



**CONSOLIDATED QUARTERLY REPORT  
AS AT 30 JUNE 2007**

TRANSLATION FROM THE ITALIAN ORIGINAL  
WHICH REMAINS THE DEFINITIVE VERSION



Share Capital: Euro 29,055,962 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.bancafis.it](http://www.bancafis.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.N., 255 – 201521 Turin  
Via Monti Iblei, 55 – 90146 Palermo  
Via Gatta, 11 – 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

*C.E.O.* Giovanni Bossi <sup>(1)</sup>

*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

**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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## **FINANCIAL STATEMENTS**

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CONSOLIDATED BALANCE SHEET  
(in thousands of Euro)

ASSETS	PERIOD		VARIATION		PERIOD
	30/06/2007	31/03/2007	ABSOLUTE	%	31/12/2006
Cash and cash equivalents	23	16	7	43.8%	14
Available-for-sale financial assets	4,256	5,938	(1,682)	(28.3)%	6,288
Due from banks	107,842	67,104	40,738	60.7%	267,294
Due from clients	814,035	772,126	41,909	5.4%	782,977
Tangible assets	31,151	30,056	1,095	3.6%	29,324
Intangible assets of which:	1,863	1,821	42	2.3%	1, 707
goodwill	905	887	18	2.0%	893
Tax assets	1,418	2,433	(1,015)	(41.7)%	2,428
a) current	---	26	(26)	(1.0)%	22
b) deferred	1,418	2,407	(989)	(41.1)%	2,406
Other asset items	5,887	2,833	3,054	107.8%	2,613
<b>Total assets</b>	<b>966,475</b>	<b>882,327</b>	<b>84,148</b>	<b>9.5%</b>	<b>1,092,645</b>

LIABILITIES	PERIOD		VARIATION		PERIOD
	30/06/2007	31/03/2007	ABSOLUTE	%	31/12/2006
Due to banks	757,597	667,590	90,007	13.5%	836,393
Due to clients	25,792	28,729	(2,937)	(10.2)%	82,560
Outstanding shares	43,737	43,209	528	1.2%	42,693
Tax liabilities	2,927	2,443	484	19.8%	2,452
a) current	206	302	(96)	(31.8)%	308
b) deferred	2,721	2,141	580	27.1%	2,144
Other liabilities	30,176	27,590	2,586	9.4%	18,796
Severance/retirement allowance	1,121	1,537	(416)	(27.1)%	1,433
Valuation reserve	2,100	3,220	(1,120)	(34.8)%	3,284
Capital instruments	611	611	---	---	611
Reserves	38,857	43,546	(4,689)	(10.8)%	28,377
Share premiums	34,911	35,969	(1,058)	(2.9)%	35,869
Capital	29,056	28,908	148	0.5%	28,892
Treasury shares	(8,656)	(4,530)	(4,126)	91.1%	(3,727)
Net profit	8,246	3,505	4,741	135.3%	15,012
<b>TOTAL LIABILITIES</b>	<b>966,475</b>	<b>882,327</b>	<b>84,148</b>	<b>9.5%</b>	<b>1,092,645</b>

(\*) Period 01/01/2007-30/06/2007. Figures to be approved. The Board of Directors to approve the Half Yearly report 2007 will meet on 27 September 2007

## PROFIT AND LOSS ACCOUNT

(in thousands of Euro)

