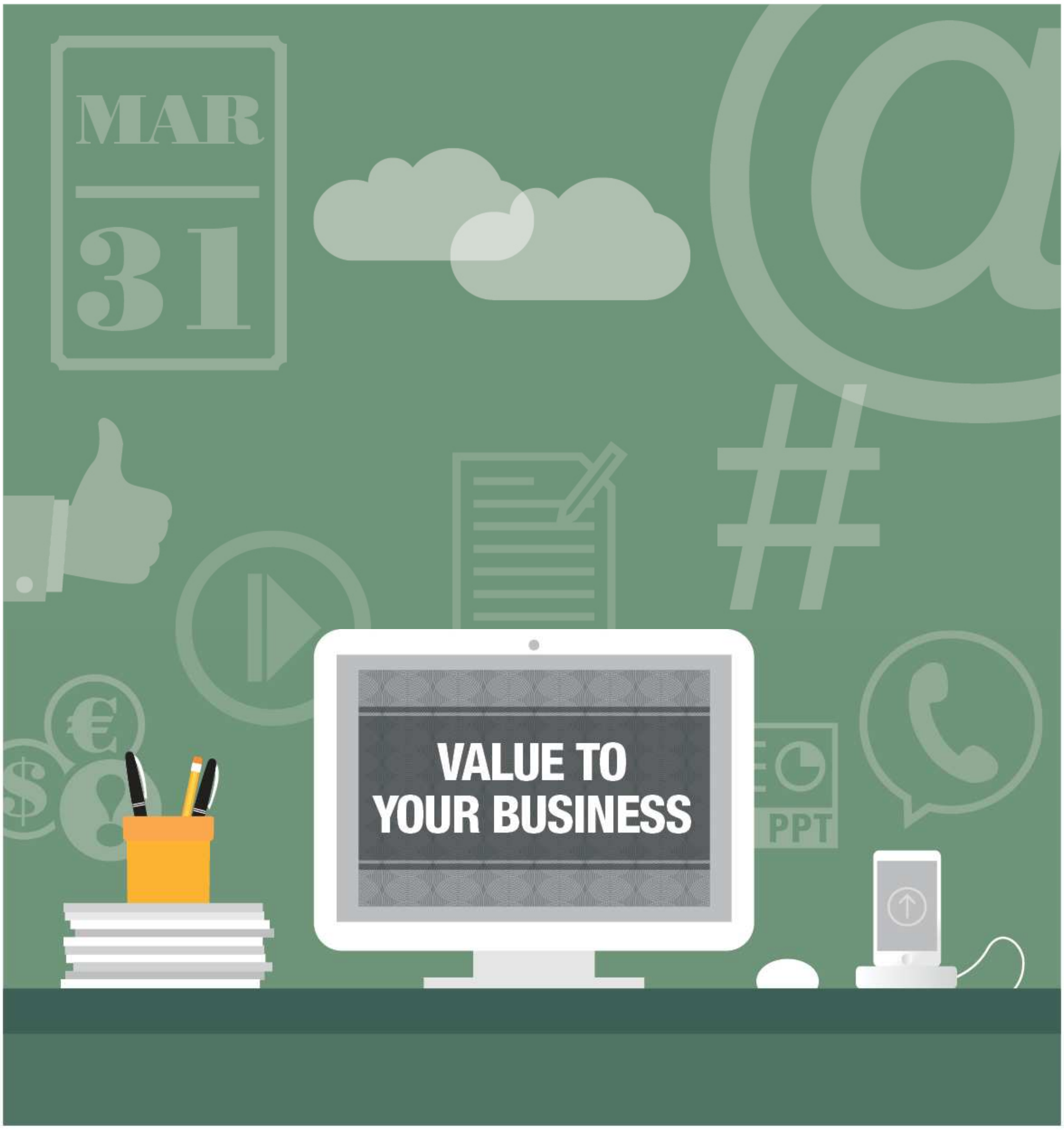
1Q14

GruppoBancaIFIS

CONSOLIDATED INTERIM REPORT

March 31th, 2014



CONTENTS

Corporate Bodies

Board of Directors	
Chairman	Sebastien Egon Fürstenberg
Deputy Chairman	Alessandro Csillaghy
CEO	Giovanni Bossi (1)
Directors	Giuseppe Benini
	Francesca Maderna
	Andrea Martin
	Riccardo Preve
	Marina Salamon
	Daniele Santosuosso

1) The CEO has powers for the ordinary management of the Company.

General Manager	Alberto Staccione
Board of Statutory Auditors	
Chairman	Giacomo Bugna
Standing Auditors	Giovanna Ciriotto
	Mauro Rovida
Alternate Auditors	Luca Giacometti
	Sonia Ferrero
Independent Auditors	Reconta Ernst & Young S.p.A.
Corporate Accounting Reporting Officer	Carlo Sirombo

bancaIFIS

Fully paid-up share capital 53,811,095 Euro
Bank Licence (ABI) No. 3205.2
Tax Code and Venice Companies
Register Number: 02505630109
VAT No.: 02992620274
Enrolment in the Register of Banks No.: 5508
Registered and administrative office
Via Terraglio 63, Mestre, 30174, Venice, Italy
Website: www.bancaifis.it

FCI
Member of Factors
Chain International

Business

The Banca IFIS Group is the only independent banking group in Italy that specialises in the sector of trade receivables, distressed retail loans and tax receivables. Listed on the Star segment of Borsa Italiana, the Banca IFIS Group has always been an innovative and steadily growing company.

The brands and business areas through which the Group operates, financing the real economy, are:

Credi Impresa Futuro, dedicated to supporting the trade receivables of small and medium sized enterprises operating in the Italian market;

Banca IFIS International, for companies growing abroad or based abroad and working with Italian customers;

Banca IFIS Pharma, supporting the trade receivables of local health services' suppliers;

Credi Famiglia and **NPL area**, comprising all operations of the business area operating in the distressed retail loans sector;

Fast Finance, focusing on the sector of tax receivables arising mainly from insolvency proceedings.

The Bank carries out its retail funding business through the following brands and products:

rendimax, the high-yield online savings account, completely free, offered to individuals, business customers and for insolvency proceedings;

contomax, born in January 2013, the low-cost online current account with high returns.

Group Key Data

Introductory notes on how to read the data

Starting with the preparation of the financial statements at 31 December 2013, the Group introduced a number of operating changes requiring to restate some comparative data at 31 March 2013 in order to allow for like-for-like comparison.

Specifically, the Banca IFIS Group revised its methods of accounting for receivables purchased outright within the factoring activity (hereinafter "ATD", *a titolo definitivo* in Italian) in order to report them more accurately in the financial statements. Specifically, although most of these receivables are short-term, the Bank measured them at amortised cost and reported them accordingly in its accounts. Previously, receivables were recognised at par value (purchase value) under the item "70 Receivables due from customers", while the seller's consideration was recognised partly under "40 Commission income" (for the part accruing to the current period) and partly under "100 Other liabilities" as deferred income (for the part accruing to the following periods). The amount accruing to the current period was calculated using the straight-line accrual method, based on the loan's estimated duration. Starting with the financial statements at 31 December 2013, the receivables concerned were recognised at amortised cost under "70 Receivables due from customers", and the relevant economic benefit was recognised under "10 Interest income". To allow for like-for-like comparison, the comparative data at 31 March 2013 reported in this Interim Report were restated, reclassifying the seller's consideration from Commission income to Interest income for 8,7 million Euro. Overall, the measurement at amortised cost had a negligible impact, confirming that the former method (straight-line accrual method) resulted in a good approximation of the amortised cost measurement of ATD receivables. In light of the above, as this was a methodological revision with extremely limited quantitative effects, the Bank deemed that the requirements for the restatement of comparative amounts set out in IAS 8 do not apply.

Highlights

KEY DATA ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2014	31.12.2013	ABSOLUTE	%
Available for sale financial assets	2.287.950	2.529.179	(241.229)	(9,5)%
Held to maturity financial assets	5.329.414	5.818.019	(488.605)	(8,4)%
Due from customers	2.339.663	2.296.933	42.730	1,9%
Total assets	10.515.469	11.337.797	(822.328)	(7,3)%
Due to banks	618.132	6.665.847	(6.047.715)	(90,7)%
Due to customers	9.341.959	4.178.276	5.163.683	123,6%
Consolidated equity	405.393	380.323	25.070	6,6%

KEY DATA ON THE CONSOLIDATED INCOME STATEMENT (in thousands of Euro)	1° QUARTER		CHANGE	
	2014	2013(1)	ABSOLUTE	%
Net banking income	**69.352**	**66.862**	**2.490**	**3,7%**
Net value adjustments on receivables and other financial	(8.382)	(13.716)	5.334	(38,9)%
Net profit from financial activities	**60.970**	**53.146**	**7.824**	**14,7%**
Operating costs	(23.282)	(17.718)	(5.564)	31,4%
Group gross profit from continuing operations	37.688	35.428	2.260	6,4%
Group net profit from continuing operations	**24.676**	**22.454**	**2.222**	**9,9%**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

Results by business sectors

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Available for sale financial assets					
Figures at 31.03.2014	-	-	-	2.287.950	2.287.950
Figures at 31.12.2013	-	-	-	*2.529.179*	*2.529.179*
Change %	-	-	-	*(9,5)%*	*(9,5)%*
Held to maturity financial assets					
Figures at 31.03.2014	-	-	-	5.329.414	5.329.414
Figures at 31.12.2013	-	-	-	*5.818.019*	*5.818.019*
Change %	-	-	-	*(8,4)%*	*(8,4)%*
Due from banks					
Figures at 31.03.2014	-	-	-	432.855	432.855
Figures at 31.12.2013	-	-	-	*415.817*	*415.817*
Change %	-	-	-	*4,1%*	*4,1%*
Due from customers					
Figures at 31.03.2014	1.908.214	128.461	101.460	201.528	2.339.663
Figures at 31.12.2013	*1.938.415*	*127.945*	*90.282*	*140.291*	*2.296.933*
Change %	*(1,6)%*	*0,4%*	*12,4%*	*43,6%*	*1,9%*
Due to banks					
Figures at 31.03.2014	-	-	-	618.132	618.132
Figures at 31.12.2013	-	-	-	*6.665.847*	*6.665.847*
Change %	-	-	-	*(90,7)%*	*(90,7)%*
Due to customers					
Figures at 31.03.2014	-	-	-	9.341.959	9.341.959
Figures at 31.12.2013	-	-	-	*4.178.276*	*4.178.276*
Change %	-	-	-	*123,6%*	*123,6%*

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Figures at 31.03.2014	37.466	6.602	2.164	23.120	69.352
Figures at 31.03.2013	*28.682*	*7.397*	*3.149*	*27.634*	*66.862*
Change %	*30,6%*	*(10,7)%*	*(31,3)%*	*(16,3)%*	*3,7%*
Net profit from financial activities					
Figures at 31.03.2014	28.347	7.241	2.262	23.120	60.970
Figures at 31.03.2013	*15.440*	*6.618*	*3.454*	*27.634*	*53.146*
Change %	*83,6%*	*9,4%*	*(34,5)%*	*(16,3)%*	*14,7%*

SECTOR KPIs (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)				
Figures at 31.03.2014	1.655.420	n.a.	n.a.	n.a.
Figures at 31.03.2013	*1.211.726*	*n.a.*	*n.a.*	*n.a.*
Change %	*36,6%*	-	-	-
Nominal amount of receivables managed				
Figures at 31.03.2014	2.542.678	3.905.350	152.751	n.a.
Figures at 31.12.2013	*2.577.820*	*3.911.852*	*140.160*	*n.a.*
Change %	*(1,4)%*	*(0,2)%*	*9,0%*	-
Net non-performing trade receivables/ Due from customers				
Figures at 31.03.2014	2,4%	53,3%	0,5%	n.a.
Figures at 31.12.2013	2,6%	52,0%	0,6%	*n.a.*
Change %	(0,2)%	1,3%	(0,1)%	-
RWA (2)				
Figures at 31.03.2014	1.561.330	128.461	30.090	230.165
Figures at 31.12.2013	*1.561.355*	*127.945*	*33.292*	*227.883*
Change %	*(0,0)%*	*0,4%*	*(9,6)%*	*1,0%*

(1) Gross flow of the receivables sold by the customers in a specific period of time.
(2) Risk Weighted Assets; the amount refers exclusively to the financial items reported in the sectors.

