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CONSOLIDATED HALF YEARLY REPORT BANCA IFIS 2015

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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	Emanuel Nalli

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 segment of trade receivables, distressed retail loans and tax receivables. 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 and Pharmacies**, supporting the trade receivables of local health services' suppliers and pharmacists;
- **Credi Famiglia** and **NPL area**, comprising all operations of the business area active in the distressed retail loans segment;
- **Fast Finance**, focusing on the segment of tax receivables arising mainly from insolvency proceedings.

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

- **rendimax**, the online savings account, completely free, offered to individuals, business customers and for insolvency proceedings;
- **contomax**, born in January 2013, the online crowd current account.

Listed on the Star segment of Borsa Italiana, the Banca IFIS Group has always been an innovative and steadily growing company.

Trade receivables segment

CREDI IMPRESA FUTURO di BancaIFIS

Faced with strong demand and armed with a decade of experience in this segment, Credi Impresa Futuro – a Banca IFIS company dedicated to financing Italian businesses through factoring – aims to foster the growth of trade finance loans to Italian SMEs. Multichannel service, real-time continuous support, a constantly expanding team of professionals that ensures an open and constant dialogue with clients, and the physical presence through our network of business developers — these are the strengths of Credi Impresa Futuro. The web – in all its forms – is the preferred method to contact customers, giving more and more opportunities for raising financing to businesses requiring it.

BANCA IFIS INTERNATIONAL

Banca IFIS International is one of the most active players in international factoring and stands out from the competition due to its direct presence in foreign markets, such as Poland (with the subsidiary IFIS Finance), Romania, Hungary and, through an investee company, India With its ability to act not only as a reference in providing financing to businesses, but also as a consultant to those customers who intend to enter new markets, Banca IFIS International effectively supports companies in seizing growth opportunities.

BANCA IFIS PHARMA

Banca IFIS Pharma specialises in creating integrated management solutions for companies in the healthcare, pharmaceutical, diagnostic and service sectors wishing to factor receivables due from Italy's National Health Service. Since 1 July 2015, the Pharma Area includes the new “Pharmacies” business unit, which offers pharmacists a comprehensive and reliable package of solutions meeting all their financial needs. In addition, these two units now have a new dedicated website: http://pharma.bancaifis.it/

Solutions for Pharmacies

On 17 June 2015, the Bank launched “Pharmacies”, the new business unit integrated within the existing “Banca IFIS Pharma” area.

This unit aims to meet the medium-term financing needs of over 15.000 pharmacies throughout the country using a new instrument: medium-term financing to support trade payables. Designed for retail entrepreneurs, this instrument allows pharmacists to take out loans backed by their accounts receivable.

Distressed Retail Loans (DRL) Segment

BANCA IFIS AREA NPL

CREDI FAMIGLIA di Banca IFIS

This is the Group’s Area dedicated to factoring distressed retail loans. Based in Florence and with a network of agents that spans the entire country, it stands out for its ability to assess, acquire and manage important portfolios and to establish a massive database containing detailed information about over nine hundred thousand debtors. The recent acquisitions of NPL portfolios finalised in the first half of 2015 contributed to this impressive figure. Purchases from consumer lenders and banks focus on unsecured distressed retail loans due from individuals. Today, the NPL area is one of Italy's leading debt buyers. A new operation, CrediFamiglia, was launched at the end of the first half of 2013. It focuses on addressing the financial problems of households and individuals, upholding the values of dialogue, transparency, knowledge, ethics and sustainability.

Tax receivables segment

Fast Finance is the unit specialised in purchasing tax receivables, trade receivables and claims concerning insolvency proceedings. Based in Bologna, it is a leading provider of services for Insolvency Proceedings, with over 50% market share and a reputation for the quality and professionalism of its work.

Retail funding

rendimax is Banca IFIS's online savings account for private investors, companies and insolvency proceedings.

Born in July 2008, rendimax still has the hallmarks that have characterised it from the outset: the attention to the customer, the simplicity of the product, and the transparency and excellent quality of the dedicated service. Customers can still choose from a wide range of diverse offerings: call deposits, fixed-term deposits with interest paid in advance ("First option") or in quarterly arrears ("Top option"), or rendimax like, a call deposit with cash amounts available 33 days after the request. Here are some other characteristics of rendimax: exclusively online account opening and management, security (also due to the guarantee of the Interbank Deposit Protection Fund), and zero costs. In addition to the total exemption from setting-up and management fees, the Bank pays the stamp duty, relieving the customer of this expense.

In January 2013, Banca IFIS launched contomax, its crowd current account born from the dialogue with the Web. The main services available are: advanced Bancomat (debit card that can also be used for on-line purchases through the Maestro service); payment of utility bills and Telepass motorway tolls, the transfer of funds from one account to another and, in addition, mobile phone top-ups.

The account also guarantees high returns thanks to a series of interest rate solutions for the amounts deposited. This account has no opening or management fees, and the Bank pays the stamp duty.

Listed on the Star segment of Borsa Italiana, the Banca IFIS Group has always been an innovative and steadily growing company.

Group Key Data

Introductory notes on how to read the data

In the first half of 2015, the following events occurred that should be considered when comparing the results to previous years:

- Based on recent trends in market rates on government bonds in the Bank's portfolio, as well as considerations on the costs to refinance the debt collateralised by said securities, the Bank found it expedient to restructure part of the Italian government bond portfolio. It kept its size unchanged, but slightly increased the average maturity: the most distant maturity is now 2020 (as opposed to 2018 before the transactions). The whole portfolio consists of floating-rate or inflation-indexed bonds.

  Excluding the bonds that reached maturity in the second quarter of 2015, the total at 30 June 2015 was unchanged from 31 March 2015. The sale of the portfolio, completed in April, contributed nearly 124 million Euro to gross profit for the period.
- Budget Law: in accordance with the provisions of the 2015 Budget Law, commercial and agricultural companies as well as craftspersons and professionals can deduct all costs for employees on open-ended contracts from the IRAP (Italian regional tax on productive activities) tax base; the provision is effective for fiscal years beginning after 31 December 2014. This slightly lowered the Group's tax rate.

Interim Directors' report on the Group

Highlights

KEY DATA ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2015	31.12.2014	ABSOLUTE	%
Available for sale financial assets	3.803.216	243.325	3.559.891	1463,0%
Held to maturity financial assets	-	4.827.363	(4.827.363)	(100,0)%
Loans to customers	3.152.145	2.814.330	337.815	12,0%
Total assets	7.221.394	8.309.294	(1.087.900)	(13,1)%
Due to banks	457.384	2.258.967	(1.801.583)	(79,8)%
Due to customers	6.037.552	5.483.474	554.078	10,1%
Consolidated equity	524.266	437.850	86.416	19,7%

KEY DATA ON THE CONSOLIDATED INCOME STATEMENT (in thousands of Euro)	1st HALF		CHANGE	
	2015	2014	ABSOLUTE	%
Net banking income	**264.690**	**142.990**	**121.700**	**85,1%**
Net value adjustments on receivables and other financial assets	(16.918)	(21.168)	4.250	(20,1)%
Net profit from financial activities	**247.772**	**121.822**	**125.950**	**103,4%**
Operating costs	(51.810)	(46.640)	(5.170)	11,1%
Pre-tax profit from continuing operations	195.962	75.182	120.780	160,7%
Group net profit for the year	**130.779**	**50.055**	**80.724**	**161,3%**

QUARTERLY KEY DATA ON THE CONSOLIDATED INCOME STATEMENT (in thousands of Euro)	2nd QUARTER		CHANGE	
	2015	2014	ABSOLUTE	%
Net banking income	**193.524**	**73.638**	**119.886**	**162,8%**
Net value adjustments on receivables and other financial	(10.861)	(12.786)	1.925	(15,1)%
Net profit from financial activities	**182.663**	**60.852**	**121.811**	**200,2%**
Operating costs	(26.247)	(23.358)	(2.889)	12,4%
Pre-tax profit from continuing operations	156.416	37.494	118.922	317,2%
Group net profit for the year	**104.550**	**25.379**	**79.171**	**312,0%**

GROUP KPIs (1)	30.06.2015	30.06.2014	31.12.2014
Cost/Income ratio	19,6%	32,6%	37,3%
Cost of credit quality trade receivables	1,1%	2,5%	1,7%
Net bad loans trade receivables/Trade receivables loans to customers	1,2%	1,8%	1,3%
Net bad loans trade receivables/Equity	6,2%	9,9%	7,5%
Coverage ratio on gross bad loans trade receivables	87,2%	83,8%	86,4%
Net trade receivables impaired loans/Trade receivables loans to customers	4,6%	7,0%	4,6%
Net trade receivables impaired loans /Equity	22,9%	38,3%	25,7%
Total own funds Capital Ratio	16,1%	14,2%	14,2%
Common Equity Tier 1 Ratio	15,4%	13,8%	13,9%
Share capital: number of shares (in thousands)	53.811	53.811	53.811
Number of shares outstanding at period end(2) (in thousands)	53.068	52.924	52.924
Book per share	9,88	7,52	8,27
EPS	2,47	0,95	1,81

(1) For the definition of the KPIs in the table, please see the Consolidated annual report glossary
(2) Outstanding shares are net of treasury shares held in the portfolio

Results by business segments

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 30.06.2015	-	-	-	3.803.216	3.803.216
Figures at 31.12.2014	-	-	-	243.325	243.325
Change %	-	-	-	1463,0%	1463,0%
Held to maturity financial assets					
Figures at 30.06.2015	-	-	-	-	-
Figures at 31.12.2014	-	-	-	4.827.363	4.827.363
Change %	-	-	-	(100,0)%	(100,0)%
Due from banks					
Figures at 30.06.2015	-	-	-	114.843	114.843
Figures at 31.12.2014	-	-	-	274.858	274.858
Change %	-	-	-	(58,2)%	(58,2)%
Loans to customers					
Figures at 30.06.2015	2.617.158	220.435	114.293	200.259	3.152.145
Figures at 31.12.2014	2.455.052	135.429	119.473	104.376	2.814.330
Change %	6,6%	62,8%	(4,3)%	91,9%	12,0%
Due to banks					
Figures at 30.06.2015	-	-	-	457.384	457.384
Figures at 31.12.2014	-	-	-	2.258.967	2.258.967
Change %	-	-	-	(79,8)%	(79,8)%
Due to customers					
Figures at 30.06.2015	-	-	-	6.037.552	6.037.552
Figures at 31.12.2014	-	-	-	5.483.474	5.483.474
Change %	-	-	-	10,1%	10,1%

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Figures at 30.06.2015	77.275	19.442	7.523	160.450	**264.690**
Figures at 30.06.2014	78.618	12.964	4.367	47.041	**142.990**
Change %	(1,7)%	50,0%	72,3%	241,1%	**85,1%**
Net profit from financial activities					
Figures at 30.06.2015	63.825	20.193	7.537	156.217	**247.772**
Figures at 30.06.2014	56.171	14.318	4.292	47.041	**121.822**
Change %	13,6%	41,0%	75,6%	232,1%	**103,4%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Second quarter 2015	37.941	12.012	3.621	139.950	**193.524**
Second quarter 2014	*41.152*	*6.362*	*2.203*	*23.921*	***73.638***
Change %	*(7,8)%*	*88,8%*	*64,4%*	*485,1%*	***162,8%***
Net profit from financial activities					
Second quarter 2015	30.016	11.334	3.577	137.736	**182.663**
Second quarter 2014	*27.824*	*7.077*	*2.030*	*23.921*	***60.852***
Change %	*7,9%*	*60,2%*	*76,2%*	*475,8%*	***200,2%***

SECTOR KPIs (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)				
Figures at 30.06.2015	4.646.699	n.a.	n.a.	n.a.
Figures at 30.06.2014	3.800.169	*n.a.*	*n.a.*	*n.a.*
Change %	*22,3%*	-	-	-
Nominal amount of receivables managed				
Figures at 30.06.2015	3.207.237	6.823.367	163.104	n.a.
Figures at 31.12.2014	*3.101.058*	*5.630.151*	*167.834*	*n.a.*
Change %	*3,4%*	*21,2%*	*(2,8)%*	-
Net bad loans/Loans to customers				
Figures at 30.06.2015	1,2%	48,9%	0,0%	n.a.
Figures at 31.12.2014	*1,3%*	*51,8%*	*0,0%*	*n.a.*
Change %	*(0,1)%*	*(2,9)%*	-	-
RWA (2)				
Figures at 30.06.2015	1.913.311	220.435	36.313	154.413
Figures at 31.12.2014	*1.802.978*	*135.426*	*37.595*	*187.560*
Change %	*6,1%*	*62,8%*	*(3,4)%*	*(17,7)%*

(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 segments.

