



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

TRANSLATION FROM THE ITALIAN ORIGINAL  
WHICH REMAINS THE DEFINITIVE VERSION



Share Capital: Euro 29,061,212 fully paid-in  
Bank License No.: 5508  
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 Monti Iblei, 55 – 90146 Palermo  
Via De Paoli, 28/D – 33170 Pordenone  
Via B. Croce, 6 – 00142 Rome  
Via C.L.N., 255 – 201521 Turin  
Via Gatta, 11 – 30174 Mestre, Venice

**REPRESENTATIVE OFFICES**

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

## **BOARD OF DIRECTORS**

<i>President</i>	Sebastien Egon Fürstenberg
<i>Vice President</i>	Alessandro Csillaghy
<i>C.E.O.</i>	Giovanni Bossi <sup>(1)</sup>
<i>Directors</i>	Leopoldo Conti Roberto Cravero Andrea Martin Riccardo Preve Marina Salamon
<i>General Manager</i>	Alberto Staccione

## **BOARD OF STATUTORY AUDITORS**

<i>President</i>	Mauro Roviida
<i>Standing Auditors</i>	Erasmus Santesso Dario Stevanato
<i>Alternate Auditors</i>	Luca Giacometti Francesca Rapetti

## **INDEPENDENT AUDIT 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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## **FINANCIAL STATEMENTS**

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CONSOLIDATED BALANCE SHEET  
(in thousands of Euro)

ASSETS	PERIOD		VARIATION		PERIOD
	30/09/2007	30/06/2007	ABSOLUTE	%	31/12/2006
Cash and cash equivalents	25	23	2	8.7%	14
Available-for-sale financial assets	1,116	4,256	(3,140)	(73.8)%	6,288
Due from banks	136,739	107,842	28,897	26.8%	267,294
Due from clients	845,336	814,035	31,301	3.8%	782,977
Tangible assets	31,763	31,151	612	2.0%	29,324
Intangible assets of which:	1,836	1,863	(27)	(1.4)%	1,707
goodwill	904	905	(1)	(0.1)%	893
Tax assets	1,788	1,418	370	26.1%	2,428
a) current	---	---	---	---	22
b) deferred	1,788	1,418	370	26.1%	2,406
Other asset items	3,244	5,887	(2,643)	(44.9)%	2,613
<b>Total assets</b>	<b>1,021,847</b>	<b>966,475</b>	<b>55,372</b>	<b>5.7%</b>	<b>1,092,645</b>

LIABILITIES	PERIOD		VARIATION		PERIOD
	30/09/2007	30/06/2007	ABSOLUTE	%	31/12/2006
Due to banks	794,286	757,597	36,689	4.8%	836,393
Due to clients	42,928	25,792	17,136	66.4%	82,560
Outstanding shares	42,121	43,737	(1,616)	(3.7)%	42,693
Tax liabilities	2,487	2,927	(440)	(15.0)%	2,452
a) current	---	206	(206)	n.s.	308
b) deferred	2,487	2,721	(234)	(8.6)%	2,144
Other liabilities	30,368	30,176	192	0.6%	18,796
Severance/retirement allowance	972	1,121	(149)	(13.3)%	1,433
Valuation reserve	73	2,100	(2,027)	(96.5)%	3,284
Capital instruments	611	611	---	---	611
Reserves	38,919	38,857	62	0.2%	28,377
Share premiums	34,937	34,911	26	0.1%	35,869
Capital	29,062	29,056	6	0.0%	28,892
Treasury shares	(8,808)	(8,656)	(152)	1.8%	(3,727)
Net profit	13,891	8,246	5,645	68.5%	15,012
<b>Total liabilities</b>	<b>1,021,847</b>	<b>966,475</b>	<b>55,372</b>	<b>5.7%</b>	<b>1,092,645</b>

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

(in thousands of Euro)