Quarterly Evolution

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2014	YEAR 2013[1]			
	31.03	31.12	30.09	30.06	31.03
ASSETS					
Available for sale financial assets	2.287.950	2.529.179	2.531.765	2.868.958	2.763.805
Held to maturity financial assets	5.329.414	5.818.019	4.459.285	4.856.179	4.710.582
Due from banks	432.855	415.817	391.187	481.609	479.119
Due from customers	2.339.663	2.296.933	2.223.142	2.239.693	2.177.379
Property, plant and equipment and investment property	41.129	40.739	40.337	39.889	39.829
Intangible assets	6.482	6.361	6.323	5.921	5.671
Other assets	77.976	230.749	182.394	170.846	157.556
Total assets	**10.515.469**	**11.337.797**	**9.834.433**	**10.663.095**	**10.333.941**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2014	YEAR 2013[1]			
	31.03	31.12	30.09	30.06	31.03
LIABILITIES AND EQUITY					
Due to banks	618.132	6.665.847	527.961	601.058	600.956
Due to customers	9.341.959	4.178.276	8.837.029	9.604.606	9.291.659
Post-employment benefits	1.477	1.482	1.497	1.523	1.561
Tax liabilities	19.099	17.362	23.330	18.339	25.408
Other liabilities and equity items	129.409	94.507	86.752	106.318	82.044
Equity:	405.393	380.323	357.864	331.251	332.313
- Share capital, share premiums and reserves	*380.717*	*295.482*	*290.754*	*287.211*	*309.859*
- Profit for the period	*24.676*	*84.841*	*67.110*	*44.040*	*22.454*
Total liabilities and Equity	**10.515.469**	**11.337.797**	**9.834.433**	**10.663.095**	**10.333.941**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT: QUARTERLY TREND (in thousands of Euro)	YEAR 2014	YEAR 2013[1]			
	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net interest income	**54.892**	**55.756**	**48.112**	**50.553**	**52.323**
Net commission income	**14.124**	**14.397**	**13.991**	**14.286**	**14.490**
Dividends and similar income	-	-	1	83	-
Net result from trading	105	(96)	282	(42)	49
Profit from sale of available for sale financial assets	231	-	11	-	-
Net banking income	**69.352**	**70.057**	**62.397**	**64.880**	**66.862**
Net value adjustments/revaluations due to impairment of:	(8.382)	(10.023)	(8.252)	(12.596)	(13.716)
Receivables	(8.382)	(10.023)	(8.240)	(12.549)	(13.716)
Available for sale financial assets	**-**	-	(12)	(47)	**-**
Net profit from financial activities	**60.970**	**60.034**	**54.145**	**52.284**	**53.146**
Personnel expenses	(10.334)	(9.858)	(9.179)	(9.254)	(8.803)
Other administrative expenses	(11.431)	(11.023)	(8.946)	(9.935)	(9.118)
Net allocations to provisions for risks and charges	(1.718)	(202)	(13)	-	-
Net value adjustments to property, plant and equipment and investment property and intangible assets	(748)	(932)	(575)	(814)	(683)
Other operating income (expenses)	949	619	813	669	886
Operating costs	**(23.282)**	**(21.396)**	**(17.900)**	**(19.334)**	**(17.718)**
Pre-tax profit from continuing operations	**37.688**	**38.638**	**36.245**	**32.950**	**35.428**
Income tax expense for the period	(13.012)	(20.907)	(13.175)	(11.364)	(12.974)
Profit for the period	**24.676**	**17.731**	**23.070**	**21.586**	**22.454**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

INCOME STATEMENT DATA BY SECTOR: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2014	YEAR 2013			
	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net banking income	**69.352**	**70.057**	**62.397**	**64.880**	**66.862**
Trade receivables	*37.466*	*39.008*	*33.314*	*28.698*	*28.682*
Distressed retail loans	*6.602*	*4.982*	*4.541*	*7.454*	*7.397*
Tax receivables	*2.164*	*1.702*	*2.067*	*2.369*	*3.149*
Governance and services	*23.120*	*24.365*	*22.475*	*26.359*	*27.634*
Net profit from financial activities	**60.970**	**60.034**	**54.145**	**52.284**	**53.146**
Trade receivables	*28.347*	*27.150*	*24.333*	*14.396*	*15.440*
Distressed retail loans	*7.241*	*6.826*	*5.255*	*9.127*	*6.618*
Tax receivables	*2.262*	*1.693*	*2.094*	*2.449*	*3.454*
Governance and services	*23.120*	*24.365*	*22.463*	*26.312*	*27.634*

Group historical data

The following table shows the main indicators and performances recorded by the Group during the last 5 years.

(in thousands of Euro)	31.03.2014	31.03.2013 (1)	31.03.2012 (1)	31.03.2011	31.03.2010
Available for sale financial assets	2.287.950	2.763.805	2.269.595	1.087.059	434.243
Held to maturity financial assets	5.329.414	4.710.582	1.676.527	-	-
Due from customers	2.339.663	2.177.379	1.856.469	1.669.183	1.327.473
Due to banks	618.132	600.956	626.526	760.963	707.855
Due to customers	9.341.959	9.291.659	5.403.489	2.206.962	1.187.415
Equity	405.393	332.313	261.983	215.892	162.049
Net banking income	69.352	66.862	52.431	24.237	21.104
Net profit from financial activities	60.970	53.146	46.616	18.917	18.273
Group net profit	24.676	22.454	19.710	5.586	5.522
Cost/Income ratio	33,6%	26,5%	29,6%	41,7%	46,5%
Cost of credit quality	2,0%	3,4%	2,1%	2,0%	2,2%
Net non-performing trade receivables/ Trade receivables due from customers	2,4%	3,5%	4,3%	2,2%	1,8%
Net non-performing trade receivables/Equity	11,3%	17,9%	25,8%	17,1%	14,4%
Coverage of gross non-performing trade receivables	80,6%	69,6%	60,0%	65,2%	65,8%
Net substandard trade receivables/ trade receivables due from customers	8,3%	17,3%	15,4%	13,5%	4,1%
Net substandard trade receivables /Equity	39,0%	87,6%	92,3%	104,2%	33,3%
Total own funds Capital Ratio (2)	15,0%	12,9%	10,9%	11,0%	9,0%
Common Equity Tier 1 Ratio (2)	15,0%	13,1%	11,1%	11,2%	9,1%

(1) Data restated after initial publication. See the Introductory notes on how to read the data.
(2) The new set of harmonised regulations for banks and investment firms included in EU Regulation no. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV) is applicable as from 1 January 2014. See the Impact of regulatory changes. Information relating to the periods up to 31 March 2013 has been recognised according to previous regulations (Basel 2). The Solvency ratio and Core Tier 1 have been recognised under Total own funds Capital Ratio and Common Equity Tier 1 Ratio, respectively.

Financial statements

Consolidated Statement of Financial Position

	Assets (in thousands of Euro)	31.03.2014	31.12.2013
10.	Cash and cash equivalents	25	30
20.	Financial assets held for trading	-	10
40.	Available for sale financial assets	2.287.950	2.529.179
50.	Held to maturity financial assets	5.329.414	5.818.019
60.	Due from banks	432.855	415.817
70.	Due from customers	2.339.663	2.296.933
120.	Property, plant and equipment and investment property	41.129	40.739
130.	Intangible assets	6.482	6.361
	of which:		
	- goodwill	*835*	*837*
140.	Tax assets	37.923	37.922
	a) current	*3.940*	*3.940*
	b) deferred	*33.983*	*33.982*
160.	Other assets	40.028	192.787
	Total assets	**10.515.469**	**11.337.797**

	Liabilities and equity (in thousands of Euro)	31.03.2014	31.12.2013
10.	Due to banks	618.132	6.665.847
20.	Due to customers	9.341.959	4.178.276
40.	Financial liabilities held for trading	52	130
80.	Tax liabilities	19.099	17.362
	a) current	*3.639*	*1.022*
	b) deferred	*15.460*	*16.340*
100.	Other liabilities	127.106	93.844
110.	Post-employment benefits	1.477	1.482
120.	Provisions for risks and charges	2.251	533
	b) other reserves	*2.251*	*533*
140.	Valuation reserves	8.921	10.959
170.	Reserves	247.953	163.055
180.	Share premiums	76.884	75.560
190.	Share capital	53.811	53.811
200.	Treasury shares (-)	(6.852)	(7.903)
220.	Profit (loss) for the period (+/-)	24.676	84.841
	Total liabilities and equity	**10.515.469**	**11.337.797**

Consolidated Income Statement

Items (in thousands of Euro)		31.03.2014	31.03.2013[1]
10.	Interest receivable and similar income	84.449	86.083
20.	Interest due and similar expenses	(29.557)	(33.760)
30.	**Net interest income**	**54.892**	**52.323**
40.	Commission income	15.998	15.980
50.	Commission expense	(1.874)	(1.490)
60.	**Net commission income**	**14.124**	**14.490**
80.	Net profit (loss) from trading	105	49
100.	Profit (loss) from sale or buyback of:	231	-
	b) available for sale financial assets	231	-
120.	**Net banking income**	**69.352**	**66.862**
130.	Net impairment losses/reversal on	(8.382)	(13.716)
	a) receivables	(8.382)	(13.716)
140.	**Net profit from financial activities**	**60.970**	**53.146**
180.	Administrative expenses:	(21.765)	(17.921)
	a) personnel expenses	(10.334)	(8.803)
	b) other administrative expenses	(11.431)	(9.118)
190.	Net allocations to provisions for risks and charges	(1.718)	-
200.	Net impairment losses/reversal on plant, property and equipment	(316)	(297)
210.	Net impairment losses/reversal on intangible assets	(432)	(386)
220.	Other operating income (expenses)	949	886
230.	**Operating costs**	**(23.282)**	**(17.718)**
280.	**Pre-tax profit (loss) for the period from continuing operations**	**37.688**	**35.428**
290.	Income taxes for the period relating to current operations	(13.012)	(12.974)
340.	**Profit (loss) for the period attributable to the parent company**	**24.676**	**22.454**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

Consolidated Statement of Comprehensive Income

	Items (in thousands of Euro)	31/03/2014	31/03/2013
10.	**Profit (loss) for the year**	**24.676**	**22.454**
	Other comprehensive income, net of taxes, without reversal to income statement	**-**	**122**
20.	Property, plant and equipment and investment property	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	-	122
50.	Non-current assets under disposal:	-	-
60.	Share of reserves from valuation of investments at equity	-	-
	Other comprehensive income, net of taxes, with reversal to income statement	**(2.038)**	**4.499**
70.	Hedges of foreign investments	-	-
80.	Exchange differences	(121)	(752)
90.	Hedges of cash flows	-	-
100.	Available for sale financial assets	(1.917)	5.251
110.	Non-current assets under disposal	-	-
120.	Share of reserves from valuation of investments at equity	-	-
130.	**Total other comprehensive income, net of taxes**	**(2.038)**	**4.621**
140.	**Total comprehensive income (item 10+130)**	**22.638**	**27.075**
150.	Total consolidated comprehensive income attributable to non-controlling interests	-	-
160.	**Total consolidated comprehensive income attributable to the parent company**	**22.638**	**27.075**

Notes

Basis of preparation

Banca IFIS Group's interim report at 31 March 2014 has been prepared in compliance with both the provisions as per article 154-ter of Legislative Decree no. 58 of 24 February 1998 and subsequent amendments and with IAS/IFRS.

The consolidated financial statements at 31 March 2014 are compared, in terms of statement of financial position figures, with those at 31 December 2013 and, in terms of income statement results, with those at 31 March 2013.

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, calculated using the average rate forecast for the current year.

It should be noted that, starting from 1 January 2014, the Group adopted the following new accounting standards:

- **IFRS 10 Consolidated Financial Statements**: according to the new IFRS, control of an investee requires exposure or rights to variable returns and the ability to affect those returns through power over the investee. Power is defined by the standard as the existing rights that give the current ability to direct the relevant activities. Relevant activities are those that significantly affect the investee's returns.
- **IFRS 11 Joint Arrangements**: the aim of the new IFRS 11 is outlining a new approach for accounting joint arrangements, based on the rights and obligations in accordance with the type of arrangement rather than its legal form and improving the quality of financial information, excluding the possibility of choosing between the proportionate consolidation and the equity method.
- **IFRS 12 Disclosure of Interests in Other Entities**: the objective of this accounting standard is to require the disclosure of information that enables users of financial statements to evaluate:
  - the nature of, and risks associated with, its interests in other entities;
  - the effects of those interests on its financial position, financial performance and cash flows. In order to achieve this objective, the entity shall provide, among the other things:
  - significant judgements and assumptions it has made in determining the nature of its interest
  - information on investments.

The adoption of the above new accounting standards did not have a significant impact on the Banca IFIS Group's financial statements.

Interim reports are not audited by the Independent Auditors.

Consolidation scope

At 31 March 2014, the group was composed of the parent company, Banca IFIS S.p.A., and the wholly-owned subsidiary, IFIS Finance Sp. Z o. o., consolidated using the line-by-line method.

During the consolidation period, starting from 1 January 2014 and following the introduction of the new IFRS 10 - 11 - 12, the special purpose vehicle for the securitisation of Il Giglio was also included.

The accounts on which the consolidation is based are those prepared by Group companies at 31 March 2014.

Group equity and income situation

Reference markets

Trade Receivables

Banca IFIS supports the short-term financial and credit management needs of small- and medium-sized enterprises. This activity falls under short-term trade receivable financing, a market which at 30 September 2013 amounted to 284 billion Euro, down 6% from the prior-year period and 21% from 2008, when the crisis broke out.

At 31 December 2013, the turnover of Italy's factoring market amounted overall to 172 billion Euro, down -2% from the prior year, with 55 billion Euro in receivables outstanding (-5%). The reduction in factored receivables caused also cash advances to fall by -7%.

The data available at national level showed that volumes contracted moderately during 2013. Performance across the main market players was mixed: most of them registered decreasing volumes (Mediofactoring, Unicredit Factoring, Ifitalia, UBI Factor, MPS L&F, Factorict), whereas others, such as GE Capital Finance, Fidis and Emil-Ro Factor, posted sustained growth. Banca IFIS has been ranked seventh in terms of turnover for the last few years, and in 2013 it ranked fourth in terms of outstanding.

Pharmaceutical sector

In this market, Banca IFIS faces essentially just one competitor, Banca Farmafactoring, except for occasional interventions by other players.

DSOs still greatly vary across regions, but the average payment time for the industry is approximately 230-250 days.

In light of the limited progress on the Italian government's programme to speed up payments from the National Health Service, which was launched in 2013, this market continues to represent an outstanding opportunity for Banca IFIS.

Distressed retail loans

The distressed retail loans market is characterised by the presence of players who approach the business in different ways and focus their attention on portfolios that are often non homogeneous, especially as for the type of receivable that is bought, the type of subject, and the methods of collection.

We may recognise 4 categories of non-performing loans that are purchased, deriving from:

- property-backed mortgages;
- other receivables backed by third-party surety bonds;
- asset/salary-backed consumer credit/retailer loans due from individuals;
- unsecured consumer credit.

We may identify the following categories of debtors:

- individuals with or without steady income;
- limited companies or partnerships/sole proprietorships.

We may distinguish two broad areas for collection: judicial and non-judicial.

In addition, market players adopt different approaches also in taking on risk:

- some seek to acquire portfolios and manage them until the payment's collection;
- some focus only on management in exchange for fees.

