**CONSOLIDATED QUARTERLY REPORT**
**AS AT 31 MARCH 2007**

TRANSLATION FROM THE ITALIAN ORIGINAL
WHICH REMAINS THE DEFINITIVE VERSION

Share Capital: Euro 28,908,362 fully paid-in
Bank License No.: 3205
Tax and Company Registration Number: 02505630109
VAT number: 02992620274

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

**BRANCHES**
Via Astagno, 3 – 60122 Ancona
Via C. Rosalba, 47/z – 70124 Bari
Viale Bonaria, 62 – 09125 Cagliari
Viale Europa, 163– 50126 Florence
Via A. Costa, 62 – 40026 Imola (Bo)
Via Volta, 16 – 20093 Cologno Monzese Milan
Via G. Porzio, 4 – Centro Dir. Isola E7 – 80143 Naples
Via De Paoli, 28/D – 33170 Pordenone
Via B. Croce, 6 – 00142 Rome
Via C.L.M., 255 – 201521 Turin
Via Terraglio, 63 – 30174 Mestre, Venice

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

**BOARD OF DIRECTORS**

| | |
|---|---|
| ***President*** | Sebastien Egon Fürstenberg |
| ***Vice President*** | Alessandro Csillaghy |
| ***CEO*** | Giovanni Bossi (1) |
| ***Directors*** | Leopoldo Conti<br>Roberto Cravero<br>Andrea Martin<br>Riccardo Preve<br>Marina Salamon |
| **GENERAL MANAGER** | Alberto Staccione |

**BOARD OF STATUTORY AUDITORS**

| | |
|---|---|
| ***President*** | Mauro Rovida |
| ***Standing Auditors*** | Erasmo Santesso<br>Dario Stevanato |
| ***Alternate Auditors*** | Luca Giacometti<br>Francesca Rapetti |

**INDEPENDENT AUDIT FIRM** KPMG S.p.A.

Member of Factors Chain International

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

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**CONSOLIDATED QUARTERLY REPORT**
**AS AT 31 MARCH 2007**

# FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
*(in thousands in Euro)*

| ASSETS | PERIOD 31/03/2007 | PERIOD 31/12/2006 | VARIATION ABSOLUTE | VARIATION % |
|---|---|---|---|---|
| Cash and cash equivalents | 16 | 14 | 2 | 14.3% |
| Financial assets available for sale | 5,938 | 6,288 | (350) | (5.6)% |
| Due from banks | 67,104 | 267,294 | (200,190) | (74.9)% |
| Due from customers | 772,126 | 782,977 | (10,851) | (1.4)% |
| Tangible assets | 30,056 | 29,324 | 732 | 2.5% |
| Intangible assets | 1,821 | 1,707 | 114 | 6.7% |
| of which: | | | | |
| - Goodwill | 887 | 893 | (6) | (0.7)% |
| Tax assets | 2,433 | 2,428 | 5 | 0.2% |
| a) current | 26 | 22 | 4 | 0.2% |
| b) differed | 2,407 | 2,406 | 1 | --- |
| Other assets | 2,833 | 2,613 | 220 | 8.4% |
| TOTAL ASSETS | 882,327 | 1,092,645 | (210,318) | (19.2)% |

| LIABILITIES | PERIOD 31/03/2007 | PERIOD 31/12/2006 | VARIATION ABSOLUTE | VARIATION % |
|---|---|---|---|---|
| Due to banks | 667,590 | 836,393 | (168,803) | (20.2)% |
| Due to customers | 28,729 | 82,560 | (53,831) | (65.2)% |
| Outstanding shares | 43,209 | 42,693 | 516 | 1.2% |
| Tax liabilities | 2,443 | 2,452 | (9) | (0.4)% |
| a) current | 302 | 308 | (6) | (1.9)% |
| b) differed | 2,141 | 2,144 | (3) | (0.1)% |
| Other liabilities | 27,590 | 18,796 | 8,794 | 46.8% |
| Retirement/severance allowance | 1,537 | 1,433 | 104 | 7.3% |
| Valuation reserve | 3,220 | 3,284 | (64) | (1.9)% |
| Capital instruments | 611 | 611 | --- | --- |
| Reserves | 43,546 | 28,377 | 15,169 | 53.5% |
| Share premiums | 35,969 | 35,869 | 100 | 0.3% |
| Capital | 28,908 | 28,892 | 16 | 0.1% |
| Treasury shares | (4,530) | (3,727) | (803) | 21.5% |
| Net profit | 3,505 | 15,012 | (11,507) | (76.7)% |
| TOTAL LIABILITIES | 882,327 | 1,092,645 | (210,318) | (19.2)% |