	FINANCIAL YEAR 2007		FINANCIAL YEAR 2006		VARIATION	
	2 <sup>nd</sup> Q.07	30/06/07*	2 <sup>nd</sup> Q.06	30/06/06**	2 <sup>nd</sup> Q.07 / 2 <sup>nd</sup> Q.06	
					Absolute	%
Receivable interest and similar income	12,148	23,530	7,969	16,083	4,179	52.4%
Payable interest and similar expenses	(7,955)	(15,527)	(4,236)	(8,618)	(3,719)	87.8%
<b>Interest margin</b>	<b>4,193</b>	<b>8,003</b>	<b>3,733</b>	<b>7,465</b>	<b>460</b>	<b>12.3%</b>
Receivable commission	7,687	14,841	5,758	14,087	1,929	33.5%
Payable commission	(539)	(1,057)	(429)	(967)	(110)	25.6%
<b>Net commission</b>	<b>7,148</b>	<b>13,784</b>	<b>5,329</b>	<b>13,120</b>	<b>1,819</b>	<b>34.1%</b>
Dividends and similar income	45	45	1	7	44	n.s.
Net trading result	(49)	(28)	13	(50)	(62)	n.s.
Profit (loss) from reassignment or buyback of: b) available for sale assets	1,070 1,070	1,070 1,070	--- ---	--- ---	1,070 1,070	n.s. n.s.
<b>Earning margin</b>	<b>12,407</b>	<b>22,874</b>	<b>9,076</b>	<b>20,542</b>	<b>3,331</b>	<b>36.7%</b>
Net adjustment write-downs on: a) credit	(254) (254)	(463) (463)	(1,010)	(2,506)	756 756	(74.9)% (74.9)%
<b>Net operating revenue</b>	<b>12,153</b>	<b>22,411</b>	<b>8,066</b>	<b>18,036</b>	<b>4,087</b>	<b>50.7%</b>
Administration expenses a) personnel costs b) other administrative costs	(5,258) (3,380) (1,878)	(9,736) (6,405) (3,331)	(3,420) (1,980) (1,440)	(7,215) (4,355) (2,860)	(1,838) (1,400) (438)	53.7% 70.7% 30.4%
Net adjustment of value of tangible assets	(272)	(530)	(100)	(276)	(172)	172%
Net adjustment of value of intangible assets	(98)	(184)	(82)	(155)	(16)	19.5%
Other operating income (costs)	194	296	131	337	63	48.1%
<b>Operating costs</b>	<b>(5,434)</b>	<b>(10,154)</b>	<b>(3,471)</b>	<b>(7,309)</b>	<b>(1,963)</b>	<b>56.6%</b>
<b>Pre-tax profit from current operations</b>	<b>6,719</b>	<b>12,257</b>	<b>4,595</b>	<b>10,727</b>	<b>2,124</b>	<b>46.2%</b>
Income tax on current operations for the period	(1,978)	(4,011)	(1,818)	(4,089)	(160)	8.8%
<b>Parent company net profit</b>	<b>4,741</b>	<b>8,246</b>	<b>2,777</b>	<b>6,638</b>	<b>1,964</b>	<b>70.8%</b>

(\*) Period 01/01/2007-30/06/2007. Figures to be approved. The Board of Directors to approve the Half Yearly report 2007 will meet on 27 September 2007

(\*\*) Period 01/01/2006-30/06/2006

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

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



## **NOTES TO THE FINANCIAL STATEMENTS**

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

Banca IFIS Group's Quarterly report as at 30 June 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 30 June 2007 are compared with those of 31 March 2007 and of 31 December 2006; in addition, a comparison is made between the profit and loss account results as at 30 June 2007 and that as at 30 June 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 Quarterly report is not audited by the independent auditing company.

**Consolidation area**

The structure of the group as at 30 June 2007 is unchanged compared to 31 March 2007 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 30 June 2007.

**BOARD OF DIRECTORS' REPORT AND  
SIGNIFICANT EVENTS IN THE PERIOD**

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## **Expansion**

Banca IFIS continues to pursue its strategy of increasing market share by further developing its customer base and reinforcing its relationship with existing clients.

The scenario in which the bank carried out these efforts has improved progressively throughout the Quarter. 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 Quarter of 2006 are significant and largely positive and have an 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 counterparties;
- 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 and the first Quarter of 2007, followed a period in which certain elements required particu-

lar attention from an organisational and strategic point of view. In addition, this period also suffered a slow-down in growth rates and profitability levels.

Over 2006, as set out in the strategic plans, expansion and strengthening activities were initiated by Banca IFIS 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. Despite the implementation and advancement of such activities, the bank has made a considerable recovery in terms of growth rates. The volume of receivables purchased in the second Quarter 2007 recorded a growth rate of 25.7% if compared to the second Quarter of 2006, reaching 754 million Euro. Total volume in the first half year of 2007 equals 1,473 million Euro, an increase of 27.9% when compared to the first half of 2006.

A new branch, with the aim of lending support to Sicilian SMEs, has been opened in Palermo and the opening of another in the North of Italy is being defined at the moment and is expected to open in autumn 2007.

The reinforcement of existing structures continues and many young and enthusiastic sales people have been taken on and

are being trained. At 31 July 2007, the number of resources dedicated to the development of new business relationships stood at 54, whilst the total number of employees in the Group reached 193 – of which 13 work in our sites abroad (Poland - care of the controlled company IFIS Finance Sp. Z.o.o. -, Paris, Bucharest and Budapest.)

## **Profit and Loss account**

### **Operating revenue**

Group net operating revenue for the second Quarter 2007 equalled 12,153 thousand Euro, an increase of 50.7% when compared to 8,066 thousand Euro in the second Quarter of 2006.

The **earning margin** stood at 12,407 thousand Euro in the second Quarter of 2007, an increase from 9,076 thousand Euro in the second Quarter of 2006 (+36.7%).

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 4,193 thousand Euro in the second Quarter of 2007, increased by 12.3% compared to 3,733 thousand Euro in the same period in the previous year. It is important to note that the payable default interest running from the end of 2005 in the face of

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 7,148 thousand Euro, compared to 5,329 thousand Euro in the second Quarter of 2006 (+34.1%). This increase is due not only to Banca IFIS's ability to create added value during factoring activities through credit management and connected services, but is also thanks to the strengthening of the sales network which has led to increased volumes of business. Expenses incurred from this, falls mainly under personnel expenses.