The market for distressed retail loans originating largely from the unsecured consumer credit sector was characterised in 2013 by several and often significant disposals of loan portfolios by Italian financial companies belonging to major foreign banking groups, as well as by the return of international investment funds as buyers. The inflow of abundant liquidity on the financial markets due to the interest of foreign investors in the Italian market caused demand to increase, leading to higher competition and pricing pressure.

The economic situation has swelled the pool of non-performing loans, and therefore of receivables potentially up for sale, exceeding 156 billion Euro in the banking industry alone and forecast to grow further over the next two years.

Tax receivables

The market for tax receivables usually arising from insolvency proceedings has historically been valued at 40 to 50 million Euro, with peaks related to the disposal of large portfolios of receivables due from insolvency proceedings of important industrial groups and/or Extraordinary Administration proceedings.

During 2013, in order to facilitate the end of Extraordinary Administration proceedings declared in previous years but for which business activity has already terminated, some portfolios of tax receivables were put on sale, causing the market to swell to around 70-80 million Euro. With these higher volumes, Fast Finance maintained its market share comfortably over 50%.

Impact of regulatory changes

Here below are some regulatory changes introduced in 2014 impacting Banca IFIS:

- It should be noted that, starting from 1 January 2014, the Group adopted the following new accounting standards:
  - IFRS 10 Consolidated Financial Statements
  - IFRS 11 Joint Arrangements
  - IFRS 12 Disclosure of Interests in Other Entities
  - Revised IAS 27 Separate Financial Statements

  The adoption of the above new accounting standards did not have a significant impact on the Banca IFIS Group's financial statements.
- Budget Law's impact: among the provisions of Law 147 of 27 December 2013 (2014 Budget Law), the following impacted the determination of Banca IFIS's income tax expense for the reference period. In particular:
  - art. 106 paragraph 3 of the Consolidated Law on Income Tax: as a result of the amendments made, bad debt losses and write-downs on receivables due from customers, recognised net of reversals, are deductible from the corporate tax (IRES) on a straight-line basis in five annual instalments (i.e., in the year of accrual and the following four);
  - lett. c-bis), paragraph 6, art. 1 of Legislative Decree no. 446/1197 (IRAP decree): as a result of the amendments made, bad debt losses and write-downs on receivables, as well as write-backs from evaluation and cash in, are included in the calculation of the net value of production on a straight-line basis in five annual instalments (i.e., in the year of accrual and the following four). Previously, these amounts were not considered for the purpose of calculating the regional tax on productivity (IRAP);

  The overall impact of the Budget Law on profit for the period was positive to the tune of 0,7 million Euro.
- The new set of harmonised regulations for banks and investment firms included in EU Regulation no. 575/2013 and in Directive 2013/36/EU (CRD IV) is applicable as from 1 January 2014. In order to assess consolidated regulatory capital and capital absorption, this regulatory framework requires for the inclusion of the Group Holding in the consolidation scope and regulates the recognition of non-controlling interests under consolidated equity.

Operating performance

Comment by the CEO

The Bank's positioning and operating-financial strength relative to the competition will likely enable us to grow further and bolster our presence in the sectors we operate in, in keeping with our track record. The performance of the market in the first quarter of 2014 confirms that the recovery is real, albeit fragile. The improved credit quality, the growth in the number of customers and the new resources that joined the staff will be the key drivers enabling the Group to achieve the challenging goals the Group have set for itself. It performed strongly in the first quarter, but if the Bank will be able to move fast and seize the opportunities offered by the market, the Group will create further value for its stakeholders.

Significant events occurred in the period

Banca IFIS transparently and timely discloses information to the market, constantly publishing information on significant events through press releases. Please refer to the "Investor Relations\Press Releases" section on the website www.bancaifis.it for complete details.

http://www.bancaifis.com/Media-room/Press-releases

Here below is a summary of the most important events:

End of the securitisation process

In October 2013, the revolving period of the securitisation started in October 2008 with IFIS Collection Services S.r.l., a special purpose vehicle set up for this transaction, ended. The amortisation period, during which the securities issued by the vehicle, amounting to 328 million Euro, were reimbursed in full, ended on 24 February 2014, when the termination letters were signed. On the same day, the Bank bought back the portfolio of receivables sold to the vehicle and not collected.

Sale of ordinary shares by La Scogliera

On 10 March 2014, La Scogliera S.p.A. sold 2.168.332 ordinary shares in Banca IFIS S.p.A., representing 4,03% of the share capital, for 28,2 million Euro, following the requests of two major international institutional investors at a price of 13 euro per share.

As a result, La Scogliera owns approximately 52,6% of Banca IFIS's share capital, subject to a 180-day lock-up period starting from the date of this report.

Group financial and income results

Statement of financial position items

MAIN STATEMENT OF FINANCIAL POSITION ITEMS (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2014	31.12.2013	ABSOLUTE	%
Available for sale financial assets	2.287.950	2.529.179	(241.229)	(9,5)%
Held to maturity financial assets	5.329.414	5.818.019	(488.605)	(8,4)%
Due from banks	432.855	415.817	17.038	4,1%
Due from customers	2.339.663	2.296.933	42.730	1,9%
Property, plant and equipment and investment property and intangible assets	47.611	47.100	511	1,1%
Other assets	77.976	230.749	(152.773)	(66,2)%
Total assets	**10.515.469**	**11.337.797**	**(822.328)**	**(7,3)%**
Due to banks	618.132	6.665.847	(6.047.715)	(90,7)%
Due to customers	9.341.959	4.178.276	5.163.683	123,6%
Financial liabilities held for trading	52	130	(78)	(60,0)%
Other liabilities and equity items	149.933	113.221	36.712	32,4%
Net Equity	405.393	380.323	25.070	6,6%
Total liabilities and Equity	**10.515.469**	**11.337.797**	**(822.328)**	**(7,3)%**

Available for sale (AFS) financial assets

Available for sale financial assets include debt and equity securities and at the end of the quarter stood at 2.288,0 million Euro, down 9,5% compared to 2.529,2 million Euro at the end of 2013. The securities portfolio is held for the purposes described in the “Securities portfolio” section below.

Held to maturity (HTM) financial assets

The portfolio of held to maturity financial assets stood at 5.329,4 million Euro at the end of the period, -8,4% compared to the end of 2013, and consists of Italian government bonds with residual maturity at the time of purchase of over one year, in light of the ability and willingness to hold them until maturity.

At the reporting date, the HTM portfolio showed unrecognised net capital gains amounting to 159,9 million Euro before taxes. Such net capital gains were not recognised according to the amortised cost method applicable to this portfolio. The securities portfolio is held for the purposes described in the “Securities portfolio” section below.

Receivables due from banks

At 31 March 2014, receivables due from banks totalled 432,9 million Euro, compared to 415,8 million Euro at 31 December 2013 (+4,1%).

This item includes some securities not listed on an active market with banking counterparties, totalling 19,0 million Euro (-20,8% compared to 31 December 2013), and treasury loans with other lenders, amounting to 413,8 million Euro (+5,6% compared to 31 December 2013), largely related to maintaining excess liquidity in the system.

Securities portfolio

In order to provide a comprehensive analysis of the Group's securities portfolio, the debt securities portfolio, represented by several asset items in the statement of financial position, and the equity portfolio are commented on below.

Debt securities portfolio

Debt securities held in the portfolio at 31 March 2014 amounted to 7.623,6 Euro, down 8,8% from 31 December 2013 as a result of 1.000 million Euro in redemptions of bonds maturing in the period. Currently the portfolio's average return is high, considering the period in which most bonds were purchased.

This significant resource allowed Banca IFIS to access funding at reasonable costs through repurchase agreements on the MTS platform or refinancing operations on the Eurosystem.

These securities have been classified as shown in the following table on the basis of their characteristics and in compliance with the provisions of IAS 39.

DEBT SECURITIES PORTFOLIO (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2014	31.12.2013	ABSOLUTE	%
DEBT SECURITIES INCLUDED UNDER:				
Available for sale financial assets	2.275.100	2.515.810	(240.710)	(9,6)%
Held to maturity financial assets	5.329.414	5.818.019	(488.605)	(8,4)%
Due from banks - bonds	19.045	24.048	(5.003)	(20,8)%
Total securities held	**7.623.559**	**8.357.877**	**(734.318)**	**(8,8)%**

Here below is the breakdown by issuer and by maturity of the debt securities held.

Issuer/Maturity	Within 30.06.2014	Between 1.07.2014 and 30.09.2014	Between 1.10.2014 and 31.12.2014	Between 1.01.2015 and 31.12.2015	Between 1.01.2016 and 31.12.2016	Between 1.01.2017 and 31.12.2018	Total
Government securities	1.234.621	882.575	410.558	2.209.617	760.007	2.086.646	7.584.024
% of total	*16,2%*	*11,5%*	*5,4%*	*29,0%*	*10,0%*	*27,4%*	99,5%
Banks	3.004	5.004	20.024	6.032	5.005	466	39.535
% of total	*0,0%*	*0,1%*	*0,2%*	*0,1%*	*0,1%*	*0,0%*	0,5%
Total	**1.237.625**	**887.579**	**430.582**	**2.215.649**	**765.012**	**2.087.112**	**7.623.559**
% of total	***16,2%***	***11,6%***	***5,6%***	***29,1%***	***10,1%***	***27,4%***	**100%**

Equity portfolio

Available for sale financial assets include equity securities relating to non-controlling interests in unlisted companies, amounting to 12,9 million Euro (-3,9% compared to 31 December 2013), which are considered strategic for Banca IFIS. The decrease was due to the sale of a non-controlling interest in a bank for 519 thousand Euro, resulting in a 231 thousand Euro capital gain, previously recognised under the Valuation reserve.

Receivables due from customers

At the end of the period, total receivables due from customers reached 2.339,7 million Euro, a slight increase of 1,9% or 42,7 million Euro compared to 2.296,9 million Euro at the end of 2013.

Overall, the Trade Receivables sector was down 1,6%: specifically, receivables due from the Public Administration decreased as a result of significant cash flows, while lending to SMEs rose in the domestic market and fell in the international market.

The rise was attributable to DRL receivables for 0,5 million Euro (+0,4%), tax receivables for 11,2 million Euro (+12,4%), and the Governance & Services sector for 61,2 million Euro (+43,6%). As for the G&S sector, said increase was due, on the one hand, to the rise from 80,1 million to 193,5 million Euro in margin lending related to repurchase agreements on the MTS platform, and on the other hand, to the settlement of reverse repurchase agreements with Cassa di Compensazione e Garanzia outstanding at 31 December 2013, totalling 52,7 million Euro.

DUE FROM CUSTOMERS: BREAKDOWN BY SECTOR (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2014	31.12.2013	ABSOLUTE	%
Trade receivables	1.908.214	1.938.415	(30.201)	(1,6)%
- *of which impaired*	*157.988*	*162.609*	*(4.621)*	*(2,8)%*
Distressed retail loans	128.461	127.945	516	0,4%
- *of which impaired*	*128.461*	*127.945*	*516*	*0,4%*
Tax receivables	101.460	90.282	11.178	12,4%
- *of which impaired*	*522*	*499*	*23*	*4,6%*
Governance and services	201.528	140.291	61.237	43,6%
- *of which with Cassa di Compensazione e Garanzia*	*193.493*	*80.090*	*113.403*	*141,6%*
- *of which receivable repurchase agreements*	-	*52.698*	*(52.698)*	*(100,0)%*
Total due from customers	**2.339.663**	**2.296.933**	**42.730**	**1,9%**
- of which impaired	***286.971***	***291.053***	***(4.082)***	***(1,4)%***

Receivables due from customers are broken down as follows: 22,5% from the Public Administration (compared to 26,7% at 31 December 2013) and 77,5% from the private sector (compared to 73,3% at 31 December 2013).

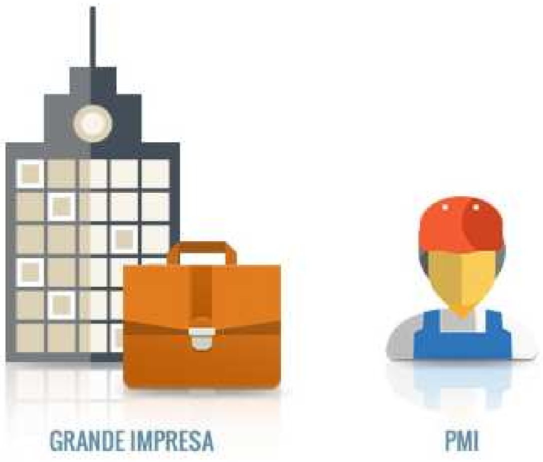
Geographically, the item is broken down as follows: 97.9% from customers resident in Italy and 2.1% from customers resident abroad (unchanged from 31 December 2013).

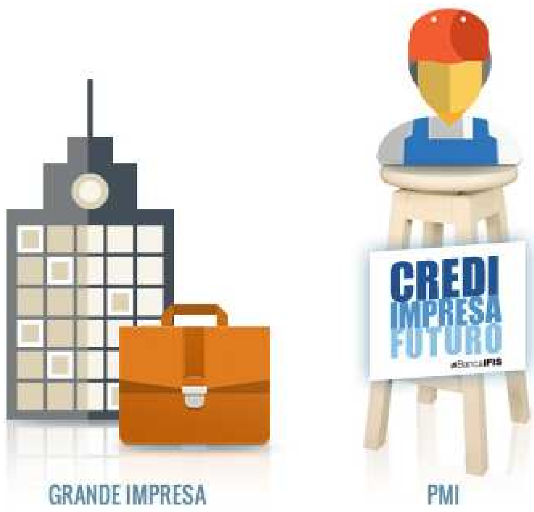
Finally, it should be noted that the item includes 1 position, for a total amount of 71,4 million Euro, which falls within the category of major risks.

Receivables due from customers, excluding 114,9 million Euro in non-performing loans, totalled 2.224,8 million Euro, an increase of 2,1% compared to the end of 2013.