	FINANCIAL YEAR 2007		FINANCIAL YEAR 2006		VARIATION	
	3 <sup>rd</sup> Q.07	30/09/07*	3 <sup>rd</sup> Q.06	30/09/06**	3 <sup>rd</sup> Q.07 / 3 <sup>rd</sup> Q.06	
					Absolute	%
Receivable interest and similar income	14,563	38,093	8,920	25,003	5,643	63.3%
Payable interest and similar expenses	(9,495)	(25,022)	(5,300)	(13,918)	(4,195)	79.2%
<b>Interest margin</b>	<b>5,068</b>	<b>13,071</b>	<b>3,620</b>	<b>11,085</b>	<b>1,448</b>	<b>40.0%</b>
Receivable commission	9,117	23,958	5,944	20,031	3,173	53.4%
Payable commission	(688)	(1,745)	(501)	(1,468)	(187)	37.3%
<b>Net commission</b>	<b>8,429</b>	<b>22,213</b>	<b>5,443</b>	<b>18,563</b>	<b>2,986</b>	<b>54.9%</b>
Dividends and similar income	1	46	---	7	1	n.s.
Net trading result	(5)	(33)	(34)	(84)	29	(85.3)%
Profit (loss) from sale or buyback of: b) available for sale assets	1,515 1,515	2,585 2,585	---	---	1,515 1,515	n.s. n.s.
<b>Earning margin</b>	<b>15,008</b>	<b>37,882</b>	<b>9,029</b>	<b>29,571</b>	<b>5,979</b>	<b>66.2%</b>
Net adjustment write-downs on: a) credit	(1,290) (1,290)	(1,753) (1,753)	(335) (335)	(2,841) (2,841)	(955) (955)	n.s. n.s.
<b>Net operating revenue</b>	<b>13,718</b>	<b>36,129</b>	<b>8,694</b>	<b>26,730</b>	<b>5,024</b>	<b>57.8%</b>
Administration expenses	(4,614)	(14,350)	(3,419)	(10,634)	(1,195)	35.0%
a) personnel costs	(3,023)	(9,428)	(1,987)	(6,342)	(1,036)	52.1%
b) other administrative costs	(1,591)	(4,922)	(1,432)	(4,292)	(159)	11.1%
Net adjustment of value of tangible assets	(277)	(807)	(209)	(485)	(68)	32.5%
Net adjustment of value of intangible assets	(102)	(286)	(91)	(246)	(11)	12.1%
Other operating income (costs)	(953)	(657)	77	414	(1,030)	n.s.
<b>Operating costs</b>	<b>(5,946)</b>	<b>(16,100)</b>	<b>(3,642)</b>	<b>(10,951)</b>	<b>(2,304)</b>	<b>63.3%</b>
<b>Gross profit from current operations</b>	<b>7,772</b>	<b>20,029</b>	<b>5,052</b>	<b>15,779</b>	<b>2,720</b>	<b>53.8%</b>
Income tax on current operations for the period	(2,127)	(6,138)	(1,849)	(5,938)	(278)	15.1%
<b>Parent company net profit</b>	<b>5,645</b>	<b>13,891</b>	<b>3,203</b>	<b>9,841</b>	<b>2,442</b>	<b>76.2%</b>

(\*) Period 01/01/2007-30/09/2007

(\*\*) 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			
	3 <sup>rd</sup> Q	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	14,563	12,148	11,382	11,015	8,920	7,969	8,114
Payable interest and similar expenses	(9,495)	(7,955)	(7,572)	(7,351)	(5,300)	(4,236)	(4,382)
<b>Interest margin</b>	<b>5,068</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	9,117	7,687	7,154	6,270	5,944	5,758	8,329
Payable commission	(688)	(539)	(518)	(643)	(501)	(429)	(538)
<b>Net commission</b>	<b>8,429</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	1	45	---	---	---	1	6
Net trading result	(5)	(49)	21	49	(34)	13	(63)
Profit (loss) from sale or buyback of: b) financial assets available for sale	1,515 1,515	1,070 1,070	---	2,300 2,300	---	---	---
<b>Earning margin</b>	<b>15,008</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	(1,290) (1,290)	(254) (254)	(209) (209)	1,053 1,053	(335) (335)	(1,010) (1,010)	(1,496) (1,496)
<b>Net operating revenue</b>	<b>13,718</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	(4,614) (3,023) (1,591)	(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	(277)	(272)	(258)	(314)	(209)	(100)	(176)
Net adjustment of value of intangible assets	(102)	(98)	(86)	(115)	(91)	(82)	(73)
Other operating income (costs)	(953)	194	102	587	77	131	206
<b>Operating costs</b>	<b>(5,946)</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>Gross profit from current operations</b>	<b>7,772</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	(2,127)	(1,978)	(2,033)	(2,662)	(1,849)	(1,818)	(2,271)
<b>Parent company net profit</b>	<b>5,645</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 September 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 September 2007 are compared with those of 30 June 2007 and of 31 December 2006; in addition, a comparison is made between the profit and loss account results as at 30 September 2007 and that as at 30 September 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 September 2007 is unchanged compared to 30 June 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 September 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, and the loyalty of, its existing clients.

The scenario in which the bank carried out these efforts has improved progressively throughout the Quarter, despite turbulence in the financial market in August and September which 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 the returns 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.

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 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.