CONSOLIDATED PROFIT AND LOSS ACCOUNT

*(in thousands of Euro)*

| | PERIOD | | VARIATION | |
|---|---|---|---|---|
| | 31/03/2007 | 31/03/2006 | ABSOLUTE | % |
| Receivable interest and similar income | 11,382 | 8,114 | 3,268 | 40.3% |
| Payable interest and similar charges | (7,572) | (4,382) | (3,190) | 72.8% |
| Interest margin | 3,810 | 3,732 | 78 | 2.1% |
| Receivable commission | 7,154 | 8,329 | (1,175) | (14.1)% |
| Payable commission | (518) | (538) | 20 | (3.7)% |
| Net commission | 6,636 | 7,791 | (1,155) | (14.8)% |
| Dividends and similar income | --- | 6 | (6) | (100.0)% |
| Net trading result | 21 | (63) | 84 | (133.3)% |
| Profit (loss) from reassignment/buybacks of:<br>a) credit | 10,467 | 11,466 | (999) | (8.7)% |
| Earning margin | (209)<br>(209) | (1,496)<br>(1,496) | 1,287<br>1,287 | (86.0)%<br>(86.0)% |
| Net value adjustment write downs on:<br>a) credit | 10,258 | 9,970 | 288 | 2.9% |
| Net operating revenue | (4,478)<br>(3,025)<br>(1,453) | (3,795)<br>(2,375)<br>(1,420) | (683)<br>(650)<br>(33) | 18.0%<br>27.4%<br>2.3% |
| Administrative expenses:<br>a) personnel expenses<br>b) other administrative expenses | (258) | (176) | (82) | 46.6% |
| Value adjustments on tangible assets | (86) | (73) | (13) | 17.8% |
| Value adjustments on intangible assets | 102 | 206 | (104) | (50.5)% |
| Other operating income (charges) | (4,720) | (3,838) | (882) | 23.0% |
| Operating costs | 5,538 | 6,132 | (594) | (9.7)% |
| Gross profit from current operations | (2,033) | (2,271) | 238 | (10.5)% |
| Tax on profit from current operations | 3,505 | 3,861 | (356) | (9.2)% |
| Parent company net profit | 11,382 | 8,114 | 3,268 | 40.3% |