Credit quality

Can a small/medium-sized enterprise have the same creditworthiness as a large enterprise?





By adopting a business model suitable for transferring risk from customers to better-structured debtors, the Bank manages to mitigate its exposure to customer default risk. Even though the prolonged economic downturn has caused also receivables due from higher-quality debtor to deteriorate, the improvement concerning the most significant impaired assets—i.e. those in the Trade Receivables sector—registered in 2013 continued into the first quarter, as shown in the table below. Specifically, said improvement was due to the following factors: a) in the first quarter of 2014 the pace of new non-performing loans decreased compared to the fourth quarter of 2013; b) the Group is extremely effective at promptly recognising losses on positions found to be impaired (adjusting the item impairment/losses in profit or loss accordingly); c) particular attention was paid to objective substandard loans, considerably improving their situation; finally, d) the Group registered strong cash flows from loans already classified as non-performing/substandard in the previous years.

Total net impaired assets totalled 287,0 million Euro, compared to 291,1 million Euro at the end of 2013 (-1,4%). In the Trade Receivables sector alone, whose performance is crucial for the purpose of assessing the Bank's overall credit quality, total impaired assets dropped 2,8%, from 162,6 million Euro at the end of 2013 to 158,0 million Euro. Impaired assets include receivables in the DRL sector, rising from 127,9 million Euro to 128,5 million Euro (+0,4%).This sector's operations are closely associated with business: therefore, DRL loans are recognised as non-performing or substandard loans. In particular, those loans maintain the same classification as that assigned by the invoice seller, provided the latter is subject to the same law as Banca IFIS; otherwise, if the Bank has not ascertained the debtor's state of insolvency, those loans are classified as substandard. In light of the above, the amount of DRL loans classified as non-performing or substandard is not critical: on the contrary, it is an indicator of the normal and positive performance of the sector.

CREDIT QUALITY (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONSOLIDATED TOTAL
Non-performing loans					
Figures at 31.03.2014	45.910	68.459	522	-	114.891
Figures at 31.12.2013	*50.804*	*66.505*	*499*	-	*117.808*
Change %	*(9,6)%*	*2,9%*	*4,6%*	-	*(2,5)%*
Substandard loans					-
Figures at 31.03.2014	64.072	60.002	-	-	124.074
Figures at 31.12.2013	*61.796*	*61.440*	-	-	*123.236*
Change %	*3,7%*	*(2,3)%*	-	-	*0,7%*
Restructured loans					-
Figures at 31.03.2014	7.070	-	-	-	7.070
Figures at 31.12.2013	*8.351*	-	-	-	*8.351*
Change %	*(15,3)%*	-	-	-	*(15,3)%*
Past due loans					-
Figures at 31.03.2014	40.936	-	-	-	40.936
Figures at 31.12.2013	*41.658*	-	-	-	*41.658*
Change %	*(1,7)%*	-	-	-	*(1,7)%*
Total net impaired assets					
Figures at 31.03.2014	**157.988**	**128.461**	**522**	-	***286.971***
Figures at 31.12.2013	***162.609***	***127.945***	***499***	-	***291.053***
Change %	***(2,8)%***	***0,4%***	***4,6%***	-	***(1,4)%***
Net performing loans due from customers					-
Figures at 31.03.2014	1.750.226	-	100.938	201.528	*2.052.692*
Figures at 31.12.2013	*1.775.806*	-	*89.783*	*140.291*	*2.005.880*
Change %	*(1,4)%*	-	*12,4%*	*43,6%*	*2,3%*
Total due from customers (cash)					
Figures at 31.03.2014	***1.908.214***	***128.461***	***101.460***	***201.528***	***2.339.663***
Figures at 31.12.2013	***1.938.415***	***127.945***	***90.282***	***140.291***	***2.296.933***
Change %	***(1,6)%***	***0,4%***	***12,4%***	***43,6%***	***1,9%***

Concerning trade receivables, total non-performing loans to customers at 31 March 2014, net of impairment, were 45,9 million Euro, compared to 50,8 million Euro at 31 December 2013 (-9,6%). This decrease was attributable to the slowing pace of new non-performing loans, as well as the collections and adjustments made during the period. Substandard loans totalled 64,1 million Euro, compared to 61,8 million Euro in 2013 (+3,7%).

Past due loans, net of impairment losses of 0,7 million Euro or 1,6%, totalled 40,9 million Euro compared to 41,7 million Euro at the end of 2013 (-1,7%). It should be noted that net past due loans refer for 9,1 million Euro (6,0 million Euro at the end of 2013) to receivables due from the Public Administration purchased outright within financing operations. Given the debtors and the quality of credit, we believe these positions are not subject to analytical impairment. Furthermore, those positions, based on current regulations and contract law, bear interest on arrears. The Bank, based on historical data and available information, estimates that at least 20% of interest on arrears can be recovered starting from the estimated collection date.

During 2013, the Bank assessed its operating instruments consistent with business, accounting and IT processes, intended to support the management of the ATD product and, therefore, the monitoring of the interest concerned. Following the implementation of said instruments, starting from 2014, the Bank recognises the interest on arrears estimated to be recoverable, i.e. 20% of the interest accrued from the receivables' estimated collection date. At the end of the first quarter of 2014, 0,3 million Euro in interest on arrears were recognised in profit or loss.

The ratio of net non-performing loans to loans fell from 2,6% to 2,4%, while that of net substandard loans to loans rose from 3,2% to 3,4%. The ratio of total net impaired assets to loans dropped from 8,4% at the end of 2013 to 8,3% at 31 March 2014.

IMPAIRED TRADE RECEIVABLES (in thousands of Euro)	NON PERFORMING (1)	SUBSTANDARD	RESTRUCTURED	PAST DUE	TOTAL
BALANCE AT 31.03.2014					
Gross amount	236.940	76.150	8.053	41.603	362.746
Incidence on gross total receivables	*11,2%*	*3,6%*	*0,4%*	*2,0%*	*17,1%*
Adjustments	191.030	12.078	983	667	204.758
Incidence on gross value	*80,6%*	*15,9%*	*12,2%*	*1,6%*	*56,4%*
Net amount	45.910	64.072	7.070	40.936	157.988
Incidence on net total receivables	*2,4%*	*3,4%*	*0,4%*	*2,1%*	*8,3%*
BALANCE AT 31.12.2013					
Gross amount	234.681	72.302	9.395	42.432	358.810
Incidence on gross total receivables	*11,0%*	*3,4%*	*0,4%*	*2,0%*	*16,8%*
Adjustments	183.877	10.506	1.044	774	196.201
Incidence on gross value	*78,4%*	*14,5%*	*11,1%*	*1,8%*	*54,7%*
Net amount	50.804	61.796	8.351	41.658	162.609
Incidence on net total receivables	*2,6%*	*3,2%*	*0,4%*	*2,1%*	*8,4%*

(1) Non performing loans are recognised in the financial statements up to the point in which all credit collection procedures have been entirely completed.

Intangible assets and property, plant and equipment and investment property

Intangible assets totalled 6,5 million Euro, against 6,4 million Euro at 31 December 2013 (+1,9%). The item refers to software (5,6 million Euro) and goodwill (0,8 million Euro) arising from the consolidation of the investment in IFIS Finance Sp. Z o.o.

Property, plant and equipment and investment property increased by 1% to 41,1 million Euro.

The property classified under property, plant and equipment and investment property mainly includes: the important historical building Villa Marocco, located in Mestre (Venice) and housing Banca IFIS's registered office, and the property in Mestre (Venice), where some of the Bank's Services were recently relocated to.

The carrying amount of the property above has been confirmed by experts specialising in the appraisal of luxury property. Villa Marocco is not depreciated as its estimated residual value at the end of its useful life is expected to be higher than its carrying amount.

The head office of the DRL business area in Florence, which was acquired under a finance lease, was recognised at 4,1 million Euro.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.

Deferred tax assets, amounting to 34,0 million Euro at 31 March 2014, refer for 32,4 million Euro to impairment losses on receivables which can be deducted in the following years.

Deferred tax liabilities, amounting to 15,5 million Euro at 31 March 2014, refer for 6,7 million Euro to the fair value measurement of the tax receivables of the former subsidiary Fast Finance S.p.A., which was carried out at the time of the business combination, and for 6,9 million Euro to taxes on the valuation reserve for AFS securities held in the portfolio.

Other assets and liabilities

Other assets decreased by 152,8 million Euro from 31 December 2013, mainly due to the end of the securitisation transaction and the subsequent derecognition of receivables due from the SPV. They correspond to the funds available to said vehicle arising from the collections of receivables which have been resold and not yet paid to the originator, on the basis of the technical characteristics of the transaction.

Other liabilities include a 33,3 million Euro increase mainly relating to temporary items for bank transfers made by customers that were registered on bank accounts the following day.

Funding

Funding, net of the retail component, shall be analysed in a comprehensive manner based on market trends: it consists of wholesale funding through repurchase agreements (classified under payables due to customers, as they are concluded on the MTS platform and therefore without a formally banking counterparty), refinancing transactions on the Eurosystem, and short-term treasury transactions with other lenders.

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2014	31.12.2013	ABSOLUTE	%
Due to customers:	**9.341.959**	**4.178.276**	**5.163.683**	**123,6%**
Repurchase agreements	*5.329.728*	*263.670*	*5.066.058*	*1.921,4%*
Rendimax	*3.871.889*	*3.817.745*	*54.144*	*1,4%*
Contomax	*75.322*	*50.342*	*24.980*	*49,6%*
Other payables	*65.020*	*46.519*	*18.501*	*39,8%*
Due to banks:	**618.132**	**6.665.847**	**(6.047.715)**	**(90,7)%**
Eurosystem	*506.735*	*6.656.465*	*(6.149.730)*	*(92,4)%*
Other payables	*111.397*	*9.382*	*102.015*	*1.087,3%*
Total funding	**9.960.091**	**10.844.123**	**(884.032)**	**(8,2)%**

Total funding, which amounted to 9.960,1 million Euro at 31 March 2014, down 8,2% compared to 31 December 2013, is represented for 93,8% by **Payables due to customers** (38,5% as at 31 December 2013) and for 6,2% by **Payables due to banks** (61,5% as at 31 December 2013).

The significant decrease in Payables due to banks compared to the end of the previous year is due to the fact that the Bank carried out less refinancing operations on the Eurosystem, rather using the MTS platform and dealing with Cassa di Compensazione e Garanzia as counterparty (classified as payables due to customers). The Bank turns to the ECB or the MTS platform exclusively based on which is more convenient. The tensions observed in the liquidity market towards the end of 2013, causing interest rates on the MTS platform to rise slightly and making it more convenient to turn to the Eurosystem, gradually abated during the first quarter of 2014. Therefore, the Bank once again turned almost exclusively to the MTS platform.

Payables due to customers at 31 March 2014 totalled 9.342,0 million Euro, (+123,6% compared to 31 December 2013). Such remarkable increase was mainly due to the greater use of repurchase agreements with underlying government bonds and the Cassa di Compensazione e Garanzia as counterparty, amounting to 5.329,7 million Euro at the end of the period (against 263,7 million Euro at the end of 2013). Despite the decrease in interest rates to bring them in line with the market, which benefited the Bank, retail funding, carried out through the rendimax savings account and the contomax current account, remains significant and substantially unchanged (3.947,2 million Euro vs. 3.868,1 million Euro, i.e. +2,0%).

Payables due to banks, which totalled 618,1 million Euro (compared to 6.665,8 million Euro at December 2013), mainly consisted of funding from refinancing operations on the Eurosystem for 506,7 million Euro compared to 6.656,5 million Euro at 31 December 2013. The reason for the decrease in this type of transactions was described above. These amounts include LTRO transactions of 500 million Euro at a 0,25% rate (ECB's key interest rate) maturing on 26 February 2015.

Since January 2012, the Bank has been holding a portfolio of assets eligible for refinancing operations with the Eurosystem by issuing and repurchasing 138 million Euro in bonds that the Italian Government had guaranteed for a three-year period and 69 million Euro in bonds the Government had guaranteed for a five-year period, paying 1,03% in fees.

The remainder of payables due to banks consists of 111,4 million Euro in interbank deposits, including 100,0 million Euro on the E-Mid platform.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2014	31.12.2013	ABSOLUTE	%
Legal disputes	910	375	535	142,7%
FITD provisions (Deposit Protection Fund)	1.341	158	1.183	748,7%
Total provisions for risks and charges	**2.251**	**533**	**1.718**	**322,3%**

Legal disputes

The provision outstanding at 31 March 2014, amounting to 910 thousand Euro, includes 60 thousand Euro for two labour disputes and 850 thousand Euro for three disputes concerning the Trade Receivables sector, 520 thousand of which have been set aside during the period.

Overall, the Bank recognises contingent liabilities totalling 8,9 million Euro in claims, represented by nine disputers; supported by the legal opinion of its lawyers, the Bank made no provisions for these positions, as the risk of defeat is low.

Tax dispute

On 25 July 2008, the Italian Revenue Agency – Regional Department of Veneto started a check relating to the tax year 2005. This inspection ended on 5 December 2008: the relevant report of verification included two challenges concerning the correct calculation of limits for the deductibility of receivables (ceiling) as per art. 106 paragraph 3 of Presidential Decree 917/86, for a total of 1,4 million Euro. Moreover, considering that the ceiling mechanism sets limits for deducting impairment losses on receivables and that the surplus (arising from the difference between the ceiling and net impairments) is deductible on a straight-line basis over the next eighteen years, the application of the criterion indicated in the aforementioned report of verification would imply a tax benefit for the Bank in the years following 2005.

The aforementioned report of verification included also a notification regarding an alleged case of tax avoidance as set out in Article 37-bis of Presidential Decree 600/73 regarding the write-down in 2003 of the equity investment in Immobiliare Marocco S.p.A. (which merged into the Issuer with deed dated 19 October 2009). This investment was deducted in fifths in the following years based on the losses recognised by this company pursuant to arts. 61 and 66 of Presidential Decree 917/86 (in force up to 31 December 2003). On 2 February 2009 the Agency sent a verification notice to the Bank, requesting clarification on the write-down. The Bank promptly replied to it.