Quarterly Evolution

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2015		YEAR 2014			
	30.06	31.03	31.12	30.09	30.06	31.03
ASSETS						
Available for sale financial assets	3.803.216	5.069.781	243.325	414.768	1.302.425	2.287.950
Held to maturity financial assets	-	-	4.827.363	5.094.994	5.071.312	5.329.414
Due from banks	114.843	115.697	274.858	294.844	351.349	432.855
Loans to customers	3.152.145	2.921.902	2.814.330	2.588.009	2.538.371	2.339.663
Property, plant and equipment	51.509	51.329	50.682	50.865	50.798	41.129
Intangible assets	6.779	6.772	6.556	6.724	6.776	6.482
Other assets	92.902	77.104	92.180	69.018	98.851	77.976
Total assets	**7.221.394**	**8.242.585**	**8.309.294**	**8.519.222**	**9.419.882**	**10.515.469**

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2015		YEAR 2014			
	30.06	31.03	31.12	30.09	30.06	31.03
LIABILITIES AND EQUITY						
Due to banks	457.384	200.953	2.258.967	632.553	1.979.493	618.132
Due to customers	6.037.552	7.241.379	5.483.474	7.317.589	6.910.171	9.341.959
Post-employment benefits	1.407	1.641	1.618	1.525	1.537	1.477
Tax liabilities	18.207	67.692	14.338	13.764	13.321	19.099
Other liabilities	182.578	159.042	113.047	135.495	117.433	129.409
Equity:	524.266	571.878	437.850	418.296	397.927	405.393
- Share capital, share premiums and reserves	*393.487*	*545.649*	*341.974*	*344.108*	*347.872*	*380.717*
- Profit for the period	*130.779*	*26.229*	*95.876*	*74.188*	*50.055*	*24.676*
Total liabilities and equity	**7.221.394**	**8.242.585**	**8.309.294**	**8.519.222**	**9.419.882**	**10.515.469**

RECLASSIFIED CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2015		YEAR 2014			
	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net interest income	**54.110**	**56.677**	**51.682**	**53.167**	**58.723**	**54.892**
Net commission income	**14.878**	**14.369**	**14.770**	**14.593**	**14.865**	**14.124**
Dividends and similar income	-	-	-	-	-	-
Net result from trading	36	120	131	16	50	105
Profit (loss) from sale or buyback of:	124.500	-	3.581	-	-	-
Receivables	-	-	3.581	-	-	
Available for sale financial assets	124.500	-	-	-	-	231
Net banking income	**193.524**	**71.166**	**70.164**	**67.776**	**73.638**	**69.352**
Net value adjustments/revaluations due to impairment of:	(10.861)	(6.057)	(1.645)	(8.486)	(12.786)	(8.382)
Receivables	(8.647)	(4.038)	(1.645)	(8.486)	(12.786)	(8.382)
Available for sale financial assets	(2.214)	(2.019)	-	-	-	
Net profit from financial activities	**182.663**	**65.109**	**68.519**	**59.290**	**60.852**	**60.970**
Personnel expenses	(12.165)	(11.517)	(11.025)	(10.310)	(10.884)	(10.334)
Other administrative expenses	(11.411)	(16.042)	(24.009)	(11.977)	(11.902)	(11.431)
Net allocations to provisions for risks and charges	397	(479)	489	(463)	79	(1.718)
Net value adjustments to property, plant and equipment and intangible assets	(927)	(832)	(866)	(833)	(792)	(748)
Other operating income (expenses)	(2.141)	3.307	408	538	141	949
Operating costs	**(26.247)**	**(25.563)**	**(35.003)**	**(23.045)**	**(23.358)**	**(23.282)**
Pre-tax profit from continuing operations	**156.416**	**39.546**	**33.516**	**36.245**	**37.494**	**37.688**
Income tax expense for the year	(51.866)	(13.317)	(11.828)	(12.112)	(12.115)	(13.012)
Profit for the period	**104.550**	**26.229**	**21.688**	**24.133**	**25.379**	**24.676**

INCOME STATEMENT DATA BY SEGMENT: QUARTERLY EVOLUTION (in thousands of Euro)	YEAR 2015		YEAR 2014			
	2nd Q.	1st Q.	4th Q.	3rd Q.	2nd Q.	1st Q.
Net banking income	**193.524**	**71.166**	**70.164**	**67.776**	**73.638**	**69.352**
Trade receivables	*37.941*	*39.334*	*39.522*	*37.421*	*41.152*	*37.466*
Distressed retail loans	*12.012*	*7.430*	*10.005*	*7.069*	*6.362*	*6.602*
Tax receivables	*3.621*	*3.902*	*2.871*	*3.765*	*2.203*	*2.164*
Governance and services	*139.950*	*20.500*	*17.766*	*19.521*	*23.921*	*23.120*
Net profit from financial activities	**182.663**	**65.109**	**68.519**	**59.290**	**60.852**	**60.970**
Trade receivables	*30.016*	*33.809*	*36.534*	*29.850*	*27.823*	*28.347*
Distressed retail loans	*11.334*	*8.859*	*11.202*	*5.959*	*7.078*	*7.241*
Tax receivables	*3.577*	*3.960*	*3.017*	*3.960*	*2.030*	*2.262*
Governance and services	*137.736*	*18.481*	*17.766*	*19.521*	*23.921*	*23.120*

Group historical data

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

GROUP HISTORICAL DATA (in thousands of Euro)	30.06.2015	30.06.2014	30.06.2013	30.06.2012	30.06.2011
Available for sale financial assets	3.803.216	1.302.425	2.868.958	1.360.854	1.160.834
Held to maturity financial assets	-	5.071.312	4.856.179	2.958.581	-
Loans to customers	3.152.145	2.538.371	2.239.693	2.165.467	1.844.204
Due to banks	457.384	1.979.493	601.058	582.778	867.517
Due to customers	6.037.552	6.910.171	9.604.606	6.071.698	2.339.634
Equity	524.266	397.927	331.251	257.733	228.815
Net banking income	264.690	142.990	131.742	107.328	51.044
Net profit from financial activities	247.772	121.822	105.430	92.467	39.585
Group net profit	130.779	50.055	44.040	37.752	13.050
Cost/Income ratio	19,6%	32,6%	28,1%	32,2%	39,2%
Cost of credit quality trade receivables	1,1%	2,5%	3,6%	2,8%	2,1%
Net bad loans trade receivables/ Trade receivables loans to customers	1,2%	1,8%	3,5%	3,7%	2,2%
Net bad loans trade receivables/Equity	6,2%	9,9%	18,1%	25,9%	16,8%
Coverage ratio on gross bad loans trade receivables	87,2%	83,8%	70,7%	61,7%	66,6%
Net trade receivables impaired loans/ Trade receivables loans to customers	4,6%	7,0%	17,6%	15,9%	10,9%
Net trade receivables impaired loans /Equity	22,9%	38,3%	91,6%	111,8%	83,6%
Total own funds Capital Ratio (1)	16,1%	14,2%	13,9%	11,9%	11,9%
Common Equity Tier 1 Ratio (1)	15,4%	13,8%	14,2%	12,1%	12,1%

(1) 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. Data for periods up until 30 June 2013 were recognised according to previous regulations (Basel 2). The Solvency ratio and the Core Tier 1 have been recognised under Total Own Funds Ratio and Common Equity Tier 1 Ratio, respectively.

Context

For the first time after 5 years of economic crisis, in 2015 all the world's three largest industrialised areas (North America, Europe and Japan) are set to grow, even if only at a moderate pace. Among the 5 drivers of the Brics group, Brazil and Russia have slipped into recession, and China saw its growth rate halve. International trade is growing stronger and is poised to accelerate slightly as economic growth consolidates in the United States, the United Kingdom and Japan, while emerging markets slow down. Oil prices, although they somewhat bounced back from their lows in mid-January, will remain muted for the foreseeable future.

Eurozone - The situation in Greece, which has sown instability due to the uncertainty surrounding negotiations between Athens and the European institutions, is pushing the spreads on government bonds upwards across the Area.

In addition, low inflation could disrupt markets in the Euro Area. The Eurosystem has taken measures to stave off the risks posed by lacklustre economic growth and persistently weak inflation—specifically, by launching a public sector purchase programme. So far, it appears to be working, driving medium- and long-term inflation expectations up and government bond yields down.

In the first quarter of this year, the Eurozone's GDP grew an annualized 1,5%, compared to 1,4% in the previous quarter.

In April, the Euro Area's unemployment rate edged down to 11,1% from 11,2% in the previous month. In the fourth quarter of 2014, the employment rate was essentially unchanged from the previous quarter at 64,2% (64,3% in the third quarter of 2014).

Growth in the Euro Area will consolidate over the 2016-2017 period, as the Juncker Plan will begin to make an impact from next year. It involves creating a new European fund for long-term strategic investments that the European Investment Bank (EIB) will use to issue bonds with the aim of raising money from the market.

Italy - The return to growth and uptick in inflation will accelerate Italy's fiscal retrenchment.

Household debts remain low, and “leveraged households” should weather even a fall in nominal income or an interest rate hike.

Businesses see their profits continue to shrink, but also improved growth prospects.

In the first quarter of 2015, Italy's GDP grew +0,3%, while unemployment remained above 12%.

Even though the Italian economy is poised to recover at a brisk pace, the protracted crisis has left lasting scars: exports will vault past pre-crisis levels only in late 2017, while GDP will still be trailing behind by 5%, per capita spending by nearly 8%, and investments in capital goods and construction by almost 14% and 31%, respectively.

Group equity and income situation

Impact of regulatory changes

Here below are the regulatory changes introduced in 2015 impacting Banca IFIS:

- Following the European Commission's adoption of the ITSs (Implementing Technical Standards) on Non-Performing Exposures and Forbearance Measures, on 21 January 2015 the Bank of Italy published the 7th update to Circular no. 272 of 30 July 2008 – Data reporting model (*Matrice dei conti* in Italian), which includes the new definitions of non-performing exposures applicable as from 1 January 2015. This update introduces two changes. The first concerns the classification of Non-Performing Exposures: starting from 1 January 2015, they will be broken down into Bad Loans, Unlikely To Pay, and Non-Performing Past Due Exposures and/or Overdrafts. The second introduces a new reporting element based on forbearance measures extended to customers/debtors based on their financial difficulties.
- Budget Law's impact: among the provisions of the 2015 Budget Law, the following impacted the determination of Banca IFIS's income tax expense. In particular:
  - Art.1, paragraphs 20-25: Article 1, paragraphs 20-25 allows commercial and agricultural companies as well as craftspersons and professionals to deduct all costs for employees on open-ended contracts from the IRAP (Italian regional tax on productive activities) tax base; the provision is effective for fiscal years beginning after 31 December 2014.
  - Art. 1, paragraph 22 repeals paragraphs 1 and 4 of Art. 2 in Italian Legislative Decree no. 66/2014, which had lowered IRAP tax rates by approximately 10%. This amendment impacted the income tax expense for the year ended 31 December 2014, as it retroactively repeals the previous tax rate reduction.
  - Italian Legislative Decree no. 83/2015 changed once again the rules for deducting bad debt and impairment losses. Effective from the annual period ending 31 December 2015, banks will be able to fully deduct credit losses in the first year they are accrued, as opposed to the current option to deduct 1/5 of them each year. However, in the first annual period the provision is effective—2015 for the vast majority of banks—banks can immediately deduct 75% of bad debt and impairment losses. The remaining 25% can be deducted (with diversified tax rates) over the following ten years. This regulatory change does not impact the Group's tax rate, but does affect the current tax expense.

Banca IFIS share price

The share price

As from 29 November 2004, Banca IFIS S.p.A.'s ordinary shares have been listed in the STAR segment of Borsa Italiana (the Italian stock exchange). The transfer to STAR occurred a year after the listing on the Mercato Telematico Azionario (MTA, an electronic stockmarket) of Borsa Italiana S.p.A.. Previously, as from 1990, the shares had been listed on the Mercato Ristretto (MR, a restricted market) of Borsa Italiana. The following table shows the share prices at the end of the year. As from 18 June 2012, Banca IFIS joined the Ftse Italia Mid Cap index.

Official share price	30.06. 2015	2014	2013	2012	2011
Share price at period-end	19,48	13,69	12,95	5,53	4,00

Banca IFIS share price performance (July 2014 – July 2015)

Banca IFIS shares on the Stock Market

30/06/2015

Price on 30/06/2015	19,48 €
Min - Max 2015	13,32 € (15/01/15) - 20,80 € (15/04/2015)
Number of shares	52.999.777
Capitalization at 30/06/2015	1.032.435.655,96 €
1-month performance	+13,00%
6-month performance	+41,47%
1-year performance	+43,18%
Financial year dividend 2014	0,66 €
Specialist	Intermonte SpA

Price/book value

The following table shows the ratio of the stock market value at period-end to consolidated equity with respect to the shares outstanding.

Price/book value	30.06.2015	2014	2013	2012	2011
Share price at period-end	19,48	13,69	12,95	5,53	4,00
Consolidated Equity per share	9,88	8,27	7,21	5,77	3,72
Price/book value	**1,97**	**1,65**	**1,80**	**0,96**	**1,08**

Outstanding shares	30.06.2015	2014	2013	2012	2011
Number of share outstanding (in thousands)(1)	53.068	52.924	52.728	53.551	52.814

(1) Outstanding shares are net of treasury shares held in the portfolio.

Earnings per share and Diluted Earnings

Here follows the ratio of the consolidated profit for the period to the weighted average of the ordinary shares outstanding at period-end, net of treasury shares in portfolio, as well as diluted earnings per share:

Earnings per share (EPS)	30.06.2015	30.06.2014
Consolidated profit for the period (in thousands of Euro)	130.779	50.055
Consolidated earnings per share	**2,47**	**0,95**

Earnings per share and diluted earnings per share	30.06.2015	30.06.2014
Consolidated profit for the year (in thousands of Euro)	**130.779**	**50.055**
Average number of outstanding shares	52.999.777	52.875.148
Average number of potentially dilutive shares	8.564	-
Average number of diluted shares	52.991.213	52.875.148
Earnings per share (Units of Euro)	**2,47**	**0,95**
Diluted earnings per share (Units of Euro)	**2,47**	**0,95**

Shareholders

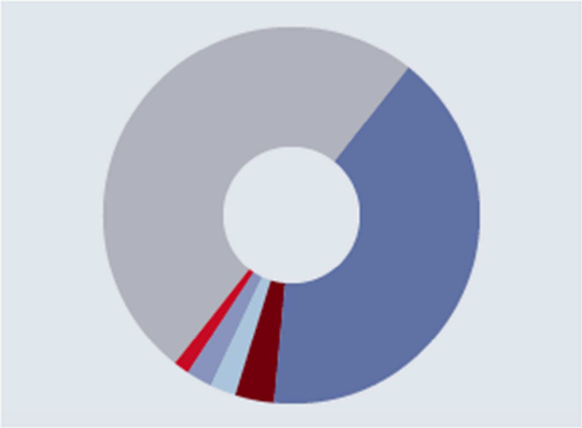
The share capital of the Parent Company at 30 June 2015 amounted to 53.811.095 Euro and is broken down into 53.811.095 shares with a par value of 1 Euro each.

