transferred available income to the consolidator, La Scogliera, booking credit, as at 30 June 2007, due from this controlling company of 556 thousand Euro.

A 2,000 thousand Euro credit line, in the form of current account credit, was granted to a controlled company of a Board Member's close family tie. This credit line was utilised, as at 30 June 2007, for 2,048 thousand Euro and was regulated at market conditions and with normal trends. It is protected by a pledge on cash deposits. This operation was effected before the company in debt could be considered a connected party.

A contract for the supply of web and marketing services with a controlled company of a Board Member's close family tie has been stipulated for 9 thousand Euro plus VAT. This operation is also regulated by market conditions.

A 10 year home loan for 3,000 thousand Euro, guaranteed by a mortgage on property, was granted to a Board member's close family tie and regulated by market conditions. The remaining amount as at 30 June 2007 equalled 2,477 thousand Euro. This operation, in normal and regular amortisation, was deliberated before the debtor could be considered a connected party.

Normal factoring activities were carried out in favour of a company governed by a close family member of an executive member of the Board. Total exposure from this as at 30 June 2007 amounted to 1,132 thousand Euro. This operation is regulated by market conditions and respects normal trends.

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 2007, no guarantees, other than those already presented, existed with the controlling company, consolidated controlled companies or associated companies.

Part I - PAYMENT AGREEMENTS BASED ON OWN EQUITY INSTRUMENTS

QUALITATIVE INFORMATION

1. Description of agreements on payments based on own equity instruments

Banca IFIS believes that capital increases in favour of the management 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.

As at 30 June 2007, the following stock option plans remain:
- Plan A2/D2 (deliberated 5 May 2004), that amounts to a total of 214,500 shares at a nominal value of 1 Euro, subscribable at a price of 7.42, originally exercisable between 1 January and 31 December 2007 and then modified in part, so as to respect new provisions concerning tax on profit, to a period from 6 May to 31 December 2007, of which 64,500 for directors and 150,000 for employees;
-Plan A3/D3, (deliberated 15 December 2004) that amounts to a value of 214,500 shares at a nominal value of 1 Euro, subscribable at a price of 7.05 Euro, exercisable in the period between 1 January 2008 and 31 December 2008, of which 64,500 for directors and 150,000 for employees.
- Plan 4 which amounts to a total of 214,500 shares of a nominal value of 1 Euro, subscribable at a price of 10.10 Euro and exercisable between 1 September and 31 December 2010 of which 64,500 shares for directors and 150,000 shares for Banca IFIS employees in general.
-Plan 5 which amounts to a total of 250,000 shares of a nominal value of 1 Euro, subscribable at a price of 10.10 Euro and exercisable between 1 January and 30 April 2011 of which 59,200 shares for directors and 190,800 shares for Banca IFIS employees in general.

To the date of this Half Yearly report, 168,050 options relating to the A2/D2 plan have been exercised by employees.

Venice-Mestre, 27 September 2007

For the Board of Directors

The President
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

REPORT ON LIMITED AUDITING OF THE FIRST HALF YEAR FINANCIAL REPORT

KPMG

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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 interim consolidated financial statements, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement (the "financial schedules") and notes thereto of Banca Ifis S.p.A. as at and for the six months ended 30 June 2007, which are included in its half year report. This half year report is the responsibility of the company's management. Our responsibility is to prepare this report based on our review. We have also reviewed the part of the half year report 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 reports on the annual consolidated financial statements, we do not express an opinion on the half year report.

3 With regard to the comparative figures included in the financial schedules relative to the annual consolidated financial statements and half year report of the previous year, reference should be made to our reports dated 10 April 2007 and 30 October 2006.

4 Based on our review, we are not aware of any material modifications or integrations that should be made to the financial schedules and notes thereto, referred to in paragraph 1 for them to be in conformity with IAS 34 and the guidelines governing the preparation of the half year reports set out in article 81 of the Consob regulation adopted with resolution no. 11971 dated 14 May 1999 and subsequent modifications and integrations.