Again in reference to the notification of the alleged tax avoidance, on 3 December 2009 the Bank received a verification notice relating to the year 2004, in which the Revenue Agency revised the income for the year 2004 subject to the corporate tax (IRES), applying the anti-avoidance provision no. 26 as set out in art. 37-bis of Presidential Decree 600/73 for a total of 837 thousand Euro, with a higher tax liability relating to the tax year concerned of approximately 276 thousand Euro plus interest and penalties.

On 21 June 2010, the Bank received a verification notice referring to the following year, in which the Revenue Agency revised the income for the year 2005 subject to the corporate tax (IRES), applying the anti-avoidance provision as set out in art. 37-bis of Presidential Decree 600/73, for a total amount of 837 thousand Euro, with a higher tax liability relating to the tax year in question of approximately 276 thousand Euro plus interest and penalties. The same verification notice relating to the year 2005 treated as taxable the amount relating to the redetermination of the ceiling for deducting losses on receivables concerning the above-mentioned findings, for a total of 1,4 million Euro, with higher taxes of around 478 thousand plus interests and penalties due in relation to the year 2005.

Subsequently, by the end of 2010 the Bank received a notice cancelling under the appeal process the verification notices issued for 2005.

On 22 February 2011, the appeal regarding the verification notice for the tax year 2004 was discussed before the first level Provincial Tax Commission of Venice. On 29 June 2011, the Provincial Tax Commission of Venice rejected the appeal. On 7 November 2011, the Bank was served a notice of payment for the amounts enrolled on the tax register following the ruling of the court of first instance, pursuant to the laws on tax verification and collection, totalling 423 thousand Euro. Banca IFIS paid those amounts on 29 December 2011. Subsequently, the company filed an appeal with the Regional Tax Commission against this sentence. On 25 September 2012 the appeal was heard before the second-degree Regional Tax Commission of Venice. On 18 October 2012 the Commission’s ruling was issued: it accepted the appeal by Banca IFIS S.p.A. and La Scogliera S.p.A. and, overturning the first-instance ruling, it proceeded to cancel the verification notices for 2004 which had been challenged and ordered the Revenue Agency to reimburse the costs for the two-level proceedings to the appellant.

As a consequence of the second-instance ruling, the Revenue Agency returned the sums paid by the Bank following the negative outcome of the first appeal. These had been previously recognised as a 423 thousand Euro receivable in the Bank’s accounts.

On 22 August 2012 the Bank received a verification notice for 2005 that is closely related to the notices received during 2010 and subsequently cancelled under appeal process by the end of the same year. The verification notice, besides containing the same points and therefore the sums requested (in terms of taxes and penalties) included in the previous notice that was then cancelled, considers as tax avoidance some security trading and lending transactions and challenges the deduction of sums such as non-deductible capital losses and manufactured dividends for a total of 6,3 million Euro. The higher tax overall due in relation to this latter finding totals 2,1 million Euro, plus interest and penalties.

Therefore, the overall amount subjected to taxation in the verification notice totals 8,6 million Euro, with higher taxes for the year under review of 2,8 million Euro. The verification notice, which has now passed the ordinary deadline for its issue which was 31 December 2010, was sent on the basis of the Tax Office’s assumption that the doubling of the statute of limitations provided for by the law can be applied to this case, i.e. it represents a criminal offence.

In relation to this verification notice, the Bank applied for composition proceedings with the aim of finding out whether the Office was willing to reconsider its stance, but the application was rejected; the Revenue Agency preferred to continue with the dispute by appealing to the Court of Cassation regarding the verification notice for 2004, effectively forcing the Bank to file a counter-appeal with the Court on 29 January 2013, within the legal time limits; the analysis of the Revenue Agency’s appeal exposes the weakness of their case, already apparent in the previous hearings. Therefore, the tax consultants assisting the Bank in the proceedings believe the chance of defeat is unlikely, and the Bank did not make any provisions for the tax proceedings concerned.

The appeal against the verification notice for 2005 was filed on 11 February 2013.

Before examining in detail the individual findings and the assessment errors made by the Revenue Agency, the appeal focuses on the reasons why the judges should completely annul the notice. Serious material errors were made, to the point that they completely invalidate the act: the criminal charge, which seeks to have the statute of limitations doubled and that the Public Prosecutor completely rejected by ordering a non-suit; a series of verification notices served and then cancelled under the appeal process; and several legal errors contained in the last act issued.

Besides this, the defence case, which had already been set out in the application for composition proceedings, has been expanded and explained in detail. The fragility of the challenge to the write-down on the equity investment in Immobiliare Marocco was highlighted once again, and made even more apparent by the victory in the court of second instance regarding 2004 and which, at this point, would cover all the subsequent years.

Then, the appeal sets out the reasons why the challenges to the calculations of the ceiling for the deduction of receivables are wrong, both as far as the method adopted and interpretation provided by the tax officials in the report of verification are concerned, and even more so in light of the subsequent amendments and supplements to the laws regulating the principles for determining the income of long-time and first-time adopters of IAS.

As for the claims related to securities trading, the appeal highlighted that the transactions concerned produced positive results for the Bank, net of taxes, and they were not completely risk-free or entered into guaranteeing right from the start the conditions to neutralise any profit or loss from the transaction. The cross call and put options only had the effect of limiting the risk of losses and the potential excess returns, and in any case did not rule them out completely, as was hastily claimed in the verification notice. Above all, the challenged transactions simply applied the regime in force at the time, without eluding the law or its underlying principles; in fact, the system established with the 2004 reform envisages a double regime for stock transfers. Therefore, there is nothing strange in short-term equity trading on equity investments which do not qualify for participation exemption, with dividends received partially exempt from tax and deductible capital losses.

In any case, the Bank asked to recalculate the challenged amounts, which did not take into account the positive components which, as taxable income, are included in the determination of income. In April 2013, the Bank was notified of the Revenue Agency's response to the appeal. At 31 March 2014, the date for the first instance hearing had yet to be settled.

In light of the above, the tax consultants hired to resolve the dispute have stated that they reasonably believe it possible to validly defend the Bank’s case, and that therefore the chance of defeat is unlikely.

However, it is necessary to consider the Circular dated 8 August 2012 in which the Bank of Italy clarified that intermediaries, should they have to pay the tax authorities a certain amount following the enrolment in the tax register of higher taxes and the relevant interest and penalties, must assess whether or not it represents a contingent asset as defined by IAS 37. On the basis of this accounting standard, the asset should not be recognised whenever the profit on the same is not all but certain, and the amounts paid to the tax authorities must therefore be recognised at cost and not as tax receivables.

At 31 December 2012, 159 thousand Euro were allocated to the provision for tax proceedings for higher taxes and 35 thousand Euro for interest, resulting in a total of 194 thousand Euro against the likely provisional enrolment on the tax register(1) following the appeal, pursuant to Bank of Italy's Circular dated 8 August 2012. The Bank will not make any provision for the risk of defeat in the on-going tax proceedings. At 30 September 2013, the Bank recognised an adjustment to said provision based on the amounts actually enrolled on the tax register and notified to the Bank on 9 October 2013. Compared to the provision previously made, there was a difference of 13 thousand Euro, mainly due to the reimbursement of collection costs. The Bank promptly paid the amount requested in light of the obligations pursuant to the law, although it expects a positive outcome.

(1) The provisional amounts enrolled on the tax register are those made on the basis of a verification notice that is not final, since it has been challenged. An appeal filed against a verification notice does not suspend its execution; pending the rulings of the court of first instance and of the court of second instance, part of the verified income tax, plus interest and part of the penalties, can be collected. In particular, as regards the income tax and value added tax, after the verification notice has been served, the Office can enrol on the tax register 1/3 of the verified taxes and interests. In relation to the charges relating to the anti-avoidance provision as set out in art. 37 bis of Presidential Decree 600/73, the amounts due before the first instance ruling cannot be enrolled on the tax register (para. 6, art. 37 bis, Presidential Decree 600/73). Subsequent to the rulings of the tax commissions, further fractions of the amounts due become payable, based on the grounds of the decision and the level of the judicial body.

Provision for the share of the Interbank Deposit Protection Fund's intervention

Italy's Interbank Deposit Protection Fund (FITD, *Fondo Interbancario di Tutela dei Depositi*), of which Banca IFIS is a member, in 2013 approved a rescue loan to Banca Tercas, based in Ascoli Piceno. The relevant potential obligation for Banca IFIS amounts to up to 2,8 million Euro.

Although it has not yet received a formal request from the FITD following the due diligence of Banca Tercas' assets, Banca IFIS deemed it appropriate to set aside 1,2 million Euro, which, together with the provision already made as at 31 December 2013, represents the maximum amount the FITD may request the Bank to pay.

Capital adequacy and solvency ratios

At 31 March 2014, consolidated equity was 405,4 million Euro, compared to 380,3 million Euro at 31 December 2013. The breakdown of the item and the change compared to the previous year are detailed in the tables below.

EQUITY: COMPOSITION (in thousands of Euro)	AMOUNTS AT		CHANGE	
	31.03.2014	31.12.2013	ABSOLUTE	%
Capital	53.811	53.811	-	*0,0%*
Share premiums	76.884	75.560	1.324	*1,8%*
Valuation reserve:	8.921	10.959	(2.038)	*(18,6)%*
- AFS securities	*14.063*	*15.980*	*(1.917)*	*(12,0)%*
- TFR post-employment benefit	*(76)*	*(76)*	-	*0,0%*
- differenze di cambio	*(5.066)*	*(4.945)*	*(121)*	*2,4%*
Reserves	247.953	163.055	84.898	*52,1%*
Treasury shares	(6.852)	(7.903)	1.051	*(13,3)%*
Profit for the period	24.676	84.841	(60.165)	*(70,9)%*
Equity	**405.393**	**380.323**	**25.070**	**6,6%**

EQUITY:CHANGES	*(in thousands of Euro)*
Equity at 31.12.2013	**380.323**
Increases:	**27.108**
Profit for the year	24.676
Sale of treasury instruments	2.375
Other variations	*57*
Decreases:	**2.038**
Change in valuation reserve:	2.038
- AFS securities	*1.917*
- exchange differences	*121*
Equity at 31.03.2014	**405.393**

The change in the valuation reserve for AFS securities mainly refers to the effects of the fair value measurement of government bonds held in the portfolio.

The change in the currency translation reserve refers mainly to exchange differences deriving from the consolidation of the subsidiary IFIS Finance Sp. Z o.o.

CAPITAL ADEQUACY RATIOS (in thousands of Euro)	AMOUNTS AT		
	31.03.2014 (1)	31.03.2014 (2)	31.12.2013 (3)
Common equity Tier 1 Capital (CET1) (4)	352.452	352.320	332.851
Tier 1 Capital (AT)	352.452	352.320	332.851
Total own funds	**352.452**	**347.376**	**328.131**
Total RWA	**2.354.914**	**2.339.403**	**2.433.597**
Common Equity Tier 1 Ratio	14,97%	15,06%	13,68%
Tier 1 Capital Ratio	14,97%	15,06%	13,68%
Total own funds Capital Ratio	**14,97%**	**14,85%**	**13,48%**

(1) Data recognised according to the new regulations (Basel 3), which require the inclusion of the Group holding in the consolidation scope.
(2) Data recognised according to the previous regulations (Basel 2)
(3) Data recognised according to the previous regulations (Basel 2)
(4) Common equity Tier 1 Capital includes profit for the quarter net of estimated dividends

The new set of harmonised regulations for banks and investment firms included in EU Regulation no. 575/2013 (CRR) and in Directive 2013/36/EU (CRD IV) is applicable as from 1 January 2014. In order to assess consolidated regulatory capital and capital absorption, this regulatory framework requires for the inclusion of the Group Holding in the consolidation scope and regulates the recognition of non-controlling interests under consolidated equity. The data shown in this table have been recognised according to the new regulations. To allow for a comparison with the previous period, the data at 31 March 2014 recognised according to the previous regulations are shown, too.

Pursuant to Bank of Italy's Regulation dated 18 May 2010, the Banca IFIS Group calculated its regulatory capital at 31 March 2014 by adopting the so-called "symmetric filter", which allows to neutralise both gains and losses on securities issued by the Central Administrations of EU Member States. The net amount of the item was 13,8 million Euro, included under available for sale financial assets, as if those securities were measured at cost.

Income statements items

Formation of net banking income

Net banking income rose 3,7% from 66,9 million Euro to 69,4 million Euro, thanks to the positive contribution from the Trade Receivables sector.

The breakdown of net banking income was as follows: Trade Receivables sector 54,0% (42,9% at 31 March 2013), DRL sector 9,5% (11,1% at 31 March 2013), Tax Receivables 3,1% (4,7% at 31 March 2013), Governance and Services 33,3% (41,3% at 31 March 2013)

Net banking income is made up of interest income (79,1%), commission income (20,4%) and other components (0,5%).

NET BANKING INCOME (in thousands of Euro)	1st QUARTER		CHANGE	
	2013	2014	ABSOLUTE	%
Net interest income	54.892	52.323	2.569	4,9%
Total net commission income	14.124	14.490	(366)	(2,5)%
Dividends and similar income	-	-	0	0,0%
Net result from trading	105	49	56	114,3%
Profit from sale or buyback of financial assets	231	-	231	n.a.
Net banking income	**69.352**	**66.862**	**2.490**	**3,7%**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

The +30,6% rise in the Trade Receivables sector (37,5 million Euro compared to 28,7 million Euro in the prior-year period) was due to the higher number of financed companies (+6,5% compared to 31 March 2013) – the sector's turnover exceeded 1,6 billion Euro, up 36,6% – and the increase in interest on arrears collected by the Pharma business area (3,4 million Euro compared to 714 thousand Euro in the prior-year period, of which 3,1 million Euro were collected following a transaction and 0,3 million Euro were recognised after having ascertained their recoverability, as described below).