Expansion and strengthening activities have been 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 third Quarter 2007 recorded a growth rate of 40.6% if compared to the third Quarter 2006, reaching 766 million Euro. Total volume as at 30 September 2007 equals 2,242 million Euro,

an increase of 31.9% when compared to the results as at 30 September 2006.

The reinforcement of existing structures continues and many young and enthusiastic sales people have been taken on and are being trained. The total number of employees in the Group as at 30 September 2007 reached 201 – of which 12 work in our European sites (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 third Quarter 2007 equalled 13,718 thousand Euro, an increase of 57.8% when compared to 8,694 thousand Euro in the third Quarter 2006.

The **earning margin** stood at 15,008 thousand Euro in the third Quarter 2007, an increase from 9,029 thousand Euro in the third Quarter 2006 (+66.2%).

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 5,068 thousand Euro in the third Quarter 2007, increased by 40% compared to 3,620 thousand Euro in the same period of the previous year.

**Net commission**, equalled 8,429 thousand Euro, compared to 5,443 thousand Euro in the third Quarter 2006 (+54.9%). 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, fall 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 1,515 thousand Euro.

The interest margin and net commission as a percentage of the earning margin were respectively 33.8% and 56.2%.

The **net adjustments write-downs on credit** in the third Quarter 2007 amounted to 1,290 thousand Euro, against 335 thousand Euro for the third Quarter 2006. This change is due to 450 thousand Euro of estimated write-downs on performing loans, while the remaining amount is from write-downs and write-backs on bad debts on loans.

On the contrary, over the first nine months of 2007, this item decreased by 38.3% compared to 2006, falling from 2,841 thousand Euro as at 30 September 2006 to 1,753 thousand Euro as at 30 September 2007.

#### ***Gross profit from current operations***

Gross profit from current operations in the third Quarter 2007 amounted to 7,772 thousand Euro, compared to 5,052 thousand Euro in the third Quarter 2006 (+53.8%).

**Operating costs** increased by 63.3%, in line with the bank's forecasts for 2007 aimed at strengthening the structure, with particular emphasis on human resources. Operating costs passed from 3,642 thousand Euro in the third Quarter 2006 to 5,946 thousand Euro for the third Quarter 2007.

The ratio between operating costs and the earning margin (cost/income ratio) as at 30 September 2007 equalled 42.5% compared to 37% as at 30 September 2006, effected by growth in costs not yet being accompanied by the expected corresponding increase in income. Additionally, this item was affected by a non-repeatable entry booked under other operating expenses, net of which the cost/income ratio would be 39.8%.

In detail, **personnel expenses** passed from 1,987 thousand Euro in the third Quarter 2006 to 3,023 thousand Euro in the third Quarter 2007, (+52.1%). This increase is physiological and corresponds to expectations, taking into consideration the systematic increases in the number of personnel. During the third Quarter 2007, following on from the 41 new employees taken on in the first Half 2007, 11 new employees were hired.

**Other administrative expenses** for the third Quarter 2007 amounted to 1,591 thousand Euro, against 1,432 thousand Euro for the corresponding period of 2006 (+11.1%).

The **net value adjustments on intangible assets** also increased (+12.1% compared to the third Quarter 2006) mainly due to improvements in IT support, while **net value adjustments on tangible assets** equalled 277

thousand Euro in the third Quarter 2007, against 209 thousand Euro in the third Quarter 2006 (+32.5%).

Other management expenses amounted to 953 thousand Euro for the third Quarter 2007, against other management income of 77 thousand Euro in the third Quarter 2006. This item includes, amongst other things, the entire effect of the out of court settlement with Parmalat S.p.A. as a result of the agreement between the parties drawn up in early October. In performance of such an agreement, Parmalat has permanently renounced revocatory action and any other current or potential claims. Generally speaking, both parties have agreed to renounce all claims arising from operations carried out in the period prior to Parmalat being placed under Extraordinary administration.

#### ***Net profit***

**Income taxes on current operations** for the period are estimated at 2,127 thousand Euro, (+15.1% from the 1,849 thousand Euro of the third Quarter 2006).

**Net profit** for the third Quarter 2007 totalled 5,645 thousand Euro, an increase of 76.2% 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 group is almost exclusively involved in financing the working capital of Italian and European enterprises through factoring. Specifically, as far as concerns financial activities (subprime, derivatives) that have negatively

affected the recent results of some credit institutions, it is important to note that Banca IFIS has no direct or indirect exposure to subprime 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.

In addition, Banca IFIS has never carried out activities in derivative financial products for third parties and has limited its own activities in this field to instruments hedging market risks. This is due to the fact that the financial risk profile of the Group essentially originated from a banking portfolio, not habitually carrying out trading in financial instruments.