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT: QUARTERLY EVOLUTION

*(in thousands of Euro)*

| | ACCOUNTING YEAR 2007 | ACCOUNTING YEAR 2006 | | | |
|---|---|---|---|---|---|
| | 1st Q. | 4th Q. | 3rd Q. | 2nd Q. | 1st Q. |
| Receivable interest and similar income | 11,382 | 11,015 | 8,920 | 7,969 | 8,114 |
| Payable interest and similar charges | (7,572) | (7,351) | (5,300) | (4,236) | (4,382) |
| Interest margin | 3,810 | 3,664 | 3,620 | 3,733 | 3,732 |
| Receivable commission | 7,154 | 6,270 | 5,944 | 5,758 | 8,329 |
| Payable commission | (518) | (643) | (501) | (429) | (538) |
| Net commission | 6,636 | 5,627 | 5,443 | 5,329 | 7,791 |
| Dividends and similar | --- | --- | --- | 1 | 6 |
| Net trading result | 21 | 49 | (34) | 13 | (63) |
| Profit (loss) from reassignment/buybacks of: | --- | *2,300* | --- | --- | --- |
| a) receivables | --- | | | | |
| b) financial liabilities | --- | 2,300 | --- | --- | --- |
| Earning margin | 10,467 | 11,640 | 9,029 | 9,076 | 11,466 |
| Net value adjustment write downs on: | (209) | 1,053 | (335) | (1,010) | (1,496) |
| a) credit | (209) | *1,053* | *(335)* | *(1,010)* | *(1,496)* |
| Net operating Revenue | 10,258 | 12,693 | 8,694 | 8,066 | 9,970 |
| Administrative expenses: | (4,478) | (5,018) | (3,419) | (3,420) | (3,795) |
| a) personnel expenses | (3,025) | (3,137) | (1,987) | (1,980) | (2,375) |
| b) other administrative expenses | (1,453) | (1,881) | (1,432) | (1,440) | (1,420) |
| Value adjustments on tangible assets | (258) | (314) | (209) | (100) | (176) |
| Value adjustments on intangible assets | (86) | (115) | (91) | (82) | (73) |
| Other operating income (charges) | 102 | *587* | *77* | *131* | *206* |
| Operating costs | (4,720) | *(4,860)* | *(3,642)* | *(3,471)* | *(3,838)* |
| Gross profit from current operations | 5,538 | *7,833* | *5,052* | *4,595* | *6,132* |
| Tax on profit from current operations | (2,033) | (2,662) | (1,849) | (1,818) | (2,271) |
| Parent company net profit | 3,505 | *5,171* | *3,203* | *2,777* | *3,861* |

# NOTES TO THE FINANCIAL STATEMENTS

**Criteria for the preparation of the financial Statements**

Banca IFIS Group's quarterly report as at 31 March 2007 has been prepared in compliance with the provisions issued by Consob Regulation No. 11971 of 14 May 1999 and subsequent modifications.
Based on the contents of article 82 of this Consob Regulation, Banca IFIS has prepared this quarterly report according to the IAS/IFRS accounting standards.
Article 82 also requires that the contents of the quarterly report can alternatively be aligned with the provisions of Appendix 3D of the Regulations for Issuers or with the requirements of IAS 34 in relation to interim financial statements.
Banca IFIS has prepared this quarterly report in compliance with Appendix 3D.

As required by Consob Regulation No. 11971 of 14 May 1999 and subsequent modifications, the consolidated financial statements as at 31 March 2007 are compared with those of 31 December 2006; in addition, a comparison is made between the profit and loss account results at 31 March 2007 and that as at 31 March 2006.

The result for the period is reported net of income taxes which reflect the presumed expense for the period based on current and deferred taxes. Current taxes are calculated taking into account current tax rates and any applicable exemptions or tax allowances.
The financial statements used as a basis for the consolidation are those prepared by group companies as at 31 March 2007.
The quarterly report is not audited by the independent auditing company.

**Consolidation area**

The structure of the group as at 31 March 2007 is unchanged compared to 31 December 2006 and is composed of the parent company Banca IFIS S.p.A. and the 100% controlled companies: Immobiliare Marocco S.p.A., and IFIS Finance Sp. Z.o.o., both consolidated using the line-by-line method.

The accounts on which the consolidation is based are those prepared by the companies of the Group as at 31 march 2007.

# BOARD OF DIRECTORS' OBSERVATIONS AND SIGNIFICANT EVENTS IN THE PERIOD

### *Expansion*

In 2007, Banca IFIS continues to pursue its strategy of increasing market share by further developing its customer base and reinforcing its relationship with existing clients by focusing on products with the highest added value.

The scenario in which the bank carried out these efforts after the progress made in the fourth quarter 2006 has improved still further. The drive for new clients continued, together with the introduction of new services for existing clients (although still based on lending working capital support to Italian and international Small Medium Enterprises through factoring).

The results of actions taken commercially and organisationally as from the second half of 2006 are significant and largely positive and have effect on the bank's entire structure, presently subjected to physiological and beneficial evolutive pressure. Results in terms of:

- strengthening the sales network;
- risk analysis and risk management of counterparts;
- the increase in the client base and contextual risk spreading;
- the presence of the bank in domestic and international markets;
- the increase 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.