The Bank, based on historical data and available information, estimates that least 20% of interest on arrears accruing from the estimated collection date can be recovered. During 2013, the Bank assessed its operating instruments consistent with business, accounting and IT processes, intended to support the management of the ATD product and, therefore, the monitoring of the interest concerned. Following the implementation of said instruments, starting from 2014, the Bank recognises the interest on arrears estimated to be recoverable, i.e. 20% of the interest accrued from the receivables' estimated collection date. At the end of the first quarter of 2014, 0,3 million Euro in interest on arrears were recognised in profit or loss.

At 31 March 2014 the Bank accrued, but did not recognise, interest on arrears – calculated from the invoice's original maturity date – related to already collected receivables (totalling approximately 34,7 million Euro) as well as non-collected receivables (approximately 33,1 million Euro) due from the Public Administration.

As mentioned in the paragraph Introductory notes on how to read the data, the Banca IFIS Group revised its methods of accounting for receivables purchased outright within the factoring activity (hereinafter "ATD", *a titolo definitivo* in Italian) in order to report them more accurately in the financial statements. Specifically, although most of these receivables are short-term, the Bank measured them at amortised cost and reported them accordingly in its accounts. To allow for like-for-like comparison, the seller's consideration at 31 March 2013 was reclassified from Commission income to Interest income for 8,7 million Euro.

Net banking income in the DRL (Distressed Retail Loans) sector totalled 6,6 million Euro, compared to 7,4 million Euro in the prior-year period (-10,7%). It should be noted that net banking income is not representative of the DRL sector's operating performance since, as far as non-performing loans are concerned, it does not account for the economic impact of the changes in expected cash flows, which are recognised under impairment losses/reversals on receivables according to the Bank's current interpretation of IAS/IFRS. On the other hand, from the operating viewpoint, the DRL sector's operating performance shall be recognised accounting for this item, too.

The Tax Receivables sector was down 31,3% (2,2 million Euro compared to 3,1 million Euro in the prior-year period). The result at 31 March 2013 included the impact of the revision of estimated cash flows, higher than expected, and debt collection time, shorter than expected, of a significant receivable worth 1,5 million Euro. Net of this non-recurring item, net banking income for the first quarter of 2014 was up 31,2% compared to the prior-year period.

The Governance and Services sector was down 16,3% (23,1 million Euro compared to 27,6 million Euro at 31 March 2013). The performance reflects the lower margins in terms of interest income on the securities portfolio (29,1 million Euro compared to 32,4 million Euro in 2013), the result of lower average returns, is only partially offset by higher average volumes, and the cost of retail funding exceeding core loans and held in order to guarantee an adequate level of liquidity under economic stress scenarios.

Net interest income rose from 52,3 million Euro at 31 March 2013 to 54,9 million Euro at 31 March 2014 (+4,9%).

Net commission income was down 2,5% from 31 March 2013, as commission expense climbed from 1,5 million Euro at 31 March 2013 to 1,9 million Euro. Commission income are in line with the previous year due to two opposite reasons: higher volumes increased credit management fees, but the increase in factored receivables caused a fall in late payment fees, in line with the trend at the end of the previous year.

The **profit from assignment of financial assets** of 231 thousand Euro is due to the sale of a non-controlling interest in a bank for 519 thousand Euro through reversal to the income statement of the Valuation reserve made in previous years.

Formation of net profit from financial activities

The table below shows the formation of net profit from financial activities for the period starting from the previously mentioned net banking income, compared with the previous year.

FORMATION OF NET PROFIT FROM FINANCIAL ACTIVITIES (in thousands of Euro)	1st QUARTER		CHANGE	
	2014	2013	ABSOLUTE	%
Net banking income	**69.352**	**66.862**	**2.490**	**3,7%**
Net impairment losses on:	(8.382)	(13.716)	5.334	(38,9)%
Receivables	(8.382)	(13.716)	5.334	(38,9)%
Net profit from financial activities	**60.970**	**53.146**	**7.824**	**14,7%**

Net impairment losses on receivables amounted to 8,4 million Euro, compared to 13,7 million Euro at 31 March 2013 (-38,9%). Although they reflect the past adverse economic conditions, they showed a rise, partly due to the tentative improvement in economy and partly to the better assets' quality. This item includes 639 thousand Euro in reversals of impairments losses on DRL loans (compared to 779 thousand Euro in impairment losses in the prior-year period): as already mentioned, for the purpose of correctly assessing the sector's operating performance, they should be considered together with net banking income.

The decrease in impairment losses resulted in a significant improvement in the ratio of credit risk cost to the Group's overall average loan balance over the last 12 months, down to 200 bp from 340 bp at 31 March 2013. The ratio of non-performing loans to loans in the Trade Receivables sector fell to 2,4%, down 0,2% from 2,6% at 31 December 2013.

In light of the above trends, the Group's **net profit from financial activities** totalled 61,0 million Euro compared to 53,1 million Euro at 31 March 2013, up 14,7%. Based on the data concerning the trends in margins and impairment losses on loans and receivables, we can state that against the backdrop of a market so far characterised by recessionary pressures and volatility in business results, there are tentative signs of improvement and of a timid recovery, allowing companies to honour their debts.

Net profit from financial activities in the Trade Receivables sector rose 83,6%, from 15,4 million Euro in the first quarter of 2013 to 28,3 million Euro; in the DRL sector, where it coincides with operating performance, it grew by 9,4%, from 6,6 million Euro to 7,2 million Euro; in the Tax Receivables area, it amounted to 2,3 million Euro, down 34,5% from 3,4 million Euro at 31 March 2013. Finally, net profit from financial activities in the Governance and Services sector fell 16,3% to 23,1 million Euro, compared to 27,6 million Euro in the prior-year period.

Formation of profit for the year

The table below shows the formation of the Group's profit for the period starting from the previously mentioned profit from financial activities, compared with the previous year.

FORMATION OF PROFIT FOR THE PERIOD (in thousands of Euro)	1st QUARTER		CHANGE	
	2014	2013 (1)	ABSOLUTE	%
Net profit from financial activities	**60.970**	**53.146**	**7.824**	**14,7%**
Operating costs	(23.282)	(17.718)	(5.564)	31,4%
Pre-tax profit from continuing operations	**37.688**	**35.428**	**2.260**	**6,4%**
Income tax expense	(13.012)	(12.974)	(38)	0,3%
Profit for the period	**24.676**	**22.454**	**2.222**	**9,9%**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

At 31 March 2014, **operating costs** rose 31,4%, from 17,7 million Euro at 31 March 2013 to 23,3 million Euro, in view of the goal to strengthen some areas and services supporting the business and the scenario in which the Group operates.

The *cost/income ratio* stood at 33,6% compared to 26,5% at 31 March 2013. The increase was attributable to the 1,2 million Euro non-recurring provision for the share of the FITD's intervention, as described in the item Provisions for risks and charges, net of which the *cost/income ratio* is 31,9%. The ratio also rose due to the proportional stamp duty costs (the so-called "mini wealth tax") concerning retail funding, which grew by nearly 700 thousand Euro following the hike in the tax rate for 2014 and that, as a result of the Bank's commercial policy, are not charged back to customers.

OPERATING COSTS (in thousands of Euro)	1st QUARTER		CHANGE	
	2014	2013 (1)	ABSOLUTE	%
Personnel expenses	10.334	8.803	1.531	17,4%
Other administrative expenses	11.431	9.118	2.313	25,4%
Allocation to provisions for risks and charges	1.718	-	1.718	n.a
Net impairment losses on tangible and intangible assets	748	683	65	9,5%
Other operating income(expenses)	(949)	(886)	(63)	7,1%
Total operating costs	**23.282**	**17.718**	**5.564**	**31,4%**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

Personnel expenses, **totalling** 10,3 million Euro, rose 17,4% compared to 31 March 2013; this increase is essentially the result of the higher number of the Group's employees, amounting to 572 at the end of the period (compared to 465 at 31 March 2013).

Other administrative expenses at 31 March 2014 reached 11,4 million Euro, compared to 9,1 million Euro in the prior-year period (+25,4%).

This increase was substantially due to the following factors: first, stamp duty costs for retail funding, which have been described above; then, the rise in fees paid to debt collection companies for the collection of receivables in the DRL sector, which are proportioned to the amounts recovered. Said fees are recognised under "outsourced services" and rose from 1,2 million Euro to 1,4 million Euro. Also software and consulting fees rose due to the re-engineering of business processes and the internal audit system (the latter to comply with new prudential regulations for banks concerning the internal audit and IT system as well as business continuity); finally, an increase was registered also in costs relating to the two new brands, Credi Impresa Futuro and Credi Famiglia.

Please note that part of the expenses included in this item (in particular legal expenses and indirect taxes) is charged back to customers and the relevant revenue is recognised under other operating income. Net of this component, other administrative expenses totalled 10,1 million Euro, compared to 8,2 million Euro at 31 March 2013 (+23,5%).

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	1st QUARTER		CHANGE	
	2014	2013	ABSOLUTE	%
Expenses for professional services	**3.730**	**3.315**	**415**	**12,5%**
Legal and consulting services	1.859	1.557	302	19,4%
Auditing	123	110	13	11,8%
Outsourced services	1.748	1.648	100	6,1%
Direct and indirect taxes	**2.837**	**1.939**	**898**	**46,3%**
Spese per acquisto di beni e altri servizi	**4.864**	**3.864**	**1.000**	**25,9%**
Property expenses	847	785	62	7,9%
Customer information	728	525	203	38,7%
Software assistance and hire	655	385	270	70,1%
Car fleet management and maintenance	533	504	29	5,8%
Advertising and inserts	449	187	262	140,1%
Postage of documents	363	374	(11)	(2,9)%
Telephone and data transmission expenses	341	334	7	2,1%
Trips and business travel personnel	201	150	51	34,0%
Other sundry expenses	747	620	127	20,5%
Total administrative expenses	**11.431**	**9.118**	**2.313**	**25,4%**
Expense recoveries	(1.282)	(901)	(381)	42,3%
Total net other administrative expenses	**10.149**	**8.217**	**1.932**	**23,5%**

Net impairment losses on intangible assets largely refer to IT devices, and at 31 March 2014 stood at 432 thousand Euro, up 11,9% from the prior-year period.

Net impairment losses on property, plant and equipment and investment property totalled 316 thousand Euro, compared to 297 thousand Euro at 31 March 2013 (+6,4%).

Other net operating income totalled 949 thousand Euro (+7,1% compared to the first quarter of 2013) and refers mainly to revenue from the recovery of expenses charged to third parties. The relevant cost item is included in other administrative expenses, namely under legal expenses and indirect taxes.

Pre-tax profit for the period stood at 37,7 million Euro, up 6,4% from 31 March 2013.

Income tax expense amounted to 13,0 million Euro, in line with the prior-year period (13,0 million Euro at 31 March 2013). The Group's tax rate fell from 36,6% in the first quarter of 2013 to 34,5% at 31 March 2014, mainly following the deduction of impairment losses on receivables from the taxable IRAP.

Profit for the period totalled 24,7 million Euro, compared to 22,4 million Euro at 31 March 2013 (+9,9%).

In the absence of profit attributable to non-controlling interests, these results refer entirely to the Group.

Contribution of business sectors to Group results

The organisational structure

The model for segment reporting is in line with the organisational structure used by the Head Office to analyse Group results and is broken down into the following sectors: Trade Receivables, Distressed Retail Loans, Tax Receivables, Governance and Services.

The Governance and Services sector manages the Group's financial resources and allocates funding costs to operating sectors and subsidiaries through the Group's internal transfer rate system. The internal transfer rate system was updated effective 1 July 2013 to correctly represent the contribution of the different sectors to the Group's results, accounting for the changes in the current situation and outlook of financial markets.

Here below are the results achieved in the first quarter of 2014 by the various business sectors, which will be analysed in the sections dedicated to the individual sectors.

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Figures at 31.03.2014	37.466	6.602	2.164	23.120	69.352
Figures at 31.03.2013	*28.682*	*7.397*	*3.149*	*27.634*	*66.862*
Change %	*30,6%*	*(10,7)%*	*(31,3)%*	*(16,3)%*	*3,7%*
Net profit from financial activities					
Figures at 31.03.2014	28.347	7.241	2.262	23.120	60.970
Figures at 31.03.2013	*15.440*	*6.618*	*3.454*	*27.634*	*53.146*
Change %	*83,6%*	*9,4%*	*(34,5)%*	*(16,3)%*	*14,7%*

STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Available for sale financial assets					
Figures at 31.03.2014	-	-	-	2.287.950	2.287.950
Figures at 31.12.2013	-	-	-	2.529.179	2.529.179
Change %	-	-	-	(9,5)%	(9,5)%
Held to maturity financial assets					
Figures at 31.03.2014	-	-	-	5.329.414	5.329.414
Figures at 31.12.2013	-	-	-	5.818.019	5.818.019
Change %	-	-	-	(8,4)%	(8,4)%
Due from banks					
Figures at 31.03.2014	-	-	-	432.855	432.855
Figures at 31.12.2013	-	-	-	415.817	415.817
Change %	-	-	-	4,1%	4,1%
Due from customers					
Figures at 31.03.2014	1.908.214	128.461	101.460	201.528	2.339.663
Figures at 31.12.2013	1.938.415	127.945	90.282	140.291	2.296.933
Change %	(1,6)%	0,4%	12,4%	43,6%	1,9%
Due to banks					
Figures at 31.03.2014	-	-	-	618.132	618.132
Figures at 31.12.2013	-	-	-	6.665.847	6.665.847
Change %	-	-	-	(90,7)%	(90,7)%
Due to customers					
Figures at 31.03.2014	-	-	-	9.341.959	9.341.959
Figures at 31.12.2013	-	-	-	4.178.276	4.178.276
Change %	-	-	-	123,6%	123,6%

SECTOR KPIs (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)				
Figures at 31.03.2014	1.655.420	n.a.	n.a.	n.a.
Figures at 31.03.2013	1.211.726	n.a.	n.a.	n.a.
Change %	36,6%	-	-	-
Nominal amount of receivables managed				
Figures at 31.03.2014	2.542.678	3.905.350	152.751	n.a.
Figures at 31.12.2013	2.577.820	3.911.852	140.160	n.a.
Change %	(1,4)%	(0,2)%	9,0%	-
Net non-performing trade receivables/Due from customers				
Figures at 31.03.2014	2,4%	53,3%	0,5%	n.a.
Figures at 31.12.2013	2,6%	52,0%	0,6%	n.a.
Change %	(0,2)%	1,3%	(0,0)%	-
RWA (2)				
Figures at 31.03.2014	1.561.330	128.461	30.090	230.165
Figures at 31.12.2013	1.561.355	127.945	33.292	227.883
Change %	(0,0)%	0,4%	(9,6)%	1,0%

(1) Gross flow of the receivables sold by the customers in a specific period of time
(2) Risk Weighted Assets

Trade receivables

This item includes the following business areas:

• Italian Trade Receivables, dedicated to supporting the trade receivables of SMEs operating in the domestic market;

• Foreign Trade Receivables, for companies growing abroad or based abroad and working with Italian customers; this area includes IFIS Finance's operations in Poland;

• Pharma, supporting the trade receivables of local health services' suppliers.