The following table shows Banca IFIS's shareholders that, either directly or indirectly, own equity instruments with voting rights representing over 2% of Banca IFIS's share capital:

Share Ownership

30/06/2015

Sebastien Egon Fürstenberg	50,127%
Market	40,740%
Giovanni Bossi	3,429%
Riccardo Preve	2,321%
Marina Salamon (Alchimia SpA)	2,000%
Treasury Stock	1,382%



Results and Strategy

Comment by the CEO

We present the market with outstanding half-yearly results, proving once more that Banca IFIS's model works, the actions taken are effective, and the Group is on an innovative path that will stand the test of time. The Bank's current equity will allow all core businesses to grow steadily. Bolstering our capital base allows us to tackle market challenges with assurance. In light of the results achieved and the evidence pointing to favourable operating performance expected in the second half of the year, the Board of Directors believes it possible to propose increasing the dividend per share by 10% to 15% compared to 2014.

Group financial and income results

Net banking income amounted to 264,7 million Euro, +85,1% compared to the prior-year period. The 143,0 million Euro increase was attributable to the surge in the DRL (+50,0%) and Tax Receivables (+72,3%) segments, as well as the gains related to the rebalancing of part of the AFS portfolio completed in April 2015 (gross 124,0 million Euro).

The result of the trade receivables segment (77,3 million Euro compared to 78,6 million Euro in the first half of 2014, -1,7%) was influenced by opposite performance trends in the Credi Impresa Futuro and Pharma business areas. The Pharma business area's net banking income fell 15,9% in the first half compared with the prior-year period. This was the result of lower purchase commissions charged to the seller and classified as interest income: since late 2014, the Pharma business area has changed its market approach, buying packages of receivables at par value (or slightly below par). Therefore, the Bank makes profits on the interest accrued on late payment, conservatively recognising it below the rate of interest on arrears, as well as settlements entered into in the period.

The Bank is currently improving the accounting for this component in accordance with the reference regulatory framework to better reflect the actual profitability of this business area. Meanwhile, Credi Impresa Futuro's performance was essentially in line with the prior-year period: this business area reported a turnover of 3,6 billion Euro (+11% from June 2014), outstanding loans totalling 1,8 billion Euro (+16% from June 2014), and a 7% rise in the number of corporate customers compared to the first half of the previous year.

Net banking income in the DRL segment, which deals with acquiring and managing non-performing exposures in the unsecured segment, totalled 19,4 million Euro compared with 13,0 million Euro in the prior-year period (+50,0%). The excellent first-half performance was the result of the robust trend in bills of exchange and expressions of willingness—rising 22% overall (83,5 million Euro compared to 68,2 million Euro at 30 June 2014)—and the acceleration in the Legal Factory's judicial collection operations.

It should be noted that net banking income alone is not representative of the DRL segment's performance since, as far as bad loans in the DRL segment are concerned, it does not account for the economic impact of the changes in expected cash flows, which are recognised under net impairment losses/reversals on receivables.

The Tax Receivables segment generated 7,5 million Euro (4,4 million Euro in the first half of 2014, +72,3%), thanks largely to the considerable amounts collected during the period and the reduction in debt collection times compared to initial estimates.

The Governance and Services segment posted 160,4 million Euro, compared to 47,0 million Euro at 30 June 2014 (+241,1%). The gain on the securities sold as part of the mentioned rebalancing of the AFS portfolio contributed to this result. In addition, the segment improved its profitability thanks to lower retail funding costs—the result of a planned reduction in funding and interest rates.

In the **second quarter**, net banking income stood at 193,5 million Euro (69,5 million Euro net of the gains on securities trading), compared to 73,6 million Euro in the prior-year period. Trade receivables contributed 37,9 million Euro (vs. 41,1 million Euro), the DRL segment 12,0 million Euro (vs. 6,4 million Euro), tax receivables 3,6 million Euro (vs. 2,2 million Euro), and the Governance and Services segment 140,0 million Euro (nearly 16 million Euro net of the gains on trading in the AFS portfolio) compared to 23,9 million Euro in the same period last year.

Net impairment losses on receivables stood at 12,7 million Euro, compared to 21,2 million Euro at 30 June 2014 (-40,1%). In the trade receivables segment alone, the consistently downward trend is attributable to the continuous monitoring of how the counterparty's risk profile evolves. All along, the Bank has maintained a rigorous and consistent policy for assessing borrowers' creditworthiness. The decrease in impairment losses resulted in a significant improvement in the ratio of credit risk cost concerning trade receivables to the relevant average loan balance over the last 12 months, which fell to 112 bps.

The ratio of bad loans to loans in the trade receivables sector improved to 1,2% from 1,3% at 31 December 2014.

The bad-loan coverage ratio of the trade receivables segment was 87,2%, up from 86,4% at 31 December 2014.

The Group's **net profit from financial activities** was 247,8 million Euro (123,8 million Euro net of the mentioned sale), compared to 121,8 at 30 June 2014 (+103,4%).

The net profit from financial activities in the Trade Receivables segment rose 13,6% to 63,8 million Euro compared to 56,2 million in the first half of 2014, largely because of the fall in impairment losses on loans and receivables; the DRL segment stood at 20,2 million Euro, compared to 14,3 million at 30 June 2014 (+41%), due to the new collection methods introduced in the DRL segment by the CrediFamiglia brand; the Tax Receivables segment stood at 7,5 million Euro, compared to 4,3 million at 30 June 2014, up 75,6% for the reasons already explained in the "net banking income" section. Finally, net profit from financial activities in the Governance and Services segment, excluding the impact of the mentioned restructuring of the AFS portfolio, fell 31,5% to 32,2 million Euro, compared to 47,0 million Euro in the prior-year period. Please note that this result was affected by the impairment losses (4,2 million Euro) recognised on two unlisted equity instruments after testing them for impairment.

In the **second quarter**, net profit from financial activities totalled 182,7 million Euro (60,9 million Euro in the second quarter of 2014). Trade receivables contributed 30 million Euro (+7,9% compared to 27,8 million Euro in the second quarter of 2014); the DRL segment 11,3 million Euro (+60,2% compared to 7,1 million Euro in the prior-year period); tax receivables 3,6 million Euro (+76,2% compared to 2,0 million Euro in the second quarter of 2014); and the Governance and Services segment totalled 137,8 million Euro, compared to 23,9 million Euro at 30 June 2014.

At 30 June 2015, **operating costs** were up 11,1%, from 46,6 million Euro in the first half of 2014 to 51,8 million Euro. At 23,7 million Euro, **personnel expenses** rose 11,6% due to new hiring (21,2 million in first half of 2014) - 98 new staff added in the first six months of 2015, up 15,9% compared to 31 December 2014. The increase in personnel expenses is connected with the goal to strengthen some areas and services supporting the business and the scenario in which the Group operates. At 30 June 2015, the Group's employees numbered 681.

Other administrative expenses totalled 27,5 million Euro compared to 23,3 million in the first half of 2014, up 17,7% from 30 June 2014, largely because of higher business volumes in the DRL segment. The relevant costs for collecting debts and gathering information on clients (4,1 million Euro and 1,6 million Euro, respectively) are included in this item of the income statement. Also consulting fees rose due to the re-engineering of business processes and the internal control system (to comply with new prudential regulations for banks concerning the internal control and IT system as well as business continuity).

The **cost/income** ratio stood at 19,6% at 30 June 2015 (37,2% excluding the gain on the AFS securities sold from net banking income), compared to 32,6% at 30 June 2014.

Pre-tax profit for the period stood at 196,0 million Euro, compared to 75,2 million Euro at 30 June 2014.

Income tax expense amounted to 65,2 million Euro, compared to 25,1 million Euro at 30 June 2014. The Group's tax rate was down to 33,3% in the first half of 2015 from 33,4% at 30 June 2014.

Profit for the period totalled 130,8 million Euro, compared to 50,1 million Euro at 30 June 2014 (up 161,3%).

The corresponding figure for the **second quarter** was 104,5 million Euro (25,4 million Euro in the prior-year period).

The Group's assets, amounting to 7.221,4 million Euro at 30 June 2015 (8.309,3 million Euro at 31 December 2014), mainly consist of loans to customers and available for sale financial assets.

Total loans to customers stood at 3.152,1 million Euro, up 12% from 2.814,3 million Euro at the end of 2014. Specifically, trade receivables, which amounted to 2.617,2 million Euro at 30 June 2015, rose 162,1 million Euro compared to the end of 2014 (+6,6%), reaching 2.617,2 million Euro . Receivables due from Italy's Public Administration at 30 June 2015 accounted for 27,6% of total receivables in the segment, compared to 27,1% at 31 December 2014, while receivables due from the private sector accounted for 72,4% (compared to 72,9% at 31 December 2014). Distressed retail loans rose 85,0 million Euro (+62,8%) to 220,4 million Euro, bringing the par value of receivables under management to 6.823,4 million Euro, thanks to the several acquisitions of portfolios made during the period. Tax receivables were down 5,2 million Euro to 114,3 million Euro (-4,3%), mainly due to the payments the Group received on two significant exposures during the period. As for the Governance and Services segment, loans to customers were up 95,9 million Euro to 200,3 million Euro (+91,9%), largely due to margin lending with Cassa Compensazione e Garanzia (CCG) related to repurchase agreements in government bonds on the MTS platform.

With regard to activities in support of SMEs, the loans duration was confirmed as short-term, in line with the Group's strategy to support working capital. On average, it takes 3 months to collect receivables due from private sectors entities and 4 to 6 months for those due from the Public Administration.

Total **net non-performing exposures**, also due to the recent acquisitions in the DRL segment, amounted to 340,3 million Euro at 30 June 2015, compared to 248,1 million Euro at the end of 2014 (+37,2%).

Net non-performing exposures in the trade receivables segment, which actually determine the Bank’s overall credit quality, rose 6,4% from 112,6 million Euro at the end of 2014 to 119,8 million

Euro. Net non-performing exposures accounted for 4,6% of all trade receivables, in line with the result at 31 December 2014, and totalled 22,9% (25,7% in December 2014) as a proportion of the Group's equity.

Here below is the breakdown of the Group's net non-performing exposures in the trade receivables segment alone:

- At 30 June 2015, **net bad loans** amounted to 32,4 million Euro, compared to 33,0 million Euro in December 2014; the segment's net bad-loan ratio edged down to 1,2% from 1,3% at 31 December 2014.
- The balance of **net unlikely to pay**, the new category including loans previously recognised as subjective substandard or restructured loans, was 42,0 million Euro at 30 June 2015, compared to 43,8 million Euro at 31 December 2014 (-4,1%). The decline was largely attributable to the improved coverage ratio, rising from 24,5% at 31 December 2014 to 29,1% at 30 June 2015, thanks to the Bank's thorough and rigorous assessment policy.
- **Net past due exposures**, which, according to the new definition of the Bank of Italy, include also objective substandard loans in addition to exposures already classified as past due, amounted to 45,5 million Euro at 30 June 2015, compared to 35,8 million Euro in December 2014 (27,1%). The changes in past due exposures are a normal part of the Bank's business model. In this case, the changes are mainly related to a single transaction returned in early July. Net past due exposures referred for 3,1 million Euro (3,9 million Euro at the end of 2014) to receivables due from the Public Administration purchased outright as part of financing operations.

Available for sale (AFS) financial assets, which include debt and equity securities, stood at 3.803,2 million Euro at 30 June 2015, up +1.463,0% compared to 243,3 million Euro at the end of 2014, mainly as a result of the rearrangement of the Government securities portfolio made in April 2015. The relevant valuation reserve, net of taxes, was negative to the tune of 6,7 million Euro at 30 June 2015 (positive 6,0 million Euro at 31 December 2014).

At 30 June 2015, **receivables due from banks** amounted to 114,8 million Euro, compared to 274,9 million Euro at 31 December 2014 (-58,2%). This item includes some securities not listed on an active market with banking counterparties, totalling 5,0 million Euro (-54,1% compared to 31 December 2014), and treasury loans with other lenders, amounting to 109,8 million Euro (-58,4% compared to 31 December 2014), largely related to maintaining excess liquidity in the system.

Funding, net of the rendimax savings account and the contomax current account, 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 carried out with counterparties formally other than banks), refinancing transactions on the Eurosystem, and short-term treasury transactions with other lenders. Total funding, which amounted to 6.494,9 million Euro at 30 June 2015, down 16,1% compared to 31 December 2014, is represented for 93% by Payables due to customers (compared to 70,8% at 31 December 2014) and for 7% by Payables due to banks (compared to 29,2% at 31 December 2014).