#### ***Due from clients***

Total due from clients as at 30 September 2007 reached 845 million Euro net, an increase both from 814 million Euro as at 30 June 2007 (+3.8%) and from 783 million Euro as at 31 December 2006 (+8%).

Total net loan commitments, excluding net bad debts for 7 million Euro, totalled 839 million Euro for the period, compared to 807 million Euro as at 30 June 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 6,686 thousand Euro, a decrease of 9.7% if compared to 30 June 2007 and of 3.7% if compared to 31 December 2006. The percentage of net bad debts on loans over total loan commitments to clients equalled 0.8%, a reduction from 0.9% as at 30 June 2007 and 31 December 2006. The adjustments equalled 77.9% of gross

bad debts on loans, compared to 75.4% as at 30 June 2007 and 76.5% as at 31 December 2006.

Total difficult loans at net book values for the period stood at 1,943 thousand Euro, compared to 925 thousand Euro as at 30 June 2007. The percentage of net difficult loans over total loans to clients passed to 0.2%, compared with the 0.1% of 30 June 2007.

Total non-performing loans due from clients amounted to 8,629 thousand Euro as at 30 September 2007, a growth of 3.6% compared to the 8,327 thousand Euro of 30 June 2007. The percentage of net non-performing loans on total loan commitments equalled 1%, no change from 30 June 2007. The percentage of net non-performing loans on shareholders' equity as at 30 September 2007 remained unchanged at 7.9%.

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

Total due from banks equalled 137 million Euro as at 30 September 2007, an increase compared to the 108 million Euro of 30 June 2007 (+26.8%).

The utilisation of available financial resources care of other institutes does not represent a core activity for the bank but is rather a mere deposit of surplus liquidity.

The bank's aim is still 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 con-

vertible bond (issued in July 2004) and lastly from its clients. Total funds as at 30 September 2007 amounted to 879,335 thousand Euro, an increase of 6.3%, compared to 827,126 thousand Euro as at 30 June 2007.

Due to banks, equalling 794,286 thousand Euro, an increase of 4.8% compared to 757,597 thousand Euro as at 30 June 2007, is composed of Interbank deposits for 682,559 thousand Euro (+7.3% compared to June 2007), and of the net funding deriving from the reassignment of commercial receivables portfolios for 111,727 thousand Euro (-8% compared to June 2007).

Deposits from clients, equal to 42,928 thousand Euro, is an increase of 66.4% from 25,792 thousand Euro as at 30 June 2007. 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 42,121 thousand Euro as at 30 September 2007 (-3.7% compared to 30 June 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.

The tension on the money market over the months of August and September 2007, which will presumably continue to have an effect on the funding operations of operators in this sector in the near future, have not had an affect on Banca IFIS's operations. As can be seen, the difficulty in obtaining resources on the interbanking

market has been particularly evident for those financial institutes that create their liquidity through wholesale banking as apposed to retail banking to families and enterprises.

The bank's position in terms of Asset Liability Management has allowed Banca IFIS to face market trends with serenity. Specifically, the bank's usual counterparties have appreciated the strong correlation between the bank's commitments and the underlying commercial operations and the short horizon of the same. The financial position of the bank has always been in excess of requirements and is expected to remain so.

#### ***Tangible and intangible assets***

Intangible fixed assets totalled 1,836 thousand Euro, a decrease of 1.4% compared to 30 June 2007.

Tangible fixed assets increased from 31,151 thousand Euro to 31,763 thousand Euro (+2%), 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 by the end 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 September 2007 was 108,685 thousand Euro.

During the third Quarter 2007, Equity changed due to profit for the period, the exercising of stock options and as a result of the effects of booking the sale of shares, entered in the balance sheet under available for sale assets, to reserves.

#### ***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.

Combined 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).

Specifically, focus on the granting of credit that has characterised the financial sector following the losses recorded by some important institutions after the summer of 2007, makes factoring an ideal tool for the containment of risk whilst continuing to lend support to those enterprises that are the first hit by the credit crunch. This is obviously conditioned by a high level of attention being placed on the credit risk connected to operations carried out.

Under this profile, attention continued to be paid to the selection of credit and to 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 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.

## ***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 to 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 30 June 2007, Banca IFIS held 846,890 treasury shares for a counter value of 8,656 thousand Euro (10.22 Euro average book price per share) and a nominal value of 846,890 Euro. During the third Quarter 2007, Banca IFIS purchased, at the weighted average price of 9.63 Euro, no. 15,812 treasury shares at a counter value of 152 thousand Euro and a nominal value of 15,812 Euro.