The +30,6% rise in the Trade Receivables sector (37,5 million Euro compared to 28,7 million Euro in the prior-year period) was due to the higher number of financed companies – the sector's turnover exceeded 1,6 billion Euro, up 36,6% – and the increase in interest on arrears collected by the Pharma business area (3,1 million Euro compared to 714 thousand Euro in the prior-year period).

The Bank, based on historical data and available information, estimates that at least 20% of interest on arrears accruing from the estimated collection date can be recovered.

During 2013, the Bank assessed its operating instruments consistent with business, accounting and IT processes, intended to support the management of the ATD product and, therefore, the monitoring of the interest concerned. Following the implementation of said instruments, starting from 2014, the Bank recognises the interest on arrears estimated to be recoverable, i.e. 20% of the interest accrued from the receivables' estimated collection date. At the end of the first quarter of 2014, 0,3 million Euro in interest on arrears were recognised in profit or loss.

It should be noted that at 31 March 2014 the Bank recognised interest on arrears – calculated from the invoice's original maturity date – related to already collected receivables (totalling approximately 34,7 million Euro) as well as non-collected receivables (approximately 33,1 million Euro) due from the Public Administration.

As mentioned in the paragraph Introductory notes on how to read the data, the Banca IFIS Group revised its methods of accounting for receivables purchased outright within the factoring activity (hereinafter "ATD", *a titolo definitivo* in Italian) in order to report them more accurately in the financial statements. Specifically, although most of these receivables are short-term, the Bank measured them at amortised cost and reported them accordingly in its accounts. To allow for like-for-like comparison, the seller's consideration at 31 March 2013 was reclassified from Commission income to Interest income for 8,7 million Euro.

Although **net impairment losses on receivables** reflect the past adverse economic conditions, they showed a rise, partly due to the tentative improvement in economy and partly to the better assets' quality.

INCOME STATEMENT DATA (in thousands of Euro)	1st QUARTER		CHANGE	
	2014	2013(1)	ABSOLUTE	%
Net interest income	21.823	13.220	8.602	65,1%
Net commission income	15.643	15.462	182	1,2%
Net banking income	**37.466**	**28.682**	**8.784**	**30,6%**
Net impairment losses on loans and receivables	(9.119)	(13.242)	4.122	(31,1)%
Net profit from financial activities	**28.347**	**15.440**	**12.907**	**83,6%**

(1) Data restated after initial publication. See the Introductory notes on how to read the data.

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	31.03.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Non-performing loans	45.910	50.804	(4.894)	(9,6)%
Substandard loans	64.072	61.796	2.276	3,7%
Restructured loans	7.070	8.351	(1.281)	(15,3)%
Past due loans	40.936	41.658	(722)	(1,7)%
Total impaired assets due from customers	**157.988**	**162.609**	**(4.621)**	**(2,8)%**
Net performing loans	1.750.226	1.775.806	(25.580)	(1,4)%
Total due from customers (cash)	**1.908.214**	**1.938.415**	**(30.201)**	**(1,6)%**

Receivables due from customers are broken down as follows: 22,5% from the Public Administration (compared to 26,7% at 31 December 2013) and 77,5% from the private sector (compared to 73,3% at 31 December 2013). The reduction in receivables due from the Public Administration was due, among other things, to the acceleration in payments registered from the second half of 2013.

Net impaired assets decreased 2,8% from 162,6 million Euro to 158,0 million Euro.

The ratio of net non-performing loans to loans improved, falling from 2,6% to 2,4%, while that of net substandard loans to loans rose from 3,2% to 3,4%.

IMPAIRED TRADE RECEIVABLES (in thousands of Euro)	NON PERFORMING (1)	SUBSTANDARD	RESTRUCTURED	PAST DUE	TOTAL
BALANCE AT 31.03.2014					
Gross amount	236.940	76.150	8.053	41.603	362.746
Incidence on gross total receivables	*11,2%*	*3,6%*	*0,4%*	*2,0%*	*17,1%*
Adjustments	191.030	12.078	983	667	204.758
Incidence on gross value	*80,6%*	*15,9%*	*12,2%*	*1,6%*	*56,4%*
Net amount	45.910	64.072	7.070	40.936	157.988
Incidence on net total receivables	*2,4%*	*3,4%*	*0,4%*	*2,1%*	*8,3%*
BALANCE AT 31.12.2013					
Gross amount	234.681	72.302	9.395	42.432	358.810
Incidence on gross total receivables	*11,0%*	*3,4%*	*0,4%*	*2,0%*	*16,8%*
Adjustments	183.877	10.506	1.044	774	196.201
Incidence on gross value	*78,4%*	*14,5%*	*11,1%*	*1,8%*	*54,7%*
Net amount	50.804	61.796	8.351	41.658	162.609
Incidence on net total receivables	*2,6%*	*3,2%*	*0,4%*	*2,1%*	*8,4%*

(1) **Non-performing loans** are recognised in the financial statements up to the point in which all credit collection procedures have been entirely completed.

KPI	31.03.2014	31.03.2013	CHANGE	
			ABSOLUTE	%
Turnover	1.655.420	1.211.726	443.694	36,6%
Net banking income/ Turnover	2,3%	2,4%	-	(0,1)%

KPIs y/y	31.03.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Net non-performing loans/Due from customers	2,4%	2,6%	-	(0,2)%
Coverage of gross non-performing loans	80,6%	78,4%	-	2,2%
Impaired assets/ Due from customers	8,3%	8,4%	-	(0,1)%
Total RWA per sector	1.561.330	1.561.355	(25)	(0,0)%

The following table shows the nominal value of receivables purchased (operating data not recognised in the statements) for factoring transactions outstanding at the end of the year (Total Receivables), broken down into receivables with or without recourse and receivables purchased outright. Please note that the breakdown of purchased receivables in the following table is based on the contract form used by the Bank.

TOTAL RECEIVABLES (in thousands of Euro)	AMOUNTS		CHANGE	
	31.03.2014	31.12.2013	ABSOLUTE	%
Receivables with recourse	131.728	146.515	(14.787)	(10,1)%
of which due from the Public Administration	11.312	*17.986*	*(6.674)*	*(37,1)%*
Receivables without recourse	1.903.924	1.832.762	71.162	3,9%
of which due from the Public Administration	435.669	*394.179*	*41.490*	*10,5%*
Outright purchases	507.026	598.543	(91.517)	(15,3)%
of which due from the Public Administration	435.758	*525.951*	*(90.193)*	*(17,1)%*
Total receivables	**2.542.678**	**2.577.820**	**(35.142)**	**(1,4)%**
of which due from the Public Administration	***882.739***	***938.116***	***(55.377)***	**(5,9)%**

The breakdown of customers by geographic area in Italy, with a separate indication for those abroad, and the breakdown of customers by product sector are as follows:

BREAKDOWN OF CUSTOMERS BY GEOGRAPHIC AREA	LOAN COMMITMENTS	TURNOVER
Northern Italy	46,3%	55,4%
Central Italy	22,6%	26,8%
Southern Italy	21,5%	13,3%
Abroad	9,6%	4,5%
Total	**100,0%**	**100,0%**

Distressed Retail Loans

This is the Banca IFIS Group's sector dedicated to non-recourse factoring and management of distressed retail loans. It serves households under the new CrediFamiglia brand.

The business is closely associated with recovering impaired loans. Loans in the DRL segment are classified as non-performing and substandard loans: in particular, those loans are initially attributed the same classification as that assigned by the invoice seller, provided the latter is subject to the same law as Banca IFIS; otherwise, if the Bank has not ascertained the debtor's state of insolvency, those loans are classified as substandard.

After initial recognition, at an amount equal to the price paid, receivables are measured at amortised cost, calculated using the effective interest rate method; the effective interest rate is calculated as the rate at which the present value of the expected cash flows (Internal Rate of Return, hereafter IRR), for principal and interest, is equal to the price paid.

Specifically, receivables in the DRL sector are measured and recognised through the following steps:

1. at the time of their acquisition, receivables are recognised at their purchase price and measured at cost. Subsequently, the Bank assesses the account receivable's documentation, as well as whether it is past the statute of limitations, in order to either seek recourse from the seller or write off the receivable, if required. At the end of this phase, and after notifying the account debtor of the sale, the Bank can start taking action to recover the receivable;
2. once the collection process begins, they are measured at amortised cost using the effective interest rate method;
3. the effective interest rate is calculated on the basis of the price paid, the transaction costs, if any, and the estimated cash flows and collection time calculated using either a proprietary statistical model (point 5), analytical estimates made by managers, or, in the case of bills of exchange or agreements finalised with the creditor, the relevant repayment plans;
4. the effective interest rate as set out in the previous point is unchanged over time;
5. the cash flows and collection time are estimated using a statistical model, on the basis of historical time series on revenues from similar portfolios over a statistically significant period of time;
6. repayment plans referring to bills of exchange or agreements finalised with the creditor are adjusted by a historical proportion of unpaid accounts;
7. at the end of each reporting period, interest income accrued on the basis of the original effective interest rate is recognised under Interest Income. Said interest is calculated as follows: Amortised Cost at the beginning of the period x IRR/365* days in the period;
8. in addition, at the end of each reporting period the expected cash flows for each position are re-estimated;
9. should events occur (higher or lower revenues realised or expected compared to forecasts and/or a change in collection times) which cause a change in the amortised cost (calculated by discounting the new cash flows at the original effective rate compared to the amortised cost in the period), this change is also recognised under Interest Income, except in the situation set out in the following point;
10. should the receivables be classified as non-performing, all the changes as set out in the previous point are recognised under Impairment losses/reversals on receivables;
11. should loans be classified as substandard, or should they be objectively impaired, the changes as set out in point 9) are recognised under item Impairment losses/reversals on receivables; if an impairment loss had already been recognised, reversals can be recognised up to the amount of said impairment loss, recognising the surplus under Interest Income.

It is important to bear in mind that the recognition of the various economic elements under Interest Income and Impairment losses/reversals is purely for accounting purposes, since it is connected to the classification of receivables; on the other hand, from the viewpoint of business, the economic effects shall be considered on the whole and divided into two macro-categories: interest generated by the measurement at amortised cost (point 7) and the economic components due to the changes in cash flows (points 8-9-10-11).

DRL RECEIVABLES PERFORMANCE	(thousands of Euro)
Receivables portfolio at 31.12.2013	**127.945**
Purchases	276
Interest income from amortised cost	6.294
Other components of net interest income from change in cash flow	1.259
Reversals of impairment losses from change in cash flow	639
Collections	(7.952)
Receivables portfolio at 31.03.2014	**128.461**

INCOME STATEMENT DATA (in thousands of Euro)	1st QUARTER		CHANGE	
	2014	2013(1)	ABSOLUTE	%
Interest income from amortised cost	6.294	5.590	704	12,6%
Other interest income	1.259	2.724	(1.465)	(53,8)%
Funding costs	(951)	(917)	(34)	3,7%
Net banking income	**6.602**	**7.397**	**(795)**	**(10,7)%**
Net impairment losses/recoveries on loans and receivables	639	(779)	1.418	(182,0)%
Net profit from financial activities	**7.241**	**6.618**	**623**	**9,4%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	31.03.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Non-performing loans	68.459	66.505	1.954	2,9%
Substandard loans	60.002	61.440	(1.438)	(2,3)%
Restructured loans	-	-	-	-
Past due loans	-	-	-	-
Total impaired assets due from customers	**128.461**	**127.945**	**516**	**0,4%**
Net performing loans	-	-	-	-
Total due from customers (cash)	**128.461**	**127.945**	**516**	**0,4%**

KPIs	31.03.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	3.905.350	3.911.852	(6.502)	(0,2)%
Total RWA per sector	128.461	127.945	516	0,4%

During the period, the counterparties settled their debt mainly according to the following methods: in cash (postal orders, bank transfers, etc.); by signing bills of exchange, which are usually paid in monthly instalments; settlement plans agreed with the debtors. In particular, 8 million Euro were collected, in line with expectations; as for the bills of exchange, they increased to 13,7 million Euro, compared to 18,8 million Euro in the prior-year period. On the other hand, settlement plans in the quarter amounted to 30,2 million Euro.

The performance of the sector has thus improved markedly, also thanks to the new debt collection approach, which entails a massive increase in the collection of bills of exchange.

The purchases made in the period led to the acquisition of financial receivables portfolios with a nominal value of 7,1 million Euro at a price of 276 thousand Euro (i.e. 3,9% of the nominal value), consisting of 2.487 cases.