Payables due to customers at 30 June 2015 totalled 6.037,6 million Euro (+10,1% compared to 31 December 2014). This increase was mainly due to the higher use of repurchase agreements with underlying government bonds and Cassa di Compensazione e Garanzia as counterparty, amounting to 3.010,5 million Euro (compared to 2.082,9 million Euro at the end of 2014). **Retail funding** totalled 2.930,6 million Euro at 30 June 2015, including 2.865 from Rendimax and 65,6 million Euro from contomax, down from 3.314,2 million Euro at 31 December 2014. The trend is a result of the gradually slid in interest rates. The Bank still bears proportional stamp duty costs on rendimax and contomax, which amount to 0,20%.

Payables due to banks, which totalled 457,4 million Euro (compared to 2.259,0 million Euro at December 2014, -79,8%), mainly consisted of 319,7 million Euro in funding from refinancing operations on the Eurosystem, compared to 2.226,9 million Euro 31 December 2014. This amount referred for 119,7 million Euro to the TLTRO loan received in December 2014 at a fixed 0,15% rate and maturing on 26 September 2018. The remainder of payables due to banks consists of interbank deposits, including 120,0 million Euro on the E-Mid platform. The significant decrease in Payables due to banks compared to the end of the previous year was 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. The Bank turns to the ECB or the MTS platform exclusively based on which is more convenient in light of interest rate trends.

At 30 June 2015, **consolidated Equity** was 524,3 million Euro, compared to 437,8 million Euro at 31 December 2014 (+19,7%).

As for **capital adequacy ratios**, the Total own founds Capital Ratio was 16,11% (14,21% at 31 December 2014) and the Common Equity Tier 1 (CET1) 15,43% (13,89% at 31 December 2014).

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:

Acquisition of NPL portfolios

In the first quarter of 2015, Banca IFIS and Findomestic Banca finalised the sale of a portfolio of unsecured distressed loans. The portfolio, which will be sold in stages during 2015 and includes nearly 65.000 loans with a par value of approximately 400 million Euro, consists mainly of personal and credit card loans (respectively 60% and 27% of par value).

During the second quarter, the Bank finalised three further purchases.

The most important one concerned Banca Monte dei Paschi di Siena: BMPS put up for sale a portfolio with a par value of 1,3 billion Euro, consisting of nearly 135.000 positions originated by the former Consum.it. These mainly comprise personal loans (67%), credit card loans (17%) and retail loans (16%), with an average ticket size of approximately 9.000 Euro. Banca IFIS carried out the transaction—so far the largest in Italy in 2015—in June in collaboration with an associate of Cerberus Capital Management, L.P., a leading international private investment firm. Specifically, Banca IFIS acquired 650 million Euro (par value) worth of loans—numbering over 67.000—and Cerberus the remaining 650 million Euro.

The second transaction concerned a domestic portfolio of consumer loans with a par value of nearly 200 million Euro. The seller is a leading international banking player. The portfolio consists of 27.000 positions, broken down into personal loans (66%), car loans (30%), and other retail loans (4%). The average ticket size per position is approximately 7.500 Euro.

Finally, by acquiring a portfolio from Banca Sella, Banca IFIS entered the market of unsecured non-performing exposures originated by banking institutions. The unsecured segment of this market includes products such as current account overdrafts and unsecured loans. The portfolio's par value is 33 million Euro. The nearly 2.800 positions acquired consist mainly of current account overdrafts (56%) and unsecured loans (39%), with an average ticket size of approximately 12.500 Euro

Sale and repurchase of government bond portfolio

Based on recent trends in market rates on government bonds in the Bank's portfolio, as well as considerations on the costs to refinance the debt collateralised by said securities, the Bank found it expedient to restructure part of the Italian government bond portfolio. It kept its size unchanged, but slightly increased the average maturity: the most distant maturity is now 2020 (as opposed to 2018 before the transactions). The whole portfolio consists of floating-rate or inflation-indexed bonds.

Here below is the breakdown by maturity of government bonds, shown at par value before and after said restructuring.

Government bonds/ Maturity (in millions of Euro)	Within 30.06.2015	2nd half 2015	2016	2017	2018	2019	2020	Totale
Nominal value at 31.03.2015	1.200,00	863,00	735,50	700,00	1.420,00	-	-	4.918,5
% of total	*24,4%*	*17,5%*	*15,0%*	*14,2%*	*28,9%*	*0,0%*	*0,0%*	*100,0%*
Nominal value at 30.06.2015	-	863,00	735,50	-	1.280,00	650,00	190,00	3.718,5
% of total	*0,0%*	*23,2%*	*19,8%*	*0,0%*	*34,4%*	*17,5%*	*5,1%*	*100%*

Excluding the bonds that reached maturity in the second quarter of 2015, the total at 30 June 2015 was unchanged from 31 March 2015.

The sale of the portfolio, completed in April, contributed 124 million Euro to gross profit for the period.

Significant subsequent events

The new business unit: “Pharmacies”

On 17 June 2015, the Bank launched “Pharmacies”, the new business unit integrated within the existing “Banca IFIS Pharma” area.

This unit aims to meet the medium-term financing needs of over 15.000 pharmacies throughout the country using a new instrument: **medium-term financing** to support trade payables. Designed for retail entrepreneurs, this instruments allows pharmacists to take out loans backed by their accounts receivable.

Thanks to its consolidated know-how and extensive knowledge of the market, bolstered by the addition of a **team of professionals** with years of experience in the industry, Banca IFIS combines two specialist skills in this business unit: business lending—using factoring to mitigate credit risks—and the presence in the pharmaceutical and health care sector of *Banca IFIS Pharma*, which specialises in management solutions for companies wishing to factor receivables due from Italy's National Health Service and Public Administration.

Outlook

In the short term, growth forecasts for the Euro Area and especially Italy remain modest. The temporary resolution to Greece's crisis reduces the fears of potential negative repercussions deriving from the instability in financial markets. The cost of money is still at record lows due to the ECB's monetary policy and extremely limited price increases. The low or zero inflation rate is the result of the trend in commodity prices and, more generally, the relatively modest use of the factors of production. The market expects monetary policy measures to bring inflation near the central bank's target rates.

It does not appear possible to leave the crisis behind without restarting the flow of credit to the real economy. Against this backdrop, Banca IFIS's ability to provide support to small- and medium-sized businesses – also thanks to strengthening capital adequacy ratios and increasing liquidity – continues representing a competitive advantage, enabling it to acquire new customers and loans. The market is still characterised by the limited supply of credit and the demand for appropriate solutions — especially for companies that are small in size and have less measurable or low credit standing.

In this scenario, Banca IFIS looks forward to continued strong performance by all business areas for the rest of 2015.

The Bank can play an increasingly important role in the Distressed Retail Loans segment, providing solutions in demand at lenders and financial institutions across Italy. We will continue monitoring and bidding for the portfolios of receivables due from households that originators are expected to place on the market. Despite the continuing difficult economic situation Banca IFIS's NPL Area is adopting organisational and operating solutions allowing to expect increasing collection rates. Considering the abundant liquidity of the market, with portfolios often traded at significantly different prices based on their quality; the Bank's ability to turn the quality of the portfolios into a strength in dealings with debtors; and the opportunity to scale up operating volumes, benefiting the bank and the debtors involved in its initiatives, Banca IFIS may return to the secondary market to sell already processed portfolios with the goal of freeing up resources, using them to further expand the business.

As for tax receivables, the Bank is consolidating its leadership in this segment, given the good medium-term profitability of these investments.

As for retail funding, we expect the average cost to fall further. In addition, the decline in funding is expected to bottom out based on forecasts and the competitive scenario.

As for its government bond portfolio, based on the evidence and the current monetary policy, the Bank believes it will continue refinancing it at interest rates around or below zero, at least for this year.

As of today, and considering the dynamics in terms of potential margins from investments in government bonds, the Bank deems its position as appropriate. It may look at potential opportunities in the event market conditions turn favourable.

Finally, the Bank will continue considering further opportunities on the segments it operates in as well as new related markets or those potentially interesting in light of its growth strategies.

In light of the above, the Group can reasonably expect to remain profitable also in 2015.

Other information

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 article 34, paragraph 1, letter g) of Leg. 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.
Under this tax regime, Banca IFIS's taxable income is transferred to La Scogliera S.p.A. which is responsible for calculating the overall group income. Following this decision, at 30 June 2015 Banca IFIS recognised net payables due to the parent company amounting to 36,8 million Euro.

Transactions on treasury shares

The Ordinary Shareholders' Meeting of 13 April 2015 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 30 Euro.
The Meeting also established that the authorisation lapses after 18 months from the date the resolution was passed.

At 31 December 2014, the bank held 887.165 treasury shares recognised at a market value of 6,7 million Euro and a par value of 887.165 Euro.
During the first half of 2015 Banca IFIS made the following transactions on treasury shares:

- it sold, at an average price of 18,05 Euro, 135.000 treasury shares with a market value of 2,4 million Euro and a par value of 135.000 Euro, making profits of 1,6 million Euro which, in accordance with IASs/IFRSs, were recognised under capital reserves;
- it allocated top management with variable pay based on the 2014 results in the form of 8.592 treasury shares at an average price of 19,42, with a market value of 167 thousand Euro and a par value of 8.592 Euro, making profits of 112 thousand euro which, in accordance with IASs/IFRSs, were recognised under capital reserves.

The remaining balance at the end of the period was 743.573 treasury shares with a market value of 5,8 million Euro and a par value of 743.573 Euro.

Related-party transactions

In compliance with the provisions of Consob resolution 17221 of 12 March 2010 and subsequently amended by means of Resolution 17389 dated 23 June 2010, as well as the prudential Supervisory provisions for banks in Circular no. 263 of 27 December 2006, Title V, Chapter V (12 December 2011 update) on "Risk activities and conflicts of interest towards related parties" issued by the Bank of Italy, any transactions with related parties and relevant parties are authorised pursuant to the procedure approved by the Board of Directors, which was most recently updated on 17 July 2013.

This document is publicly available on Banca IFIS's website, www.bancaifis.it, in the 'Corporate Governance' Section. During the first half of 2015 no significant transactions with related parties were undertaken. For information on individual related-party transactions, please refer to the "Notes" to the Condensed consolidated interim financial statements at 30 June 2015.

Atypical or unusual transactions

During the period, the Banca IFIS Group did not carry out atypical or unusual transactions as defined by Consob Communication no. 6064293 of 28 July 2006.

Research and development activities

Due to its activity, the Group did not implement any research and development programmes during the period.

Venice - Mestre, 28 July 2015

For the Board of Directors

The Chairman
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

Condensed consolidated interim financial statements at 30 June 2015

Consolidated Financial Statements

Consolidated Statement of Financial Position

	Assets (in thousands of Euro)	30.06.2015	31.12.2014
10.	Cash and cash equivalents	20	24
20.	Financial assets held for trading	248	-
40.	Available for sale financial assets	3.803.216	243.325
50.	Held to maturity financial assets	-	4.827.363
60.	Due from banks	114.843	274.858
70.	Due from customers	3.152.145	2.814.330
120.	Property, plant and equipment and investment property	51.509	50.682
130.	Intangible assets	6.779	6.556
	of which:		
	- goodwill	832	819
140.	Tax assets:	42.385	40.314
	a) current	1.037	1.972
	b) deferred	41.348	38.342
160.	Other assets	50.249	51.842
	Total assets	**7.221.394**	**8.309.294**

	Liabilities and equity (in thousands of Euro)	30.06.2015	31.12.2014
10.	Due to banks	457.384	2.258.967
20.	Due to customers	6.037.552	5.483.474
40.	Financial liabilities held for trading	-	-
80.	Tax liabilities:	18.207	14.338
	a) current	7.139	70
	b) deferred	11.068	14.268
100.	Other liabilities	180.508	111.059
110.	Post-employment benefits	1.407	1.618
120.	Provisions for risks and charges	2.070	1.988
	b) other reserves	2.070	1.988
140.	Valuation reserves	(12.037)	(109)
170.	Reserves	298.710	237.874
180.	Share premiums	58.834	57.113
190.	Share capital	53.811	53.811
200.	Treasury shares (-)	(5.831)	(6.715)
220.	Profit (loss) for the year (+/-)	130.779	95.876
	Total liabilities and equity	**7.221.394**	**8.309.294**

Consolidated Income Statement

	Items (in thousands of Euro)	30.06.2015	30.06.2014
10.	Interest receivable and similar income	132.171	168.838
20.	Interest due and similar expenses	(21.384)	(55.223)
30.	**Net interest income**	**110.787**	**113.615**
40.	Commission income	31.568	32.502
50.	Commission expense	(2.321)	(3.513)
60.	**Net commission income**	**29.247**	**28.989**
80.	Net profit (loss) from trading	156	155
100.	Profit (loss) from sale or buyback of:	124.500	231
	b) available for sale financial assets	124.500	231
120.	**Net banking income**	**264.690**	**142.990**
130.	Net impairment losses/reversal on	(16.918)	(21.168)
	a) receivables	(12.685)	(21.168)
	b) available for sale financial assets	(4.233)	-
140.	**Net profit from financial activities**	**247.772**	**121.822**
180.	Administrative expenses:	(51.135)	(44.551)
	a) personnel expenses	(23.682)	(21.218)
	b) other administrative expenses	(27.453)	(23.333)
190.	Net allocations to provisions for risks and charges	(82)	(1.639)
200.	Net impairment losses/reversal on plant, property and equipment	(790)	(658)
210.	Net impairment losses/reversal on intangible assets	(969)	(882)
220.	Other operating income (expenses)	1.166	1.090
230.	**Operating costs**	**(51.810)**	**(46.640)**
280.	**Pre-tax profit (loss) for the period from continuing operations**	**195.962**	**75.182**
290.	Income taxes for the period relating to current operations	(65.183)	(25.127)
340.	**Profit (loss) for the period attributable to the parent company**	**130.779**	**50.055**