In addition, the earning margin is positively effected by the realisation of income from the sale of shares to the market for 1,070 thousand Euro.

The interest margin and net commission as a percentage of the earning margin were respectively 33.8% and 57.6%.

The **net adjustments write-downs on receivables from loans** in the second Quarter of 2007 amounted to 254 thousand Euro, a decrease of 74.9% compared to 1,010 thousand Euro for the second Quarter of 2006. This net reduction is thanks to collections being made on some previously written-down loans and 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 second Quarter of 2007 amounted to 6,719 thousand Euro, compared to 4,595 thousand Euro in the second Quarter of 2006 (+46.2%).

The **operating costs** increased by 56.6% in line with the bank's forecasts for 2007, aimed at strengthening the structure, with particular emphasis on human resources. Operating costs passed from 3,471 thousand Euro in the second Quarter of 2006 to 5,434 thousand Euro for the second Quarter of 2007.

The ratio between operating costs and the earning margin (cost/income ratio) as at 30 June 2007 equalled 43.8% compared to 35.6% as at 30 June 2006, effected by growth in costs not yet being accompanied by a corresponding increase in income, which is soon to be expected.

In detail, **personnel expenses** passed from 1,980 thousand Euro in the second Quarter of 2006 to 3,380 thousand Euro in the second Quarter of 2007, (+70.7%). This increase is physiological and corresponds to expectations, taking into consideration the systematic increases in the number of personnel.

During the second Quarter of 2007, following on from the 22 new employees taken on in the first Quarter, 19 new employees were hired.

**Other administrative expenses** for the second Quarter 2007 amounted to 1,878 thousand Euro, against 1,440 thousand Euro for the corresponding period of 2006 (+30.4%).

The **net value adjustments on intangible assets** also increased (+19.5% compared to the second Quarter of 2006) mainly due to improvements in IT support, while **net value adjustments on tangible assets** equalled 272 thousand Euro for the second Quarter of 2007, against 100 thousand Euro in the second Quarter of 2006

(+172%) and 258 thousand Euro in the first Quarter of 2007 (+5.4%).

**Other operating income** amounted to 194 thousand Euro for the second Quarter of 2007, compared to 131 thousand Euro in the second 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 1,978 thousand Euro, an increase of 8.8% from the 1,818 thousand Euro of the second Quarter of 2006.

**Net profit** totalled 4,741 thousand Euro, an increase of 70.8% 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 as at 30 June 2007 reached 814 million Euro net, an increase both from 772 million Euro as at 31 March 2007 (+5.4%) and from 783 million Euro as at 31 December 2006 (+4%).

Total net loans, excluding net bad debts for 7 million Euro, totalled 807 million Euro for the period, compared to 765

million Euro as at 31 March 2007 and 776 million Euro as at 31 December 2006.

### ***Doubtful loans to clients***

Total bad debts on loans due from clients, at net balance sheet values, stood at 7,402 thousand Euro, an increase of +6.2% if compared to 31 March 2007 and of 6.6% if compared to 31 December 2006. The percentage of net bad debts on loans over total loan commitments to clients remained stable at 0.9% from 31 March 2007 and 31 December 2006. The adjustments equalled 75.4% of gross bad debts on loans, in line with 31 March 2007 (76.6%) and 31 December 2006 (76.5%).

Total difficult loans at net book values for the period stood at 925 thousand Euro, compared to 1,549 thousand Euro as at 31 March 2007, a decrease of 40.3%. The percentage of net difficult loans out of total loans to clients passed to 0.1%, compared with the 0.2% of 31 March 2007.

Total non-performing loans due from clients amounted to 8,327 thousand Euro as at 30 June 2007, a fall of 2.3% compared to the 8,521 thousand Euro of 31 March 2007. The percentage of net non-performing loans on total loan commitments equalled 1%, compared to the 1.1% of 31 March 2007. The percentage of net non-performing loans on shareholders' equity as at 30 June 2007 passed from 7.7% as at 31 March 2007 to 7.9%.

### ***Due from banks***

Total due from banks equalled 108 million Euro as at 30 June 2007, an increase compared to the 67 million Euro of 31 March 2007 (+60.7%).

The utilisation of available financial resources care of other institutes does not represent a

core activity for the bank and the amounts recorded for 30 June 2007 is due to liquidity surpluses on new lines of credit obtained from banks.

The bank's aim is only to utilise available resources in order to increase financing operations in the favour of 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 as at 30 June 2007 amounted to 827.126 thousand Euro, an increase of 11.8%, compared to 739,528 thousand Euro as at 31 March 2007.