The strong recovery in development activities, first evident in the fourth quarter of 2006, followed a period in which certain elements required particular attention. Indeed, in the middle of 2006, certain operations with public debtors which had positively influenced the entire 2005 accounting year and the first quarter of 2006, were not realised.

In the meanwhile, as set out in the strategic plans, expansion and strengthening activities were initiated in certain organisational and control areas. This was also achieved 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 equity at the end of 2005 (the capital increases, both paid and unpaid and the cum warrants) and in 2004 (the issue of a convertible bond) which were all a result of the short-medium term development strategy. The implementation of such activities understandably led to a slow-down in development, in particular in the middle of 2006. It can now be said, however, that there has been a complete recovery of such slow-down, even if there is still room for further improvement in terms of profitability.

### *Profit and Loss account*

**Operating revenue**

Group net operating revenue for the first quarter equalled 10,258 thousand Euro, an increase of 2.9% when compared to 9,970 thousand Euro in the first quarter of 2006.

The **earning margin** stood at 10,476 thousand Euro in the first quarter of 2007, a decrease from 11,466 thousand Euro in the first quarter of 2006 (-8.7%).

The latter results were positively influenced by operations with public debtors, realised in part during the first quarter of 2006 and in part over the last few days of 2005, for circa 2,600 thousand Euro. Net of this non-repeatable component, growth in the earning margin would have been equal to 13.5%. In addition, the earning margin has grown when compared to the other quarters of 2006, net of the occasional sales on available for sale securities.

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.

Nevertheless, in detail, the **interest margin** reached 3,810 thousand Euro in the first quarter of 2007, increased by 2.1% compared to 3,732 thousand Euro in the same period in the previous year. A comparison with the interest margins of the second, third and fourth quarters 2006, show a growth of 2.1%, 5.2% and 4% respectively.

This somewhat modest increase in this margin, rather than being due to competitive pressure or rates, is due to some operational difficulties in transferring increases in funding costs to clients and to the clients' preference for products, from which the bank obtains return only from commission (with charges payable by Banca IFIS connected to financing having an effect on the interest margin). It is important to note that the payable default interest running from the end of 2005 for past due loans to the Civil Service for significant amounts, mostly collected at the end of 2006, have not been booked as it is not possible to forecast how much of this interest will be recovered.

**Net commission**, equalled 6,636 thousand Euro, compared to 7,791 thousand Euro in the first quarter of 2006 (-14.8%). It is important to note that it is in this item that the negative effect recorded for business not concluded with the public Health Service is shown. Such business existed throughout 2005 with positive effects also on the first quarter of 2006.

A comparison with the second, third and fourth quarters of 2006 show considerable increases equal to 24.5%, 21.9% and 17.9% respectively.

The interest margin and net commission as a percentage of the earning margin were respectively 36.4% and 63.4%.

The **net adjustments write-downs on receivables from loans** in the first quarter of 2007 amounted to 209 thousand Euro, a decrease of 86% compared to 1,496 thousand Euro for the first quarter of 2006. This decrease is thanks to the constant attention paid to the assignment of receivables and the monitoring of trends in such operations.

***Gross profit from current operations***

Gross profit from current operations in the first quarter of 2007 amounted to 5,538 thousand Euro, compared to Euro 6,132 thousand in the first quarter of 2006.

The **operating costs** increased by 23% in line with the bank's forecasts for 2007, aimed at strengthening the structure, with particular emphasis on human resources. Operating costs passed from 3,838 thousand Euro in the first quarter of 2006 to 4,720 thousand Euro for the first quarter of 2007. A comparison of operating costs with the last quarter of 2006 shows a decrease of 2.9%.

The ratio between operating costs and the earning margin (cost/income ratio) at 31 March 2007 equalled 45.1% compared to 38.4% at 31 December 2006. This increase is due to growth in costs not yet being accompanied by a corresponding increase in income and returns. The expected growth in profitability levels, forecast for the second part of the financial year, should correct the trend in this ratio.