Consolidated Statement of Comprehensive Income

Items (in thousands of Euro)		30.06.2015	30.06.2014
10.	**Profit (loss) for the period**	**130.779**	**50.055**
	Other comprehensive income, net of taxes, without reversal to income statement	**93**	**(85)**
20.	Property, plant and equipment	-	-
30.	Intangible assets	-	-
40.	Defined benefit plans	93	(85)
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	**(12.021)**	**(5.054)**
70.	Hedges of foreign investments	-	-
80.	Exchange differences	600	(12)
90.	Hedges of cash flows	-	-
100.	Available for sale financial assets	(12.621)	(5.042)
110.	Non-current assets under disposal	-	-
120.	Share of reserves from valuation of investments at equity	-	-
130.	**Total other comprehensive income, net of taxes**	**(11.928)**	**(5.139)**
140.	**Total comprehensive income (item 10+130)**	**118.851**	**44.916**
150.	Total consolidated comprehensive income attributable to non-controlling interests	-	-
160.	**Total consolidated comprehensive income attributable to the parent company**	**118.851**	**44.916**

Statement of Changes in Consolidated Equity at 30 June 2015

Items (in thousands of Euro)	Balance at 31.12.2014	Change in opening balances	Balance at 1.1.2015	Allocation of profit from previous year		Changes occurred during the year								Equity attributable to the Group at 30.06.2015	Equity attributable to non-controlling interests at 30.06.2015
							Equity transactions								
				Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock Options	Comprehensive income at 30.06.2015		
Share capital															
a) ordinary shares	53.811	---	53.811	---	---	---	---	---	---	---	---	---	---	**53.811**	---
b) other shares	---	---	---	---	---	---	---	---	---	---	---	---	---	**---**	---
Share premiums	57.113	---	57.113	---	---	---	1.721	---	---	---	---	---	---	**58.834**	---
Reserves:															
a) of profit	195.921	---	195.921	60.857	---	---	---	---	---	---	---	---	---	**256.778**	---
b) other	41.953	---	41.953	---	---	(21)	---	---	---	---	---	---	---	**41.932**	---
Valuation reserves	(109)	---	(109)	---	---	---	---	---	---	---	---	---	(11.928)	**(12.037)**	---
Equity instruments	---	---	---	---	---	---	---	---	---	---	---	---	---	**---**	---
Treasury shares	(6.715)	---	(6.715)	---	---	---	884	---	---	---	---	---	---	**(5.831)**	---
Profit (loss) for the year	95.876	---	95.876	(60.857)	(35.019)	---	---	---	---	---	---	---	130.779	**130.779**	---
Equity attributable to the Group	**437.850**	**---**	**437.850**	**---**	**(35.019)**	**(21)**	**2.605**	**---**	**---**	**---**	**---**	**---**	**118.851**	**524.266**	**---**
Equity attributable to non-controlling interests	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Statement of Changes in Consolidated Equity at 30 June 2014

Items (in thousands of Euro)				Allocation of profit from previous year		Changes occurred during the year									
							Equity transactions								
	Balance at 31.12.2013	Change in opening balances	Balance at 1.1.2014	Reserves	Dividends and other allocations	Changes in reserves	Issue of new shares	Buyback of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock Options	Comprehensive income at 30.06.2014	Equity attributable to the Group at 30.06.2014	Equity attributable to non-controlling interests at 30.06.2014
Share capital															
a) ordinary shares	53.811	---	53.811	---	---	---	---	---	---	---	---	---	---	**53.811**	---
b) other shares	---	---	---	---	---	---	---	---	---	---	---	---	---	**---**	---
Share premiums	75.560	---	75.560	---	---	(20.000)	1.553	---	---	---	---	---	---	**57.113**	---
Reserves:															
a) of profit	141.246	---	141.246	54.675	---	---	---	---	---	---	---	---	---	**195.921**	---
b) other	21.809	---	21.809	---	---	20.113	---	---	---	---	---	---	---	**41.922**	---
Valuation reserves	10.959	---	10.959	---	---	---	---	---	---	---	---	---	(5.139)	**5.820**	---
Equity instruments	---	---	---	---	---	---	---	---	---	---	---	---	---	**---**	---
Treasury shares	(7.903)	---	(7.903)	---	---	---	1.188	---	---	---	---	---	---	**(6.715)**	---
Profit (loss) for the year	84.841	---	84.841	(54.675)	(30.166)	---	---	---	---	---	---	---	50.055	**50.055**	---
Equity attributable to the Group	**380.323**	**---**	**380.323**	**---**	**(30.166)**	**113**	**2.741**	**---**	**---**	**---**	**---**	**---**	**44.916**	**397.927**	**---**
Equity attributable to non-controlling interests	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Consolidated Cash Flows Statement

Indirect method (in thousands of Euro)	30.06.2015	30.06.2014
A. OPERATING ACTIVITIES		
1. Operations	**328.843**	**78.375**
- profit(loss) for the year (+/-)	130.779	50.055
- profit/loss on financial assets held for trading and on financial assets/liabilities carried at fair value (-/+)	-	(130)
- net impairment losses/reversal on loans (+/-)	16.918	21.168
- net imp. losses/reversal on property, plant, equipment and invest. property and intangible assets (+/-)	1.759	1.540
- net allocations to provisions for risks and charges and other costs/revenues (+/-)	93	1.734
- unpaid taxes (+)	65.183	25.127
- other adjustments (+/-)	114.111	(21.119)
2. Cash flows generated/absorbed by financial assets	**941.996**	**1.152.936**
- financial assets held for trading	(248)	10
- available for sale financial assets	1.130.393	1.219.121
- due from banks on demand	29.040	(15.323)
- other due from banks	130.959	79.779
- due from customers	(350.676)	(262.606)
- other assets	2.528	131.955
3. Cash flows generated/absorbed by financial liabilities	**(1.235.605)**	**(1.960.015)**
- due to banks on demand	82	1.690
- other due to banks	(1.801.665)	(4.688.044)
- due to customers	554.078	2.731.895
- outstanding securities	-	-
- financial liabilities held for trading	-	-
- other liabilities	11.900	(5.556)
Net cash flows generated/absorbed by operating activities A (+/-)	**35.234**	**(728.704)**
B. INVESTMENT ACTIVITIES		
1. Cash flows generated by:	**38**	**1.000.575**
- sale of financial assets held to maturity	-	1.000.000
- sale of property, plant and equipment and investment property	38	575
2. Cash flows absorbed by:	**(2.841)**	**(244.561)**
- financial assets held to maturity	-	(231.947)
- purchase of property, plant and equipment and investment property	(1.662)	(11.309)
- purchase of intangible assets	(1.179)	(1.305)
Net cash flows generated/absorbed by investment activities B (+/-)	**(2.803)**	**756.014**
C. FINANCING ACTIVITIES		
- issue/buyback of treasury shares	2.605	2.741
- issue/buyback of equity instruments	(21)	114
- distribution of dividends and other	(35.019)	(30.167)
Net cash flows generated/absorbed by financing activities C (+/-)	**(32.435)**	**(27.312)**
NET CASH FLOWS GENERATED /ABSORBED DURING THE YEAR D=A+/-B+/-C	**(4)**	**(2)**
RECONCILIATION		
OPENING CASH AND CASH EQUIVALENTS E	**24**	**30**
NET CASH FLOWS GENERATED /ABSORBED DURING THE YEAR D	**(4)**	**(2)**
CASH AND CASH EQUIVALENTS: EXCHANGE RATE EFFECTS F	**-**	**-**
CLOSING CASH AND CASH EQUIVALENTS G=E+/-D+/-F	**20**	**28**

Notes

Accounting Policies

A.1 – General part

Section 1 – Statement of compliance with international accounting standards

Pursuant to art. 154-ter of the Consolidated Law on Finance (Leg.Decree no. 58 of 24/2/1998, hereafter the "TUF") and the Regulation on Issuers no. 11971/99 as subsequently amended, the Condensed consolidated interim financial statements at 30 June 2015 have been drawn up in accordance with the IAS/IFRS in force at that date as issued by the International Accounting Standard Board (IASB) and the related interpretations (IFRICs and SICs), approved by the European Commission, as established by EU Regulation no. 1606 of 19 July 2002. This Regulation was implemented in Italy by Leg.Decree no. 38 of 28 February 2005. This regulation was implemented in Italy with Legislative Decree no. 38 of 28 February 2005.

In particular, the contents of these Condensed consolidated interim financial statements at 30 June 2015 comply with IAS 34 (Interim Financial Reporting); in addition, on the basis of paragraph 10 of the aforementioned standard, the Group has taken advantage of the option to prepare the interim financial statements in condensed form.

The Condensed consolidated interim financial statements included in the consolidated interim financial report at 30 June 2014 are audited, only to a limited extent, by Reconta Ernst & Young S.p.A.

Section 2 – Basis of preparation

The consolidated financial statements consist of:

- the consolidated financial statements (statement of financial position and income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows);
- the Notes;

in addition, they contain the Interim Directors' Report on the Group.

The condensed consolidated interim financial statements at 30 June 2015 have been drawn up according to the general principles of IAS 1, also referring to IASB's 'Framework for the preparation and presentation of financial statements', with particular attention to the fundamental principles of substance over legal form, the concepts of relevance and materiality of information, and the accruals and going concern accounting concepts.

The criteria for classifying, recognising, measuring and derecognising assets and liabilities and the methods for recognising revenue and costs adopted in preparing the Condensed consolidated interim financial statements at 30 June 2015 are unchanged from those used to prepare the consolidated financial statements at 31 December 2014, to which reference should be made for further details.

The money of account is the Euro and, if not indicated otherwise, amounts are expressed in thousands of Euro. The tables in the Notes may include rounded amounts; any inconsistencies and/or discrepancies in the data presented in the different tables are due to these rounding differences.

Assets and liabilities, as well as costs and revenues, have been offset only if required or permitted by an accounting standard or the relevant interpretation.

We have used the same classification for the items in the financial statements as in the previous financial year.

Information on the business as a going concern

The Bank of Italy, Consob and Isvap, with document no. 2 issued on 6 February 2009 ("Disclosure in financial reports on the going concern assumption, financial risks, asset impairment tests and uncertainties in the use of estimations"), as well as the subsequent document no. 4 of 4 March 2010, require directors to assess with particular accuracy the existence of the company as a going concern, as per IAS 1.

Unlike in the past, present conditions on financial markets and in the real economy, together with the negative short/medium-term forecasts, require particularly accurate assessments of the going concern assumption, as records of the company's profitability and easy access to financial resources may no longer be sufficient in the current context.

In this regard, having examined the risks and uncertainties connected to the present macro-economic context, and considering the financial and economic plans drawn up by the parent company, the Banca IFIS Group can indeed be considered as a going concern, in that it can be reasonably expected to continue to operate in the foreseeable future. Therefore, the Condensed consolidated interim financial statements at 30 June 2015 have been prepared in accordance with this fact.

Uncertainties connected to credit and liquidity risks are considered insignificant or, at least, not significant enough to raise doubts over the company's ability to continue as a going concern, thanks also to the good profitability levels that the Group has consistently achieved, to the quality of its loans, and to its current access to financial resources.

Section 3 - Consolidation scope and method

The consolidated financial statements have been drawn up on the basis of the accounts at 30 June 2015 prepared by the directors of the companies included in the consolidation scope.

Pursuant to the line-by-line method of consolidation, the condensed consolidated interim financial statements at 30 June 2015 include the financial statements of the parent company, Banca IFIS S.p.A. and its Polish subsidiary, IFIS Finance Sp. Z o. o..

The financial statements of the subsidiary expressed in a foreign currency are translated into Euro in asset and liability items according to the rate of exchange at the end of the period. In the income statement, figures are translated according to the average exchange rate, which is considered as a valid approximation of the spot exchange rate. Exchange differences arising from the application of different exchange rates for the statement of financial position and the income statement, as well as the exchange differences from the translation of the investee company's equity, are recognised under capital reserves.

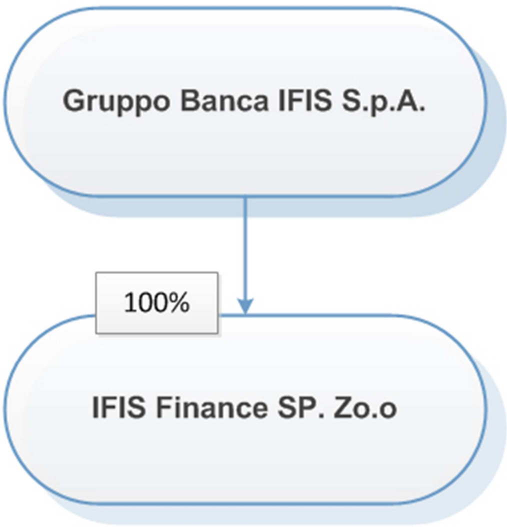
Assets and liabilities, off-balance-sheet transactions, income and expenses, as well as the profits and losses arising from relations between the consolidated companies are all eliminated.

Starting with the financial statements for periods beginning after 1 July 2009, business combinations must be recognised by applying the principles established by IFRS 3; purchases of equity investments in which control is obtained and counting as "business combinations" must be recognised by applying the acquisition method, which requires:

- identification of the acquirer;
- determination of the acquisition date;
- recognition and measurement of the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree;
- recognition and measurement of goodwill or a gain from a bargain purchase.