Due to banks, equalling 757,597 thousand Euro, an increase of 13.5% compared to 667,590 thousand Euro as at 31 March 2007, is composed of Interbank deposits for 636,210 thousand Euro, (+20% compared to March 2007), and of the net funding deriving from the reassignment of commercial receivables portfolios for 121,387 thousand Euro, (-11.8% compared to March 2007).

Deposits from clients, equal to 25,792 thousand Euro is a fall of 10.2% from 28,729 thousand Euro as at 31 March 2007, considering that this source of financing is atypical. 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 Convertible

Bond 2004-2009" issued in July 2004 for a nominal amount of 50 million Euro, totalled 43,737 thousand Euro as at 30 June 2007 (+1.2% compared to 31 March 2007). 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 1,863 thousand Euro, an increase of 2.3% compared to 31 March 2007, essentially due to reinforcing the IT supports.

Tangible fixed assets increased from 30,056 thousand Euro to 31,151 thousand Euro (+3.6%), 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 and which is expected to be completed between the third and the fourth Quarter of 2007. The building for which the above-mentioned restructuring work had been concluded and became the new Headquarters of Banca IFIS 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 Headquarters until December 2005, restructured in 1999, occupied in 2001, and leased since 2006, is also recorded under tangible assets, as are the representative office at Bucharest, a building in Padua and a property of residual

value.

### **Equity**

In the absence of assets attributable to third parties, Group net equity as at 30 June 2007 was 105,125 thousand Euro.

During the second Quarter 2007, the group allocated profit for the 2006 financial year, distributing dividends to shareholders equal to 6,865 thousand Euro and allocating to reserves a total of 7,867 thousand Euro.

The equity increased as a result of 4,741 thousand Euro profit for the period, of the exercising of stock options equal to 1,089 thousand Euro, and decreased as a result of buybacks for 4,126 thousand Euro and of the sale of part of the shares classified under available for sale assets for 1,120 thousand Euro.

### **Activity**

Banca IFIS continued its business in a profitable manner; it is primarily engaged in lending 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 which (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 segment**

Banca IFIS's ordinary shares, Banca IFIS Warrants 2005-2008 and Banca IFIS Convertible Bonds 2004-2009 are traded in the STAR segment of the Italian Stock Exchange.

The Banca IFIS Warrants 2005-2008 are exercisable during the period stretching from 1 August 2007 through to 31 July 2008: Every warrant gives the right to subscribe an ordinary share of a nominal value of 1 Euro, including share-premium for 6 Euro.

The conversion shares subscribed in the exercising of the Warrants can be enjoyed as from 1 January of the year in which the issue takes place, as per article 1 and 2 of the Regulations governing the Banca IFIS Warrants 2005-2008, deliberated by the Extraordinary Shareholders' Meeting of 10 October 2005.

### **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 into 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 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 3 Euro and a maximum of 30 Euro, 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 March 2007, Banca IFIS held 433,629 treasury shares for a counter value of 4,530 thousand Euro (10.45 Euro average price per share) and a nominal value of 433,629 Euro.

During the second Quarter of 2007, Banca IFIS purchased, at the weighted average price of 9.98 Euro, no. 413,261 treasury shares at a counter value of 4,126 thousand Euro and a nominal value of 413,261 Euro.

The remainder in portfolio at the end of the second Quarter 2007 stood at 846,890 treasury shares for a counter value of 8,656 thousand Euro (average price of transaction in portfolio 10.22 Euro per share) and a nominal value of 846,890 Euro.

#### ***Transactions on own bonds***

At 30 June 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 second 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 a 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.

Actions taken with the aim of recovering profitability levels during the second Quarter 2007, will presumably have effect up until the third Quarter.

In addition, the acquisition of new clients should lead to a further improvement in performance in the second part of the present financial year.

#### **Significant events during the period**

##### ***Exercise of stock options***

As at 30 June 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.

-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 31 April 2011 of which 59,200 shares for directors and 190,800 shares for Banca IFIS employees in general.

To the date of this Quarterly Report, 163,200 options relating to the A2/D2 plan have been exercised.

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

The Shareholders' Meeting of 30 April 2007 confirmed the 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.

**Significant events after 30 June 2007**

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

*Mestre, Venice, 10 August 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	36.0%	41.9%
Central Italy	38.4%	28.8%
South Italy	22.2%	16.1%
Overseas	3.4%	13.2%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## BREAKDOWN OF CUSTOMER BY PRODUCT CATEGORY

## LOANS

## 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, data processing and precision 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%
	<i>of which non-resident subjects</i>	<i>3.4%</i>	<i>13.2%</i>
	<i>of which financial institutions</i>	<i>1.3%</i>	<i>---</i>
	<i>of which others <sup>(1)</sup></i>	<i>21.4%</i>	<i>0.5%</i>
	<b>Total</b>	<b>100%</b>	<b>100%</b>

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