In detail, **personnel expenses** passed from 2,375 thousand Euro in the first quarter of 2006 to 3,025 thousand Euro in the first quarter 2007, an increase of +27.4%. This increase is physiological and corresponds to expectations, taking into consideration the systematic increases in the number of personnel.

During the first quarter of 2007, 22 new employees were taken on.

**Other administrative expenses** for the first quarter 2007 amounted to 1,453 thousand Euro, against 1,420 thousand Euro for the corresponding period of 2006 (+2.3%).

The **net value adjustments on intangible assets** also increased (+17.8% compared to the first quarter of 2006) mainly due to improvements in IT support, while **net value adjustments on tangible assets** equalled 258 thousand Euro, against 176 thousand Euro in the first quarter of 2006 (+46.6%).

**Other operating income** amounted to 102 thousand Euro for the first quarter of 2007, compared to 206 thousand Euro in the first quarter of 2006 and mainly includes the recovery of third party expenses.

***Net profit***

The **income taxes on current operations** for the period are estimated at 2,033 thousand Euro, a decrease of 10.5% from the 2,271 thousand Euro of the first quarter of 2006.

**Net profit** amounted to 3,505 thousand Euro, a decrease of 9.2% from the corresponding period of 2006. In the absence of third party profit, the result refers entirely to the group.

**The main capital aggregates**

The parent company is almost exclusively involved in the factoring activity. In addition to the typical deposits made with the banking system, or wholesale in terms of client companies, securitisation of performing receivables has continued to play an ever more significant role along with interbank deposits on the *e-MID* platform and on direct bilateral contractual bases.

***Due from clients***

Total due from clients at 31 March 2007 reached 772 million Euro, a slight decrease from 783 million Euro at 31 December 2006 (-1.4%) but it is necessary to take into account the typical year-end business peaks. Indeed, this item has increased by 11.8% if compared to the 691 million Euro of 31 March 2006. Total net loans, excluding net bad debts for 7 million Euro, totalled 765 million Euro for the period, compared to 776 million Euro at 31

December 2006 and 686 million Euro at 31 March 2006.

***Doubtful loans to clients***

Total bad debts on loans due from clients, at net balance sheet values, stood at 6,972 thousand Euro, more or less the same if compared to 31 December 2006 (+0.4%). The percentage of net bad debts on loans over total loan commitments to clients remained relatively stable from 31 December 2006, standing at 0.9%. The adjustments equalled 76.6% of gross bad debts on loans, in line with 31 December 2006 (76.5%).
Total difficult loans at net book values for the period stood at 1,549 thousand Euro, compared to 1,439 thousand Euro as at 31 December 2006, an increase of 7.6%. The percentage of net difficult loans out of total loans to clients remained at the 0.2% as it did at 31 December 2006.
Total non-performing loans due from clients amounted to 8,521 thousand Euro at 31 March 2007, a growth of 1.7% compared to the 8,381 thousand Euro of 31 December 2006. The percentage of net non-performing loans on total loan commitments equalled 1.1%, the same as 31 December 2006. The percentage of net non-performing loans on shareholders' equity as at 31 March 2007 stood at 7.7%.

***Due from banks***

Total due from banks equalled 67 million Euro at 31 March 2007, a decrease compared to the 267 million Euro of 31 December 2006, whilst an increase when compared to the 22 million Euro of 31 March 2006.
The utilisation of available financial resources care of other institutes does not represent a core activity for the bank and the amounts recorded for 31 December 2006, with respect to other interim periods, is due to maintaining a high level of liquidity to cover year-end expiries. The bank's aim is only to utilise available resources in order to increase financing operations in the favour of the clients as a result .