As for the subsidiary IFIS Finance Sp. Z o.o., the consolidation process has brought about goodwill for 832 thousand Euro at the period-end exchange rate, recognised under item 130 ‘Intangible assets’.

1. Investments in exclusively controlled companies



Name of company	Main office	Head office	Type (1)	Investment		Voting rights %(2)
				Held by	%	
IFIS Finance Sp. Z o.o.	Warsaw	Warsaw	1	Banca IFIS S.p.A.	100%	100%

Key
(1) Type:
1 = majority of voting rights in the Annual Shareholders’ Meeting
2 = dominant influence in the Annual Shareholders’ Meeting
3 = agreements with other shareholders
4 = other forms of control
5 = exclusive control as per article 26, paragraph 1, of Legislative Decree no. 87/92
6 = exclusive control as per article 26, paragraph 2, of Legislative Decree no. 87/92
(2) Voting rights in the Annual Shareholders’ Meeting, distinguishing between effective and potential voting rights.

2. Significant judgements and assumptions in determining the scope of consolidation

In order to determine the scope of consolidation, Banca IFIS assessed whether it meets the requirements of IFRS 10 for controlling investees or other entities with which it has any sort of contractual arrangements.

An entity controls another entity when the former has all the following:

1. power over the investee,
2. exposure to variable returns,

3. and the ability to affect the amount of its returns.

The assessment carried out confirmed the scope of consolidation determined in the previous year and identified a non-consolidated structured entity (for more information, see Information on risks and risk management policies in the Notes).

Section 4 – Subsequent events

No significant events occurred between the end of the reporting period and the preparation of these condensed consolidated interim financial statements at 30 June 2015 other than those already considered in preparing them.

For information on such events, please refer to the Interim Directors' report on the Group.

Section 5 – Other aspects

Risks and uncertainties related to estimates

Estimates on the carrying amounts of items recognised in the consolidated financial statements at 31 December 2013, as per the international accounting standards and relevant regulations in force, are largely based on the expected future recoverability of the amounts recognised and were made on a going concern basis.

Management is required to make subjective estimates mainly about the following:

- calculating the amounts of impairment losses on receivables;
- calculating the amounts of provisions for risks and charges;
- determining the fair value of goodwill.

In particular, with reference to distressed retail loans in the DRL sector, it should be noted that the expected cash flows used for calculating amortised cost are estimated with a statistical model using data derived from historical time series on collection activities, and are regularly reviewed.

It is important to note that this estimation process was particularly complicated by current macroeconomic and market conditions, which could undergo unpredictable and rapid changes.

A.4 – Fair value disclosure

Qualitative disclosure

Fair value disclosure

Fair value is the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date, under current market conditions (i.e. the exit price), regardless of the fact that said price is directly observable or that another measurement approach is used.

IFRS 13 establishes a fair value hierarchy based on the extent to which inputs to valuation techniques used to measure the underlying assets/liabilities are observable. Specifically, the hierarchy consists of three levels.

- Level 1: the instrument's fair value is measured based on quoted prices in active markets.
- Level 2: the instrument's fair value is measured based on valuation models using inputs observable in active markets, such as:
    a) quoted prices for similar assets or liabilities;
    b) quoted prices for identical or similar assets or liabilities in non-active markets;
    c) observable inputs such as interest rates or yield curves, implied volatility, default rates and illiquidity factors;
    d) inputs that are not observable but supported and confirmed by market data.
- Level 3: the instrument's fair value is measured based on valuation models using mainly inputs that are unobservable in active markets.

Each financial asset or liability of the Bank is categorised in one of the above levels, and the relevant measurements may be recurring or non-recurring (see IFRS 13, paragraph 93, letter a).

The choice among the valuation techniques is not optional, since these shall be applied in a hierarchical order: indeed, the fair value hierarchy gives the highest priority to (unadjusted) quoted prices available on active markets for identical assets or liabilities (Level 1 data) and the lowest priority to unobservable inputs (Level 3 data).

Valuation techniques used to measure fair value are applied consistently on an on-going basis.

Fair value levels 2 and 3: valuation techniques and inputs used

In the absence of quoted prices on an active market, the fair value measurement of a financial instrument is performed using valuation techniques maximising the use of inputs observable on the market.

The use of a valuation technique is intended to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. In this case, the fair value measurement may be categorised in Level 2 or Level 3, according to what extent inputs to the pricing model are observable.

In the absence of observable prices on an active market for the financial asset or liability to be measured, the fair value of the financial instruments is measured using the so-called "comparable approach" (Level 2), requiring valuation models based on market inputs.

In this case, the valuation is not based on the quoted prices of the financial instrument being measured (identical asset), but on prices, credit spreads or other factors derived from the official quoted prices of instruments that are substantially similar in terms of risk factors and duration/return, using a given calculation method (pricing model).

In the absence of quoted prices on an active market for a similar instrument, or should the characteristics of the instrument to be measured not allow to apply models using inputs observable on active markets, it is necessary to use valuation models assuming the use of inputs that are not directly observable on the market and, therefore, requiring to make estimates and assumptions (non observable input - Level 3). In these cases, the financial instrument is measured using a given calculation method that is based on specific assumptions regarding:

- the trend in future cash flows, possibly contingent on future events whose probability of occurring can be derived from historical experience or based on behavioural assumptions;
- the level of specific inputs not quoted on active markets: for the purposes of estimating them, information acquired from prices and spreads observed on the market shall have a higher priority. If these are not available, entities shall use historical data about the specific underlying risk factor or specialist research on the matter (e.g. reports by ratings agencies or primary market players).

In the cases described above, entities may make valuation adjustments taking into account the risk premiums considered by market participants in pricing instruments. If not explicitly considered in the valuation model, valuation adjustments may include:

- model adjustments: adjustments that take into account any deficiencies in the valuation models highlighted during calibration;
- liquidity adjustments: adjustments that take into account the bid-ask spread if the model calculates a mid price;
- credit risk adjustments: adjustments related to the counterparty or own credit risk;
- other risk adjustments: adjustments related to a risk premium “priced” on the market (e.g. relating to the complexity of valuation of an instrument).

The trade receivables portfolio measured at fair value consists of the on-balance-sheet exposures classified as performing with a residual life exceeding one year (medium-long term[1]). Therefore, all exposures classified as in Default, the ones with a residual life less than one year, and endorsement credits are excluded from the valuation.

For the purposes of measuring performing loans at fair value, given the absence of prices directly observable on active and liquid markets, entities shall use valuation techniques based on a theoretical model meeting the requirements of IASs/IFRSs (Level 3). The approach used to determine the fair value of receivables is the Discounted Cash Flow Model, i.e. the discounting of expected future cash flows at a risk free rate for the same maturity, increased by a spread representative of the counterparty’s risk of default.

As for the Distressed Retail Loan portfolio, i.e. the portfolio of receivables generated by the NPL business area, which purchases and manages non-performing receivables mainly due from individuals, the Discounted Cash Flow Model is used to calculate fair value. In this case, the expected net cash flows are discounted at a risk free rate for the same maturity. Cash flows are discounted without considering a credit spread, since the credit risk of the individual counterparties is already incorporated in the statistical model used to estimate future cash flows with regard to collective management (non-judicial operations). Based on historical evidence concerning the

[1] For short-term receivables, the book value is considered representative of fair value.

Bank’s portfolio, the model projects the cash flows of homogeneous sub-portfolios. As far as individual management (judicial operations) is concerned, the manager defines the projections of future cash flows for individual positions. The cash flows are net of expected collection costs, since these are required to achieve the estimated return. The Bank projected the average historical costs incurred over the last twelve months, calculated based on the party collecting the debt (external debt collection agencies, in-house agent network, attorneys, call center): it estimates them at an average 15% of the amounts collected. As for purchased tax receivables, the Bank believes their amortised cost can be used as an approximation of fair value. The only element of uncertainty concerning these receivables due from tax authorities is the time required for collecting them; currently, there are no significant differences in the time it takes for the tax authorities to repay their debts. It should also be noted that Banca IFIS is one of the leading players in this operating segment, which makes it a price maker in the case of sales.

In general, for the purposes of non-recurring Level 3 fair value measurement of assets and liabilities, reference is made to:

- risk free rates calculated, according to market practice, using money market rates for maturities less than one year, and swap rates for greater maturities;
- Banca IFIS’s credit spread, which, since there are no bond issuances to be used as a reference, was calculated using bond issuances of counterparties considered equivalent as a reference;
- financial statements and information from business plans.

A.4.2 Measurement processes and sensitivity

In compliance with IFRS 13, for fair value measurements categorised within level 3, the Group tests their sensitivity to changes in one or more unobservable inputs used in the fair value measurements. Specifically, a negligible amount of the Group's financial assets measured at fair value are categorised within level 3, except for DRL loans: in light of their specific nature, Banca IFIS adopted a "comparable" approach, i.e. it assumes it would sell them at market prices calculated on the basis of the average value of the transactions carried out over the last twelve months.

A.4.3. Fair value hierarchy

Concerning recurring fair value measurements of financial assets and liabilities, the Banca IFIS Group transfers them between levels of the hierarchy based on the following guidelines.

Debt securities are transferred from level 3 to level 2 when the inputs to the valuation technique used are observable at the measurement date. The transfer from level 3 to level 1 is allowed when it is confirmed that there is an active market for the instrument at the measurement date. Finally, they are transferred from level 2 to level 3 when some inputs relevant in measuring fair value are not directly observable at the measurement date.

Equity securities classified as available for sale financial assets are transferred between levels when:

- observable inputs became available during the period (e.g. prices for identical assets and liabilities defined in comparable transactions between independent and knowledgeable parties). In this case, they are reclassified from level 3 to level 2;

- inputs directly or indirectly observable used in measuring them are no longer available or current (e.g. no recent comparable transactions or no longer applicable multiples). In this case, the entity shall use valuation techniques incorporating unobservable inputs.

Fair value hierarchy

In compliance with that stated in paragraph 27 – A of IFRS 7 and paragraph 16A, letter J of IAS 34 amended, the following fair value hierarchy was utilised:

Financial assets/liabilities measured at fair value on a recurring basis (in thousands of Euro)	30.06.2015			31.12.2014		
	L1	L2	L3	L1	L2	L3
1. Financial assets held for trading	-	-	248	-	-	
2. Financial assets at fair value	-	-	-	-	-	-
3. Available for sale financial assets	3.793.773	-	9.443	229.355	-	13.970
4. Hedging derivatives	-	-	-	-	-	-
5. Property, plant and equipment	-	-	-	-	-	-
6. Intangible assets	-	-	-	-	-	-
Total	**3.793.773**	**-**	**9.691**	**229.355**	**-**	**13.970**
1. Financial liabilities held for trading	-	-	-	-	-	
2. Financial liabilities at fair value	-	-	-	-	-	-
3. Hedging derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	

Key

L1= Level 1 fair value of a financial instrument quoted in an active market;
L2= Level 2: fair value measured using valuation techniques based on observable market inputs other than the financial instrument's price;
L3= Level 3: fair value calculated using valuation techniques based on inputs not observable in the market.

Annual changes in assets and liabilities measured at fair value on a recurring basis (level 3)

Annual changes in assets measured at fair value on a recurring basis (level 3) (in thousands of Euro)	Financial assets held for trading	Financial assets at fair value	Available for sale financial assets	Hedging derivatives	Property, plant and equipment	Intangible assets
1. Opening balance	**-**	**-**	**13.970**	-	**-**	**-**
2. Increases	**248**		**-**	**-**	**-**	**-**
2.1 Purchases	248		-	-	-	-
2.2 Profit taken to:	-	-	-	-	-	-
2.2.1 Income statement	-	-	-	-	-	-
-of which: capital gains	-	-	-	-	-	-
2.2.2 Equity	X	X	-	X	-	-
2.3 Transfers from other levels	-	-	-	-	-	-
2.4 Other increases	-	-	-	-	-	-
3. Decreases	**-**	**-**	**4.527**	**-**	**-**	**-**
3.1 Sales	-	-	-	-	-	-
3.2 Redemptions	-	-	555	-	-	-
3.3 Losses taken to:	-	-	3.972	-	-	-
3.3.1 Income statement	-	-	*3.972*	-	-	-
- of which capital losses	-	-	*3.972*	-	-	-
3.3.2 Equity	X	X	-	X	-	-
3.4 Transfers to other levels	-	-	-	-	-	-
3.5 Other reductions	-	-	-	-	-	-
4. Closing balance	**248**	-	**9.443**	-	**-**	**-**

Level 3 available for sale financial assets refer entirely to equity interests.