With these purchases, the portfolio managed by the DRL sector covers 591.217 cases, for a par value of 3.905,4 million Euro.

For the sake of completeness, it should be noted that the costs relating to debt collection operations undertaken by external agencies, recognised under “other administrative expenses”, was 1,4 million Euro, compared to 1,2 million Euro in the first quarter of the previous year.

Tax receivables

This is Banca IFIS Group’s sector specialised in purchasing tax receivables arising from insolvency proceedings; it operates under the Fast Finance brand and offers to buy both accrued and accruing tax receivables on which repayment has already been requested or which shall be requested in the future, and that arose during insolvency proceedings or in prior years. As a complement to its core business, this sector seldom acquires also trade receivables from insolvency proceedings.

Since the Public Administration is the counterparty, tax receivables are classified as performing; trade receivables, on the other hand, may be classified as impaired assets if required.

TAX RECEIVABLES PERFORMANCE	(thousands of Euro)
Receivables portfolio at 31.12.2013	**90.282**
Purchases	10.055
Interest income from amortised cost	2.057
Other components of net interest income from change in cash flow	701
Reversals of impairment losses from change in cash flow	98
Collections	(1.733)
Receivables portfolio at 31.03.2014	**101.460**

INCOME STATEMENT DATA (in thousands of Euro)	1st QUARTER		CHANGE	
	2014	2013	ABSOLUTE	%
Interest income from amortised cost	2.057	1.645	412	25,0%
Other interest income	701	2.234	(1.533)	(68,6)%
Funding costs	(595)	(730)	135	(18,5)%
Net banking income	**2.164**	**3.149**	**(985)**	**(31,3)%**
Net impairment losses/recoveries on loans and receivables	98	305	(207)	(67,9)%
Net profit from financial activities	**2.262**	**3.454**	**(1.192)**	**(34,5)%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	31.03.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Non-performing loans	522	499	23	4,6%
Substandard loans	-	-	-	-
Restructured loans	-	-	-	-
Past due loans	-	-	-	-
Total impaired assets to customers	**522**	**499**	**23**	**4,6%**
Net performing loans	100.938	89.783	11.155	12,4%
Total due from customers (cash)	**101.460**	**90.282**	**11.178**	**12,4%**

KPIs	31.03.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	152.751	140.160	12.591	9,0%
Total RWA per sector	30.090	33.292	(3.202)	(9,6)%

Net interest income is generated by the interest accrued according to the amortised cost method and funding costs allocated to the sector; the contribution to profit or loss of positions acquired following the acquisition of the former Toscana Finanza Group by Banca IFIS begins to be significant. They yield returns which are considerably higher than those on the receivables held in the portfolio at the acquisition date, which were measured at fair value.

The Tax Receivables sector was down 31,3% (2,2 million Euro compared to 3,1 million Euro in the prior-year period). The result at 31 March 2013 included the impact of the revision of estimated cash flows, higher than expected, and debt collection time, shorter than expected, of a significant receivable worth 1,5 million Euro. Net of this non-recurring item, net banking income for the first quarter of 2014 was up 31,2% compared to the prior-year period.

During the period, 1.8 million Euro were collected, in line with estimates; 53 receivables were acquired at an average price of 10.1 million Euro, i.e. approximately 77% of the par value of the tax receivables net of enrolments (i.e. 13,5 million Euro).

With these purchases, the portfolio managed by the sector covers 4.666 cases, for a par value of 152,8 million Euro.

Governance and services

Within the scope of its management and coordination activities, the Governance and Services sector exercises strategic, managerial, and technical-operational control over operating segments and subsidiaries.

Furthermore, it provides the operating segments and subsidiaries with the financial resources and services necessary to perform their respective business activities. The Internal Audit, Compliance, Risk Management, Communications, Strategic Planning and Management Control, Administration and General Affairs, Human Resources, Organisation and ICT functions, as well as the structures responsible for raising, allocating (to operating segments and subsidiaries), and managing financial resources, are centralised in the Parent Company. Specifically, this sector includes both the contribution of the securities portfolio to net interest income for the period, amounting to 29,6 million Euro, and the cost of retail funding exceeding core loans and held in order to guarantee an adequate level of liquidity under economic stress scenarios.

INCOME STATEMENT DATA (in thousands of Euro)	1st QUARTER		CHANGE	
	2014	2013	ABSOLUTE	%
Net interest income	24.304	28.557	(4.253)	(14,9)%
Net commission income	(1.520)	(972)	(548)	56,4%
Dividend and net result from trading	336	49	287	585,7%
Net banking income	**23.120**	**27.634**	**(4.514)**	**(16,3)%**
Net profit from financial activities	**23.120**	**27.634**	**(4.514)**	**(16,3)%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	31.03.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Available for sale financial assets	2.287.950	2.529.179	(241.229)	(9,5)%
Held to maturity financial assets	5.329.414	5.818.019	(488.605)	(8,4)%
Due from banks	432.855	415.817	17.038	4,1%
Due from customers	201.528	140.291	61.237	43,6%
Due to banks	618.132	6.665.847	(6.047.715)	(90,7)%
Due to customers	9.341.959	4.178.276	5.163.683	123,6%

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	31.03.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Non-performing loans	-	-	-	-
Substandard loans	-	-	-	-
Restructured loans	-	-	-	-
Past due loans	-	-	-	-
Total impaired assets due from customers	**-**	**-**	**-**	**-**
Net performing loans	201.528	140.291	61.237	43,6%
Total due from customers (cash)	**201.528**	**140.291**	**61.237**	**43,6%**

KPIs	31.03.2014	31.12.2013	CHANGE	
			ABSOLUTE	%
Total RWA per sector	230.165	227.883	2.282	1,0%

Loans in the Governance and Services sector increased sharply from 140,3 million Euro to 201,5 million Euro (+43,6%); this change was due, on the one hand, to the rise from 80,1 million to 193,5 million Euro in margin lending related to repurchase agreements on the MTS platform, and on the other hand, to the settlement of reverse repurchase agreements with Cassa di Compensazione e Garanzia outstanding at 31 December 2013, totalling 52,7 million Euro.

Significant subsequent events

Banca IFIS transparently and timely discloses information to the market, constantly publishing information on significant events through press releases. Please refer to the “Investor Relations\Press Releases” section on the website www.bancaifis.it for complete details.

http://www.bancaifis.com/Media-room/Press-releases

Here below is a summary of the most important events:

Appointment of new Independent Auditors

In its meeting of 17 April 2014, the Bank's Shareholders' Meeting, upon proposal by the Board of Statutory Auditors, assigned Reconta Ernst & Young S.p.A. to perform the audit of the Bank's separate and consolidated financial statements for the period 2014-2022 and the additional duties closely related to audit activities.

There were no other significant events after the reporting date and up to the approval of this interim report.

Outlook

After performing strongly in the first quarter, the Group's prospects for the remaining nine months of 2014 remain largely positive.

On the economic front, the recession that has characterised the years 2011, 2012 and 2013 seems to be easing, allowing for moderate, almost imperceptible growth in 2014 and 2015, even though there are still significant factors of instability. The most significant risk is represented by a negative trend in prices, a focus also for the monetary authorities. It is possible that the cost of money for the banks operating in the Eurosystem will decline further and that the ECB will intervene more actively in the market: the impact on the availability of lending to the real economy and the costs/returns of debt and assets will need to be assessed.

The Bank can count on sustainable margins thanks to the soundness and flexibility of its business model.

Operations in support of businesses could be positively influenced by the opportunities to acquire new customers and new loans. The protracted scarce availability of lending to businesses, attributable to non-specialist banks' use of conventional credit instruments in supporting them, is still a key concern. The performance will in any case depend on the trend in credit quality, a key variable for the banking market in challenging economic times. Should the promising signs of improvement in credit quality observed during 2013 and the first quarter of 2014 be confirmed, it would noticeably bolster the Group's operations as far as lending to SMEs is concerned. This could both prompt the bank to step up its efforts and positively impact returns on loans net of credit costs.

As far as non-performing loans are concerned, the Bank will continue to pay attention to the several portfolios of receivables due from households that originators are expected to place on the market. The bank will relentlessly continue to buy the portfolios offered by the sellers in all segments, adopting also innovative approaches to intervene faster.

As far as the management of portfolios is concerned, the focus on debt sustainability and the possibility of extending payments terms will most probably be crucial to boost the turnover and profitability of this business area, which operates in a social segment that has been badly hit by the crisis.

As for the Tax Receivables sector, which is strongly dependent on the time it takes for the Italian Treasury to make payments, the Bank is actively acquiring often sizeable positions, given the good medium-term profitability of these investments.

The Group will continue to develop its two new brands, Credi Impresa Futuro and CrediFamiglia, dedicated to financing companies operating in the domestic market and ensuring households settle their financial debts, respectively. Both brands will grow further thanks to their increasingly sophisticated web presence and, especially in the case of Credi Impresa Futuro, the fast ways to communicate with customers. The implementation of the new instruments may temporarily affect the Business Area's performance in the first half of the year, with an acceleration expected for the second half.

As for funding, the reduction in interest rates paid to customers due to market changes caused a further significant fall in the average cost of funding, and will continue to do so in the next quarters, as a result of term deposits with high interest rates coming to maturity. Funding has reached an outstanding level in absolute terms, and retail funding shall not increase further in order to prevent economic imbalances deemed unnecessary in the current scenario.

The current trends in market rates have made it increasingly less profitable for the Bank to continue purchasing government bonds. The portfolio will continue to shrink over time as the bonds mature.

Therefore, the Group can reasonably expect a positive profit trend in the near future.

Other information

Bank of Italy inspection

The Bank of Italy carried out an inspection at the Bank’s Head Office from 1 August to 14 December 2012, pursuant to art. 54 of Legislative Decree no. 385 of 1.9.1993.

The inspection was a follow-up on the checks performed by the Supervisory Board in the period 27/09/2010 – 27/12/2010.

On 13 March 2013, the Bank's senior management received the inspection report. Based on the outcome of the inspection, Banca IFIS drew up and submitted to the Bank of Italy, with a communication dated 10 May 2013, an action plan that was already implemented in part during 2013 and includes measures, some of which had already been included by the Bank in its own development plans, aimed at relentlessly updating processes as well as enhancing the organisational structure and operating systems.

Following the administrative sanction procedure of the Bank of Italy, the ruling dated 14 January 2014 imposed administrative sanctions totalling 342,5 thousand Euro to the members of the Board of Directors, of the Board of Statutory Auditors and to the General Manager.

Adoption of Opt-Out Option Pursuant To Consob Regulation 18079 of 20 January 2012

On 21 January 2013, Banca IFIS's Board of Directors resolved, as per art. 3 of Consob Regulation no. 18079 of 20 January 2012, to adopt the opt-out option pursuant to art. 70, paragraph 8 and art. 71, paragraph 1-bis, of Consob’s Regulation on Issuers, thus exercising the right to depart from the obligations to publish information documents required in connection with significant operations like mergers, spin-offs, capital increases by contribution in kind, acquisitions and sales.

Privacy measures

In compliance with art. 34, paragraph 1, letter g) of Legislative Decree no. 196 of 30 June 2003 (the Personal Data Protection Code), the group periodically updates its ‘Security Policy Document’ setting out the measures taken to guarantee the protection of processed personal data.

Parent Company management and coordination

Pursuant to arts. 2497 to 2497 sexies of the Italian Civil Code, it should be noted that the Parent Company La Scogliera S.p.A. does not carry out any management and coordination activities with respect to Banca IFIS, notwithstanding art. 2497 sexies of the Italian Civil Code, since the management and coordination of investee financial companies and banks is expressly excluded from La Scogliera’s corporate purpose.

National consolidated tax regime

Banca IFIS, together with the parent company, La Scogliera S.p.A., opted for the application of group taxation (tax consolidation) in accordance with arts. 117 et seq. of Presidential Decree 917/86.

Transactions between these companies were regulated by means of a private written agreement between the parties, signed in the month of May 2013. This agreement lapses after three years. Banca IFIS has an address for the service of notices of documents and proceedings relating to the tax periods for which this option is exercised at the office of La Scogliera S.p.A., the consolidating company.

Transactions on treasury shares

The Ordinary Shareholders' Meeting of 17 April 2014 renewed the authorisation to purchase and sell treasury shares, pursuant to art. 2357 et seq. of the Italian Civil Code, as well as art. 132 of Legislative Decree 58/98, establishing a price interval within which the shares can be bought between a minimum of 4 Euro and a maximum of 25 Euro, for a total amount of 40 million Euro. The Meeting also established that the authorisation lapses after 18 months from the date the resolution was passed.

At 31 December 2013, Banca IFIS held 1.083.583 treasury shares recognised at a market value of 7,9 million Euro and a par value of 1.083.583 Euro.

During the first quarter of 2014 it sold, at an average price of 13,66 Euro, 173.918 treasury shares with a market value of 2,4 million Euro and a par value of 173.918 Euro, making profits of 1,3 million Euro which, in compliance with international accounting standards, were recognised under capital reserves.

The remaining balance at the end of the period was 909.665 treasury shares with a market value of 6,8 million Euro and a par value of 909.665 Euro.

Venice - Mestre, 15 May 2014

For the Board of Directors

The Chairman
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

Declaration as per art. 154-bis of Legislative Decree 58 of 24 February 1998

Statement by the 'Manager responsible for preparing corporate financial documents'

The undersigned, Carlo Sirombo, 'Manager responsible for preparing corporate financial documents' for Banca IFIS S.p.A. declares, as per paragraph 2, article 154 bis of the Consolidation Act on financial intermediation, that the financial information contained in the present consolidated Interim Report as at 31 March 2014 corresponds to the documentable figures and results contained in Banca IFIS's accounting and bookkeeping documents, books and registers.

Manager responsible for preparing corporate financial documents

Carlo Sirombo

Mestre, 15 May 2014