***Funding***

Banca IFIS obtains the resources necessary for the financing of its activities, in addition to own resources, from the inter-bank market, from the net cash flow from the revolving reassignment of performing assigned receivables owed by assigned debtors (initiated in October 2003), from the convertible bond (issued in July 2004) and lastly from its clients.
Total funds at 31 March 2007 amounted to 739,528 thousand Euro, a decrease of 23.1%, compared to 961,646 thousand Euro as at 31 December 2006; This decrease is not due to the reduced necessity for financial resources to satisfy client's needs that typically occur at year-end but, rather, is due to the already mentioned reduction in receivable interbanking deposits that characterised the treasury position at the end of the 2006 financial year.
Due to banks equalling 667,590 thousand Euro, a decrease of 20.2% compared to 836,393 thousand Euro as at 31 December 2006 are composed of interbank deposits for 530,038 thousand Euro, ( -26.1% compared to December 2006), and by the net funding deriving from the reassignment of commercial receivables portfolios for 137,552 thousand Euro, (+15.5% compared to December 2006).
Deposits from clients, equal to 28,729 thousand Euro fell 65.2% from 82,560 thousand Euro at 31 December 2006, because this source of financing is atypical which shows, furthermore, considerable year-end increases in correspondence with the physiological increases in commitments. Deposits from clients are remunerated at indexed conditions or revisable in the short term, and advantageous for clients compared with alternative investments, and for the bank compared to the average deposit cost.
The "Banca IFIS 2004-2009" convertible bond, issued in July 2004 for a nominal amount of Euro 50 million, totalled 43,209 thousand Euro at 31 March 2007 (+1.2% compared to 31 December 2006). The debt instrument is recognised as a liability, net of the buyback of own bonds which are treated, in compliance with the IAS standards, as settlement of the debt, even though these instruments are intended for later resale.

No savings management activity was started, as it is not part of the group's industrial plan.

***Tangible and intangible assets***

Intangible fixed assets totalled 1,821 thousand Euro, an increase of 6.7% compared to 31 December 2006 essentially due to reinforcing the IT supports.
Tangible fixed assets increased from 29,324 thousand Euro to 30,056 thousand Euro (+2.5%), due to renovation costs of the important historic building "Villa Marocco" for which a renovation and expansion plan has been designed and approved by the Eastern Veneto Arts and Monuments Office. In December 2005, a part of the building for which the above-mentioned restructuring work had been concluded, became the new Head Quarters of Banca IFIS. The final value of the building has been confirmed by experts in the valuation of his-

toric buildings.
The property is not depreciated as its residual value, calculated on its expected useful life, is higher than its book value.
The building in which Banca IFIS had its Head Quarters until December 2005, restructured in 1999 and occupied in 2001, is also recorded under tangible assets, as are the representative office at Bucharest, a building in Padua and property of a residual value.

### *Equity*

In the absence of assets attributable to third parties, the net equity as at 31 March 2007 was 111,229 thousand Euro, against 108,318 thousand Euro at 31 December 2006. In the first quarter 2007, equity increased as a result of 3,505 thousand Euro of profit for the period, of the exercising of stock options equal to 116 thousand Euro and of other variations for 93 thousand Euro and decreased as a result of buybacks for 803 thousand Euro.

### *Activity*

Banca IFIS continued its business in a profitable manner; it is primarily engaged in financial and management assistance to Italian and international small and medium enterprises through factoring.
In combination with advanced credit risk assessment and monitoring instruments, factoring represents an optimal answer to the financial service needs of SMEs, primarily in light of the new rules for calculating capital consumption for Banks (Basel 2). Focus continued to be placed on the selection of credit and geographical and industrial diversification, aimed at spreading credit risk.
International development, considered a medium-long term strategic goal of Banca IFIS, also continued.

## Other Information

### *Trading on the STAR*

Banca IFIS's ordinary shares and convertible bonds have been traded in the high-standard mid-cap segment (STAR) since November 2004. Previously, from 1990, the shares were traded on the Restricted Market (IMR) of the Italian Stock Exchange.

### *Fitch rating*

On 10 February 2006, Fitch Ratings International assigned Banca IFIS with a BBB –, improving its rating by one notch. This notch, the most important because it takes Banca IFIS's rating from 'speculative' to 'investment', opens up new scenarios and opportunities. 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.
This rating was reconfirmed on the 12 January 2007.