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by fair value level

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis (in thousands of Euro)	30.06.2015				31.12.2014			
	BV	L1	L2	L3	BV	L1	L2	L3
1. Held to maturity financial assets	-	-	-	-	4.827.363	4.961.033	-	-
2. Due from banks	114.843	-	-	114.843	274.858	-	-	274.858
3. Loans to customers	3.152.145	-	-	3.255.272	2.814.330	-	-	2.920.547
4. Property, plant and equipment held for investment	720	-	-	926	720	-	-	926
5. Non-current assets and disposal groups classified as held for sale	-	-	-	-	-	-	-	-
Total	**3.267.708**	**-**	**-**	**3.371.041**	**7.917.271**	**4.961.033**	**-**	**3.196.331**
1. Due to banks	457.384	-	-	457.384	2.258.967	-	-	2.258.967
2. Due to customers	6.037.552	-	-	6.036.082	5.483.474	-	-	5.484.413
3. Debt securities issued	-	-	-		-	-	-	-
4. Liabilities associated with non-current assets	-	-	-	-	-	-	-	-
Total	**6.494.936**	**-**	**-**	**6.493.466**	**7.742.441**	**-**	**-**	**7.743.380**

Key

BV= book value
L1= Level 1
L2= Level 2
L3= Level 3

Group financial and income results

Statement of financial positions items

MAIN STATEMENT OF FINANCIAL POSITION ITEMS *(in thousands of Euro)*	AMOUNTS AT		CHANGE	
	30.06.2015	31.12.2014	ABSOLUTE	%
Available for sale financial assets	3.803.216	243.325	3.559.891	1463,0%
Held to maturity financial assets	-	4.827.363	(4.827.363)	(100,0)%
Due from banks	114.843	274.858	(160.015)	(58,2)%
Loans to customers	3.152.145	2.814.330	337.815	12,0%
Property, plant and equipment and intangible assets	58.288	57.238	1.050	1,8%
Other assets	92.902	92.180	722	0,8%
Total assets	**7.221.394**	**8.309.294**	**(1.087.900)**	**(13,1)%**
Due to banks	457.384	2.258.967	(1.801.583)	(79,8)%
Due to customers	6.037.552	5.483.474	554.078	10,1%
Other liabilities	202.192	129.003	73.189	56,7%
Equity	524.266	437.850	86.416	19,7%
Total liabilities and equity	**7.221.394**	**8.309.294**	**(1.087.900)**	**(13,1)%**

Available for sale (AFS) financial assets

Available for sale (AFS) financial assets, which include debt and equity securities, stood at 3.803,2 million Euro at 30 June 2015, up +1.463,0% compared to 243,3 million Euro at the end of 2014, mainly as a result of the rearrangement of the Government securities portfolio made in April 2015, as explained in the Significant events occurred in the period. The relevant valuation reserve, net of taxes, was negative to the tune of 6,7 million Euro at 30 June 2015 (positive 6,0 million Euro at 31 December 2014).

Held to maturity (HTM) financial assets

The portfolio of held to maturity financial assets, which totalled 4.827,4 million Euro at the end of 2014, amounted to zero at 30 June 2015 due to the mentioned reclassification to AFS. For more details, see the previous paragraph.

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

The amount of debt securities in the portfolio at 30 June 2015 was 3.798,8 million Euro, down 25% from 31 December 2014 (5.068,3 million Euro) because of the securities redeemed at maturity. This significant resource allowed and continues to allow 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.

DEBIT SECURITIES PORTFOLIO *(in thousands of Euro)*	AMOUNTS AT		CHANGE	
	30.06.2015	31.12.2014	ABSOLUTE	%
DEBIT SECURITIES INCLUDED UNDER:				
Available for sale financial assets	3.793.773	229.868	3.563.905	1550,4%
Held to maturity financial assets	-	4.827.363	(4.827.363)	(100,0)%
Receivables due from banks - bonds	5.009	11.025	(6.016)	(54,6)%
Total securities held	**3.798.782**	**5.068.256**	**(1.269.474)**	**(25,0)%**

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

Issuer/Maturity	Within 30.09.2015	Between 1.10.2015 and 31.12.2015	Between 1.01.2016 and 31.12.2016	Between 1.01.2017 and 31.12.2017	Between 1.01.2018 and 31.12.2020	Total
Government securities	153.341	715.320	756.079	-	2.169.033	3.793.773
% of total	*4,1%*	*18,8%*	*19,9%*	*0,0%*	*57,1%*	*99,9%*
Banks	5.009	-	-	-	-	5.009
% of total	*0,1%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,1%*
Total	**158.350**	**715.320**	**756.079**	**-**	**2.169.033**	**3.798.782**
% of total	***4,2%***	***18,8%***	***19,9%***	***0,0%***	***57,1%***	***100,0%***

Equity portfolio

Available for sale financial assets include equity securities relating to non-controlling interests in unlisted companies, amounting to 9,4 million Euro (-29,8% compared to 31 December 2014), which are considered strategic for Banca IFIS. This change was largely attributable to the 4,2 million Euro write-down of the equity interests in two investees after they were tested for impairment.

Receivables due from banks

At 30 June 2015, **receivables due from banks** totalled 114,8 million Euro, compared to 274,9 million Euro at 31 December 2014 (-58,2%). This item includes some securities not listed on an active market with banking counterparties, totalling 5 million Euro (-54,1% compared to 31 December 2014), and treasury loans with other lenders, amounting to 109,8 million Euro (-58,4% compared to 31 December 2014), largely related to maintaining excess liquidity in the system.
The decline was due to 138,8 million Euro in term deposits outstanding at the end of 2014 coming to maturity.

Loans to customers

At 30 June 2015, total **loans to customers** reached 3.152,1 million Euro, up 12% from 2.814,3 million Euro at the end of 2014. Specifically, trade receivables, which amounted to 2.617,2 million Euro at 30 June 2015, rose 162,1 million Euro compared to the end of 2014 (+6,6%). Receivables due from Italy's Public Administration at 30 June 2015 accounted for 27,6% of total receivables in the segment, compared to 27,1% at 31 December 2014, while receivables due from the private sector accounted for 72,4% (compared to 72,9% at 31 December 2014). Distressed retail loans rose 85,0 million Euro (+62,8%) to 220,4 million Euro, thanks to the several acquisitions of portfolios made during the period. Tax receivables were down 5,2 million Euro to 114,3 million Euro (-4,3%), mainly due to the payments the Group received on two significant exposures during the period. As for the Governance and Services segment, loans to customers were up 95,9 million Euro to 200,3 million Euro (+91,9%), largely due to margin lending with Cassa Compensazione e Garanzia (CC&G) related to repurchase agreements in government bonds on the MTS platform.

LOANS TO CUSTOMERS: BREAKDOWN BY SEGMENT (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2015	31.12.2014	ABSOLUTE	%
Trade receivables	2.617.158	2.455.052	162.106	6,6%
- *of which impaired*	*119.848*	*112.628*	*7.220*	*6,4%*
Distressed retail loans	220.435	135.429	85.006	62,8%
- *of which impaired*	*220.429*	*135.426*	*85.003*	*62,8%*
Tax receivables	114.293	119.473	(5.180)	(4,3)%
- *of which impaired*	-	*34*	*(34)*	*(100,0)%*
Governance and services	200.259	104.376	95.883	91,9%
- *of which with Cassa di Compensazione e Garanzia*	*198.039*	*102.707*	*95.332*	*92,8%*
- *of which receivable repurchase agreements*	**3.152.145**	**2.814.330**	**337.815**	**12,0%**
Total loans to customers	***340.277***	***248.088***	***92.189***	***37,2%***

The breakdown of loans to customers is essentially in line with the Trade Receivables segment, with 26,5% of receivables due from the Public Administration (compared to 27,9% at 31 December 2014) and 73,5% due from the private segment (compared to 72,1% at 31 December 2014).

With regard to activities in support of SMEs, the loans duration was confirmed as short-term, in line with the Group's strategy to support working capital. On average, it takes 3 months to collect receivables due from private sectors entities and 4 to 6 months for those due from the Public Administration.

Finally, it should be noted that the item includes 3 positions, for a total amount of 162,7 million Euro, which fall within the category of major risks.

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 non-performing exposures – i.e. those in the Trade Receivables segment – registered in 2014 continued into 2015, as shown in the table below. Specifically, said progress was due to the following factors: a) new bad loans continued to decrease; 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); finally, c) particular attention was paid to objective substandard loans (now recognised as past due exposures), considerably improving their situation.

Total **net non-performing exposures**, also due to the recent acquisitions in the DRL segment, amounted to 340,3 million Euro at 30 June 2015, compared to 248,1 million Euro at the end of 2014 (+37,2%).

As described in the paragraph Impact of regulatory changes, starting from 1 January 2015, the Group has implemented the new definition of non-performing exposures recently adopted by the

Bank of Italy, which requires to break down non-performing exposures into bad loans, unlikely to pay, and non-performing past due exposures and/or overdrafts.

To make the data more comparable, Banca IFIS restated net non-performing exposures at 31 December 2014 according to the new definitions of the Bank of Italy.

Here below is the reclassification of outstanding non-performing exposures at 31 December 2014 to the new categories and the breakdown of forbearance measures by segment.

NON-PERFORMING EXPOSURES (in thousands of Euro)				
Old definitions	Period/ Values	New definitions	Period/ Values	Period/ Values
	31.12.2014		**31.12.2014**	**30.06.2015**
Bad loans	103.138	Bad loans	103.138	140.265
Restructured loans	14.374	Unlikely to pay	109.152	154.521
Subjective substandard loans	94.778	Unlikely to pay		
Objective substandard loans	8.450	Past due exposures	35.798	45.491
Past due loans	27.348	Past due exposures		
Total net non-performing exposures	**248.088**	**Total net non-performing exposures**	**248.088**	**340.277**

FORBEARANCE (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	CONSOLIDATED TOTAL.
Bad loans				
Figures at 30.06.2015	91	12.798	-	12.889
Figures at *31.12.2014*	-	*6.189*	-	*6.189*
Change %	*n.a.*	*106,8%*	-	*108,3%*
Unlikely to pay				-
Figures at 30.06.2015	14.803	14.110	-	28.913
Figures at *31.12.2014*	*14.354*	*6.197*	-	*20.551*
Change %	*3,1%*	*127,7%*	-	*40,7%*
Past due exposures				-
Figures at 30.06.2015	24	-	-	24
Figures at *31.12.2014*	-	-	-	-
Change %	*n.a.*	-	-	*n.a.*
Net performing loans to customers				-
Figures at 30.06.2015	1.283	5	-	1.288
Figures at *31.12.2014*	*1.968*	-	-	*1.968*
Change %	*(34,8)%*	*n.a.*	-	*(34,6)%*

Net non-performing exposures in the trade receivables segment, which actually determine the Bank's overall credit quality, rose 6,4% from 112,6 million Euro at the end of 2014 to 119,8 million Euro. Net non-performing exposures accounted for 4,6% of all trade receivables, in line with the result at 31 December 2014, and totalled 22,9% (25,7% in December 2014) as a proportion of the Group's equity.

CREDIT QUALITY (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	CONSOLIDATED TOTAL
Bad loans					
Figures at 30.06.2015	32.376	107.889	-	-	140.265
Figures at *31.12.2014*	*33.049*	*70.089*	-	-	*103.138*
Change %	*(2,0)%*	*53,9%*	-	-	*36,0%*
Unlikely to pay					-
Figures at 30.06.2015	41.981	112.540	-	-	154.521
Figures at *31.12.2014*	*43.781*	*65.337*	*34*	-	*109.152*
Change %	*(4,1)%*	*72,2%*	*(100,0)%*	-	*41,6%*
Past due exposures					-
Figures at 30.06.2015	45.491	-	-	-	45.491
Figures at *31.12.2014*	*35.798*	-	-	-	*35.798*
Change %	*27,1%*	-	-	-	*27,1%*
Total non-performing exposures					
Figures at 30.06.2015	**119.848**	**220.429**	**-**	**-**	***340.277***
Figures at *31.12.2014*	***112.628***	***135.426***	***34***	**-**	***248.088***
Change %	***6,4%***	***62,8%***	***(100,0)%***	**-**	***37,2%***
Net performing loans to customers					-
Figures at 30.06.2015	2.497.310	6	114.293	200.259	2.811.868
Figures at *31.12.2014*	*2.342.424*	*3*	*119.439*	*104.376*	*2.566.242*
Change %	*6,6%*	-	*(4,3)%*	*91,9%*	*9,6%*
Total loans to customers (cash)					
Figures at 30.06.2015	***2.617.158***	***220.435***	***114.293***	***200.259***	***3.152.145***
Figures at *31.12.2014*	***2.455.052***	***135.429***	***119.473***	***104.376***	***2.814.330***
Change %	***6,6%***	***62,8%***	***(4,3)%***	***91,9%***	***12,0%***

Here below is the breakdown of the Group's net non-performing exposures in the trade receivables segment alone:

At 30 June 2015, **net bad loans** amounted to 32,4 million Euro, compared to 33,0 million Euro in December 2014; the segment's net bad-loan ratio edged down to 1,2% from 1,3% at 31 December 2014.

The balance of **net unlikely to pay**, the new category including loans previously recognised as subjective substandard or restructured loans, was 42,0 million Euro at 30 June 2015, compared to 43,8 million Euro at 31 December 2014 (-4,1%). The decline was largely attributable to the improved coverage ratio, rising from 24,5% at 31 December 2014 to 29,1% at 30 June 2015, thanks to the Bank's thorough and rigorous assessment policy.

Net past due exposures, which, according to the new definition of the Bank of Italy, include also objective substandard loans in addition to exposures already classified as past due, amounted to 45,5 million Euro at 30 June 2015, compared to 35,8 million Euro in December 2014 (27,1%). The changes in past due exposures are a normal part of the Bank's business model. In this case, the changes are mainly related to a single transaction returned in early July. Net past due exposures referred for 3,1 million Euro (3,9 million Euro at the end of 2014) to receivables due from the Public Administration purchased outright as part of financing operations.