Treviso, 2 October 2007

KPMG S.p.A.

(Signed on the original)

Andrea Rosignoli
Director of Audit

ATTACHMENTS TO THE CONSOLIDATED FIRST HALF YEAR FINANCIAL REPORT

BALANCE SHEET

(in Euro)

	ASSETS	30/06/2007	31/12/2006
10	Cash and cash equivalents	22,314	11,791
40	Financial assets available for sale	4,255,563	6,287,535
60	Due from banks	107,098,362	264,086,198
70	Due from customers	824,227,292	794,391,797
100	Shareholdings/equity investments	16,900,119	16,900,119
110	Tangible assets	5,704,594	5,653,137
120	Intangible assets	958,277	814,126
130	Tax assets	1,415,554	2,399,326
	(a) current	123	497
	(b) prepaid	1,415,431	2,398,829
150	Other assets	2,036,352	2,329,020
	TOTAL ASSETS	962,618,427	1,092,873,049

	LIABILITIES AND NET EQUITY	30/06/2007	31/12/2006
10	Due to banks	757,597,053	836,393,348
20	Due to clients	25,791,819	82,559,771
30	Outstanding securities	43,737,280	42,692,987
80	Tax liabilities	1,322,205	1,356,622
	(a) current	188,464	296,489
	(b) deferred	1,133,741	1,060,133
100	Other liability items	26,410,689	18,270,327
110	Retirement/severance allowance	1,120,556	1,433,103
130	Valuation reserves	2,100,098	3,284,125
150	Capital instruments	611,328	611,328
160	Reserves	40,429,905	30,505,292
170	Share premiums	34,910,755	35,868,833
180	Capital	29,055,962	28,892,362
190	Treasury shares (-)	(8,655,602)	(3,727,075)
200	Net profit (loss)	8,186,379	14,732,026
	TOTAL LIABILITIES AND NET EQUITY	962,618,427	1,092,873,049

PROFIT AND LOSS ACCOUNT

(in Euro)

	Items	30/06/2007	30/06/2006
10	Receivable interest and similar income	23,755,022	16,336,911
20	Payable interest and similar charges	(15,526,916)	(8,618,218)
30	Interest margin	8,228,106	7,718,693
40	Receivable commission	14,761,991	14,089,121
50	Payable commission	(1,054,076)	(966,162)
60	Net commission	13,707,915	13,122,959
70	Dividends and similar income	45,535	6,875
80	Net trading result	(40,146)	(49,962)
100	Profit (loss) from sale/buybacks of:	1,069,907	0
	(a) credit	0	-
	(b) available for sale financial assets	1,069,907	0
	(d) financial liabilities	0	0
120	Earning margin	23,011,317	20,798,565
130	Net value adjustment write-downs or recoveries on:	(462,466)	(2,505,608)
	(a) credit	(462,466)	(2,505,608)
140	Net operating revenue	22,548,851	18,292,957
150	Administrative expenses:	(9,907,950)	(7,372,771)
	(a)personnel expenses	(6,347,903)	(4,354,996)
	(b)other administrative expenses	(3,560,047)	(3,017,775)
170	Value adjustments/recoveries on tangible assets	(523,442)	(274,759)
180	Value adjustments/recoveries on intangible assets	(182,660)	(154,547)
190	Other operating income (expenses)	283,827	325,119
200	Operating costs	(10,330,225)	(7,476,958)
250	Gross profit (loss) from current operations	12,218,626	10,815,999
260	Tax on profit from current operations	(4,032,247)	(4,146,504)
290	Parent company net profit (loss)	8,186,379	6,669,495

Statement of important shareholdings in non-listed companies or limited liability companies.

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

NAME OF SHARE-HELD COMPANY	PERCENTAGE	POSSESSION
Immobiliare Marocco S.p.A.	100%	owned
IFIS Finance Sp. Z o.o.	100%	owned
Cofin Aviation S.r.L.	20%	owned
Ifinance S.r.L.	10%	owned
Arendi S.r.L	14%	owned

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