### *The impact of Basel 2 and the Solvency Ratio*

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. At a later date, subject to approval from supervisory authorities, Banca IFIS intends on using 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 is expected, though still well above the regulatory minimum 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.
Once this system for measuring credit risks based on internal ratings is put into action and considering the type of activity carried out, Banca IFIS should benefit from a non-marginal reduction for capital requirements against credit risk; this is due both to the relatively lower risk in providing loans for factoring activities, which was recognised by the Basel Committee, and also to the average duration of transactions - normally less than a year and more often than not, 3-6 months.
The capital consumption connected to the operating risk 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 (13.6 as at 31 December 2006) with an increase in own equity designed to maintain the ratio at a favourable level.

### *Operations on treasury shares*
The Ordinary Shareholders' Meeting of 30 April 2007 renewed the authorisation to purchase and sell treasury shares, in accordance with Article 2357 and thereafter of the Civil Code,

and Article 132 of Legislative Decree No. 58/98, establishing a price for which the shares may be acquired as between a minimum of Euro 3 and a maximum of Euro 30, for a maximum amount of 10 million Euro. The Shareholders' Meeting also established the duration of the authorisation as 18 months from the date of the resolution.

At 31 December 2006, Banca IFIS held 352,122 treasury shares for a counter value of 3,727 thousand Euro (average price of transaction in portfolio, 10.58 Euro) and a nominal value of 352,122 Euro.

During the first quarter of 2007, Banca IFIS purchased, at the weighted average price of 9.85 Euro, no. 81,507 treasury shares at a counter value of 803 thousand Euro and a nominal value of 81,507 Euro.

The remainder in portfolio at the end of the first quarter 2007 stood at 433,629 treasury shares for a counter value of 4,530 thousand Euro (average price of transaction in portfolio 10.45 Euro per share) and a nominal value of 433,629 Euro.

***Transactions on own bonds***

At 31 March 2007, the bank held 602,522 own bonds entered for a counter value of 7,598 thousand Euro and a nominal value of 7,531,525 Euro. During the first quarter of 2007, Banca IFIS did not carry out any purchase or sales of its own bonds.

**Outlook**

The outlook for 2007 allows some optimism with regards to the markets on which Banca IFIS operates. The attitude of the banking system to financing SMEs appears uncertain, being influenced, on the one hand, by evaluations re compliance with Basel 2 and, on the other, by the overall improvement in credit assessment which can be seen on the market.

This could lead to certain tension with regards to the margins of operators in this sector but will, presumably, also confirm wide opening for factoring operators who wish to improve their market share in the small and medium enterprise sector.

Banca IFIS's prospectives continue to be positive and permit an optimistic outlook for the overall operating trend, despite the remaining uncertainties related to the macroeconomic situation for industrial SMEs, Banca IFIS's typical client.

In more detail, following on from Banca IFIS's important organisational restructuring, and given the recovery in commercial development, certain operations aiming at increasing profitability remain to be completed. The effects of these operations should be visible over the course of this financial year.

**Significant events during the period**

***Exercise of stock options***

As at 31 March 2007, the following stock option plans remain standing:

- Plan A2/D2 (deliberated 5 May 2004), that amounts to a total of 214,500 shares (of which 64,500 for directors and 150,000 for employees) at a nominal value of 1 Euro, subscribable at a price of 7.42 to be exercised initially between 1 January and 31 December 2007, and then partially modified to respect the provisions concerning tax on profit from 6 May to 31 December 2007.

-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.

To the date of this Quarterly Report, 156,700 options relating to the A2/D2 plan have been exercised.

**Significant events after 31 March 2007**

***Nomination of members of the Board of Directors and the Statutory Auditors' Board***

The Shareholders' Meeting of 30 April 2007 confirmed the renewal of members of the Board of Directors and the Statutory Auditors' Board, in office at the date the 2006 annual report was approved, for a further period of 3 years, from 2007 to 2009.

***Extension of the external auditors' term of office***

The Shareholders' Meeting of 30 April deliberated to extend KPMG's role as external auditors up to 2013, originally 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. 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 up to the limit stated in article 159, paragraph 4 of the legislative decree 58/98, as modified by the Lgs. Decree 303/6.