The remainder in portfolio at the end of the third Quarter 2007 stood at 862,702 treasury shares for a counter value of 8,808 thousand Euro (average book price of transaction in portfolio 10.21 Euro per share) and a nominal value of 862,702 Euro.

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

At 30 September 2007, the bank held 602,522 own bonds en-

tered for a counter value of 7,598 thousand Euro and a nominal value of 7,531,525 Euro.

During the third Quarter 2007, Banca IFIS did not carry out any purchase or sales of its own bonds.

### ***Outlook***

The outlook for the last Quarter 2007 and for the year 2008, allows some optimism with regards to the markets on which Banca IFIS operates.

The attitude of the banking system to financing SMEs appears moderate and decreasing, being influenced both by revaluations re compliance with Basel 2, and by the fast revaluation of credit risks on the market, also a consequence of tension in domestic and international markets over the summer with effects that threaten to continue beyond the accounting year.

This, in some cases, leads to less availability of credit for enterprises whilst, in all cases, it leads to higher costs in terms of spread, above all for clients with a medium or modest credit standing.

Hence, it is possible to forecast an increase in margins for operators doing business in this sector, accompanied by increased risk in terms of general bank loan commitments to enterprises; this increased risk, in turn, could be contained through factoring operations which transfer the risk to credit-worthy counterparties.

This will presumably create significant room for factoring in general and factoring operators not belonging to general banking groups who wish to improve their market share.

Banca IFIS's prospectives continue to be positive and permit an optimistic outlook for the overall operating trend.



## Significant events during the period

### *Exercise of stock options*

As at 30 September 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 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 Quarterly Report, 170,650 options relating to the A2/D2 plan have been exercised.

### **Nomination of “the manager responsible for preparing the financial reports”**

On 27 September 2007, Banca IFIS’s Board of Directors nominated the manager who would become responsible for preparing the group’s financial reports, as per article 154 bis of Law no. 262/05 concerning savers’ rights.

## Significant events after 30 September 2007

### *Opening of new branches*

On 5 October, having concluded the necessary procedures to obtain authorisation from the relevant authorities, a new branch in Brescia was opened.

### *Settlement with Parmalat*

On 10 October, Banca IFIS reached an agreement with Parmalat S.p.A., as stated in the section ‘other management expenses’. All the effects of such settlement from a financial and equity point of view have been shown herein.

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

*Mestre- Venice, 14 November 2007*

For the Board of Directors

*The President*

Sebastien Egon Fürstenberg

*The CEO*

Giovanni Bossi

## BREAKDOWN OF CUSTOMERS BY GEOGRAPHIC AREA

## LOANS

## TURNOVER

Northern Italy	34.8%	41.9%
Central Italy	38.4%	28.9%
Southern Italy	22.7%	15.6%
Abroad	4.1%	13.6%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## BREAKDOWN OF CUSTOMER BY PRODUCT CATEGORY

## LOANS

## TURNOVER

051	Agriculture, forestry and fish products	0.7%	0.6%
052	Energy products	0.2%	0.3%
053	Minerals and ferrous and non-ferrous metals	0.4%	0.2%
054	Minerals and mineral based products	0.3%	0.3%
055	Chemical products	0.4%	0.2%
056	Products in metal excluding machines and equipment	9.1%	10.2%
057	Agricultural and industrial machines	1.4%	1.3%
058	Machines for offices, data processing and precision machinery	0.3%	0.2%
059	Electrical material and supplies	2.5%	2.0%
060	Transportation vehicles	3.7%	14.5%
061	Food and beverage products	2.1%	1.5%
062	Textile, leather, shoe and clothing products	3.8%	3.0%
063	Paper, printing and publishing	0.5%	0.8%
064	Rubber and plastic products	1.2%	1.3%
065	Other industrial products	0.8%	1.0%
066	Construction and public works	7.4%	9.7%
067	Wholesale and retail trade, recoveries and repair	13.0%	12.7%
068	Hotel and public establishment services	0.8%	0.7%
069	Internal transportation services	1.4%	1.5%
070	Maritime and air transportation services	1.1%	0.5%
071	Transportation related services	2.6%	0.5%
072	Telecommunications services	0.5%	0.1%
073	Other services for sale	20.4%	22.8%
000	Non classifiable	25.4%	14.1%
	<i>of which non-resident subjects</i>	<i>4.1%</i>	<i>13.6%</i>
	<i>of which financial institutions</i>	<i>1.2%</i>	<i>---</i>
	<i>of which others <sup>(1)</sup></i>	<i>20.1%</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