***New stock option plans***

Banca IFIS's Ordinary and Extraordinary Shareholders' Meeting of 30 April 2007, deliberated the approval of two new stock option plans, Plan 4 and Plan 5, through a capital increase, subject to the revocation of the unutilised part of the previous delegation given to the Board. Such plans will be for a maximum nominal amount of 464,500 Euro and will take place through the issue of 464,500 ordinary shares of a nominal value of 1 Euro each for a total of 464,500 Euro, to be offered for subscription to directors and employees as follows:
-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 214,500 shares of a nominal value of 1 Euro, subscribable at a price of 10.10 Euro and exercisable between 1 January and 31 April 2011, of which 59,200 shares for directors and 190,800 shares for Banca IFIS employees in general.
The two plans together assign subscription rights for shares making up 1.6% of Banca IFIS's current share capital, 26.6% of the total reserved for directors and 73.4% of the total for general employees. Such plans aim to increase employee loyalisation whilst making the employees feel a part of the company by sharing values. It is for this reason that they are offered to *all* employees, according to the role each covers within the company.

No other significant events occurred after closing the period and up to the approval of the present report.

***Mestre, Venice, 15 May 2007,***

**For the Board of Directors**

***The President***
Sebastien Egon Fürstenberg

***The CEO***
Giovanni Bossi

| BREAKDOWN OF CUSTOMERS BY GEOGRAPHIC AREA | LOANS | TURNOVER |
|---|---|---|
| North Italy | 35.6% | 41.5% |
| Central Italy | 40.1% | 31.0% |
| South Italy | 21.0% | 14.8% |
| Overseas | 3.3% | 12.7% |
| Total | 100% | 100% |

| BREAKDOWN OF CUSTOMER BY PRODUCT CATEGORY | | LOANS | TURNOVER |
|---|---|---|---|
| 051 | Agriculture, forestry and fish products | 0.5% | 0.6% |
| 052 | Energy products | 0.2% | 0.0% |
| 053 | Minerals and ferrous and non-ferrous metals | 0.3% | 0.3% |
| 054 | Minerals and mineral based products | 0.4% | 0.3% |
| 055 | Chemical products | 0.2% | 0.2% |
| 056 | Products in metal excluding machines and equipment | 8.5% | 10.3% |
| 057 | Agricultural and industrial machines | 1.2% | 1.2% |
| 058 | Machines for offices, data processing and precision machinery | 0.2% | 0.2% |
| 059 | Electrical material and supplies | 2.5% | 1.5% |
| 060 | Transportation vehicles | 6.6% | 17.3% |
| 061 | Food and beverage products | 1.6% | 1.5% |
| 062 | Textile, leather, shoe and clothing products | 4.0% | 2.2% |
| 063 | Paper, printing and publishing | 0.5% | 0.9% |
| 064 | Rubber and plastic products | 1.3% | 1.3% |
| 065 | Other industrial products | 1.0% | 0.8% |
| 066 | Construction and public works | 9.3% | 7.7% |
| 067 | Wholesale and retail trade. recoveries and repair | 10.5% | 12.0% |
| 068 | Hotel and public establishment services | 0.9% | 0.8% |
| 069 | Internal transportation services | 1.4% | 1.7% |
| 070 | Maritime and air transportation services | 0.8% | 0.4% |
| 071 | Transportation related services | 2.7% | 0.6% |
| 072 | Telecommunications services | 0.2% | 0.1% |
| 073 | Other services for sale | 19.3% | 24.7% |
| 000 | Non classifiable | 25.9% | 13.4% |
| | *of which non-resident subjects* | *3.3%* | *12.7%* |
| | *of which financial institutions* | *0.3%* | *0.0%* |
| | *of which others* (1) | *22.3%* | *0.7%* |
| | Total | 100% | 100% |

*(1)* The item in question includes Banca IFIS's commitments in companies operating in healthcare and auxiliary services sectors