NON-PERFORMING TRADE RECEIVABLES (in thousands of Euro)	BAD LOANS [1]	UNLIKELY TO PAY	PAST DUE	TOTAL
BALANCE AT 30.06.2015				
Gross amount	252.859	59.244	47.257	**359.360**
Incidence on gross total receivables	*8,8%*	*2,1%*	*1,6%*	***12,5%***
Adjustments	220.483	17.263	1.766	**239.512**
Incidence on gross value	*87,2%*	*29,1%*	*3,7%*	***66,6%***
Net amount	32.376	41.981	45.491	**119.848**
Incidence on net total receivables	***1,2%***	***1,6%***	***1,7%***	***4,6%***
BALANCE AT 31.12.2014				
Gross amount	243.729	57.982	37.301	**339.012**
Incidence on gross total receivables	*9,1%*	*2,2%*	*1,4%*	***12,6%***
Adjustments	210.680	14.201	1.503	**226.384**
Incidence on gross value	*86,4%*	*24,5%*	*4,0%*	***66,8%***
Net amount	33.049	43.781	35.798	**112.628**
Incidence on net total receivables	***1,3%***	***1,8%***	***1,5%***	***4,6%***

(1) As far as **bad loans** are concerned, Banca IFIS enters its gross bad loans, recognised in the financial statements net of the related specific value adjustment funds, up to the point in which all legal credit collection procedures have been entirely completed.

Intangible assets and property, plant and equipment and investment property

Intangible assets totalled 6,8 million Euro, compared to 6,6 million Euro at 31 December 2014 (3,4%).
The item refers to software (5,9 million Euro) as well as goodwill (832 thousand Euro) arising from the consolidation of the investment in IFIS Finance Sp.Z o.o.

Property, plant and equipment and investment property totalled 51,5 million Euro, +1,6% from the end of 2014.
At the end of the period, the properties recognised under property, plant and equipment and investment property mainly included: 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 relocated.
The carrying amount of the above assets has been confirmed by experts specialising in the appraisal of luxury properties. Villa Marocco is not depreciated, as its residual value at the end of its useful life, estimated on the basis of an independent appraisal, is expected to be higher than its carrying amount.
There are also two buildings in Florence: the first, worth 3,9 million Euro, was acquired under a finance lease and is the current head office of the NPL business area; the second, measured at 11,4 million Euro—including the restructuring costs incurred to date—will become the new head office of said area.
Properties not yet brought into use at the reporting date are not depreciated.

Tax assets and liabilities

These items include current and deferred tax assets and liabilities.
Deferred tax assets, amounting to 41,3 million Euro at 30 June 2015, referred for 36 million Euro to impairment losses on receivables that can be deducted in the following years, and for 3,3 million Euro to taxes on the valuation reserve for AFS securities held in the portfolio.

Deferred tax liabilities, amounting to 11,1 million Euro at 30 June 2015, refer for 5,7 million Euro to the 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.

Other assets and liabilities

Other assets amounted to 50,2 million Euro at 30 June 2015 (-3,1% from 31 December 2014). This line item referred for 14,0 million Euro to receivables due from Italian tax authorities for payments on account (stamp duty and withholding taxes), and for 7,1 million Euro to an escrow account held with the Italian Revenue Agency concerning a pending appeal in an outstanding tax dispute (as described in section 12 under liabilities, Provisions for risks and charges). The Bank voluntarily set up said account to allow the Fast Finance Business Area to collect tax receivables as usual; the Bank can simply request for it to be returned.
Other liabilities, totalling 180,5 million Euro at the end of the period, were up 69,4 million Euro, mainly related to payables due to the parent La Scogliera S.p.A. under the tax consolidation regime and amounts due to customers that have not yet been credited .

Funding

Funding, net of the rendimax savings account and the contomax current account, 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 carried out with counterparties formally other than banks), refinancing transactions on the Eurosystem, and short-term treasury transactions with other lenders.

FUNDING (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2015	31.12.2014	ABSOLUTE	%
Due to customers:	**6.037.552**	**5.483.474**	**554.078**	**10,1%**
Repurchase agreements	*3.010.531*	*2.082.854*	*927.677*	*44,5%*
Rendimax	*2.865.000*	*3.241.746*	*(376.746)*	*(11,6)%*
Contomax	*65.617*	*72.454*	*(6.837)*	*(9,4)%*
Other payables	*96.404*	*86.420*	*9.984*	*11,6%*
Due to banks:	**457.384**	**2.258.967**	**(1.801.583)**	**(79,8)%**
Eurosystem	*319.702*	*2.226.872*	*(1.907.170)*	*(85,6)%*
Other payables	*137.682*	*32.095*	*105.587*	*329,0%*
Total funding	**6.494.936**	**7.742.441**	**(1.247.505)**	**(16,1)%**

Total **funding**, which amounted to 6.494,9 million Euro at 30 June 2015, down 16,1% compared to 31 December 2014, is represented for 93% by **Payables due to customers** (compared to 70,8% at 31 December 2014) and for 7% by **Payables due to banks** (compared to 29,2% at 31 December 2014).

Payables due to customers at 30 June 2015 totalled 6.037,6 million Euro (+10,1% compared to 31 December 2014). This increase was mainly due to the higher use of repurchase agreements with underlying government bonds and Cassa di Compensazione e Garanzia as counterparty, amounting to 3.010,5 million Euro (compared to 2.082,9 million Euro at the end of 2014). **Retail funding** totalled 2.930,6 million Euro at 30 June 2015, including 2.865 from Rendimax and 65,6 million Euro from contomax, compared to 3.314,2 million Euro at 31 December 2014. The trend is a result of the gradually slid in interest rates. The Bank still bears proportional stamp duty costs on rendimax and contomax, which amount to 0,20%.

Payables due to banks, amounting to 457,4 million Euro (compared to 2.259,0 million Euro at 31 December 2014, -79,8%), mainly consisted of funding from refinancing operations on the Eurosystem for 319,7 million Euro, compared with 2.226,9 million Euro at 31 December 2014. This amount referred for 119,7 million Euro to the TLTRO loan received in December 2014 at a fixed 0,15% rate and maturing on 26 September 2018. The remainder of payables due to banks consists of interbank deposits, including 120,0 million Euro on the E-Mid platform. The significant decrease in Payables due to banks compared to the end of the previous year was 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. The Bank turns to the ECB or the MTS platform exclusively based on which is more convenient in light of interest rate trends.

Provisions for risks and charges

PROVISIONS FOR RISKS AND CHARGES (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2015	31.12.2014	ABSOLUTE	%
Legal disputes	1.413	1.527	(114)	(7,5)%
Tax litigation	196	-	196	n.a.
FITD provisions (Deposit Protection Fund)	461	461	-	0,0%
Total provisions for risks and charges	**2.070**	**1.988**	**82**	**4,1%**

Legal disputes

The provision outstanding at 30 June 2015, amounting to 1,4 million Euro, includes 45 thousand Euro for a labour dispute, 1.352 thousand Euro for eleven disputes concerning the Trade Receivables segment – of which 564 thousand Euro were set aside in the first half of 2015 – and 16 thousand Euro for four disputes concerning the DRL segment.

Overall, the Bank recognises contingent liabilities amounting to 9,6 million Euro in claims, represented by 15 disputes: 12 refer to disputes concerning the Trade Receivables segment, for a total of 9,3 million Euro, and 2 to employees, for a total of 0,2 million Euro. The Bank, supported by the legal opinion of its lawyers, made no provisions for these positions, as the risk of defeat is considered possible.

Tax dispute

The 196 thousand Euro provision outstanding at 30 June 2015 consists in the amount set aside for the verification notices the Bank received and appealed: the tax advisers handling the dispute believe the risk of defeat is probable.

Here below are the contingent liabilities outstanding at 30 June 2015.

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).

With 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 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 22 February 2011, the appeal regarding said verification notice was discussed before the first-level Provincial Tax Commission of Venice. On 29 June 2011, the Commission rejected the appeal. Subsequently, the company filed an appeal with the Regional Tax Commission against this ruling, which was discussed on 25 September 2012. On 18 October 2012, the Commission issued its ruling: it accepted the appeal by Banca IFIS S.p.A. and La Scogliera S.p.A. and, overturning the first-instance ruling, it cancelled the verification notices for 2004 that had been challenged, ordering the Revenue Agency to reimburse the costs for the two-level proceedings to the appellant.

On 22 August 2012, the Bank received a verification notice for 2005. This notification revised the income for the year 2005 subject to the corporate income tax (IRES), applying the anti-avoidance provision as set out in art. 37-bis of Presidential Decree 600/73 to the write-down of the equity investment in Immobiliare Marocco S.p.A. carried out in 2005, 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 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. In addition, the notice considers as tax avoidance some securities trading and lending transactions and challenges the deduction of amounts 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 for the year 2005 totals 8,6 million Euro, raising the tax liability by 2,8 million Euro.

The verification notice, which has now passed the ordinary deadline for its issue, i.e. 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.

With reference 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.

On 11 February 2013, the Bank filed the appeal against the verification notice for 2005. In April 2013, the Bank was notified of the Revenue Agency's response to the appeal. The hearing before the first-level Provincial Tax Commission was scheduled for 24 April 2015, and then adjourned to 23 October 2015.

The tax consultants hired to resolve the dispute of both years reasonably believe they can validly defend the Bank's case, considering the risk of defeat as possible. In accordance with IAS 37, the Bank did not make any provisions for the tax proceedings concerned.

Others

Italy's Interbank Deposit Protection Fund (FITD, *Fondo Interbancario di Tutela dei Depositi*), of which Banca IFIS is a member, approved in a letter dated 16 September 2014 another rescue loan to Banca Tercas, based in Ascoli Piceno. The relevant potential obligation for Banca IFIS amounts to 0,5 million Euro. Therefore, Banca IFIS allocated said amount to the provisions for risks and charges.

In addition, during 2015 European lawmakers introduced significant changes to the framework for managing banking crises by passing the Directives 2014/49/EU (Deposit Guarantee Schemes Directive – DGS) of 16 April 2014 and 2014/59/EU (Bank Recovery and Resolution Directive - BRRD) of 15 May 2014 as well as establishing the Single Resolution Mechanism (EU Regulation no. 806/2014 of 15 July 2014). The goal is bolstering the single market and systemic stability, as detailed below.

<u>Deposit Guarantee Schemes - DGS</u>: the goal is to harmonise the level of protection offered by the local DGSs (in Italy, the Interbank Deposit Protection Fund – FITD, *Fondo Interbancario di Tutela dei Depositi*) by eliminating any differences between EU Member States. The directive 2014/49/EU establishes that the DGS must guarantee depositors will be reimbursed, while leaving the definition of further measures to individual Member States. The DGS is funded with ex ante annual contributions from banks. This funding mechanism, which was not mandatory under the previous model, represents a considerable expense for Italian banks compared to the current system, based on ex post contributions. Banks will contribute to the scheme in proportion to their covered deposits as well as according to their risk profiles, determined with one of the methods defined by the EBA. The fund must reach its minimum target level by 3 July 2024. The target funding level the DGS must reach (in the span of 10 years) is 0,8% of covered deposits. Up to 30% of this target level can consist of payment commitments backed by adequate collateral.

<u>Single Resolution Fund – SFR</u>: the directive 2014/59/EU, which applies to all banks, governs crisis prevention and early intervention measures as well as resolution processes, harmonising the powers of the Supervisory Authorities involved. The directive's underlying principle is that the costs of failing banks should fall on shareholders first (to be diluted or wiped out) and creditors second (through write-downs and bail-ins). In addition to these mechanisms, there is a resolution fund financed with annual contributions from the very entities that may be resolved. The fund is governed by Regulation (EU) 806/2014 of 15 July 2014. The target level, set at 1% of the amount of covered deposits of all credit institutions authorised in participating Member States, must be reached in 8 years (between 2016 and 2023). Therefore, in accordance with the Directive, in 2015 Italian banks will pay into a national resolution fund. Then, starting from 2016, the various national funds will be pooled into the Single Resolution Fund pursuant to Regulation (EU) 806/2014.

As these directives are yet to be transposed into Italian law, and given the lack of details on the method for calculating contributions, at 30 June 2015 the Bank has not made any provision. This aspect will be reviewed during the second half of 2015, when the Directives are expected to be transposed.

Equity and capital adequacy ratios

At 30 June 2015, consolidated Equity was 524,3 million Euro, compared to 437,8 million Euro at 31 December 2014 (+19,7%). The breakdown of the item and the change compared to the previous year are detailed in the tables below.

EQUITY: BREAKDOWN (in thousands of Euro)	AMOUNTS AT		CHANGE	
	30.06.2015	31.12.2014	ABSOLUTE	%
Capital	53.811	53.811	-	*0,0%*
Share premiums	58.834	57.113	1.721	*3,0%*
Valuation reserve:	(12.037)	(109)	(11.928)	n.s.
- AFS securities	*(6.652)*	*5.969*	*(12.621)*	*(211,4)%*
- post-employment benefit	*(169)*	*(262)*	*93*	*(35,5)%*
- exchange differences	*(5.216)*	*(5.816)*	*600*	*(10,3)%*
Reserves	298.710	237.874	60.836	*25,6%*
Treasury shares	(5.831)	(6.715)	884	*(13,2)%*
Profit for the period	130.779	95.876	34.903	*36,4%*
Equity	**524.266**	**437.850**	**86.416**	**19,7%**

EQUITY: CHANGES	(thousands of Euro)
Equity at 31.12.2014	**437.850**
Increases:	**134.077**
Profit for the period	130.779
Sale of treasury instruments	2.605
Change in valuation reserve:	693
- exchange differences	*93*
- post-employment benefit	*600*
Decreases:	**47.661**
Dividends distributed	35.019
Change in valuation reserve:	12.621
- AFS securities	*12.621*
Other variations	21
Equity at 30.06.2015	**524.266**

The change in the valuation reserve for AFS securities recognised in the period was the result of the mentioned sale of part of the portfolio, which caused the Bank to reduce the reserve.
The change in the valuation reserve for exchange differences refers mainly to exchange differences deriving from the consolidation of the subsidiary IFIS Finance Sp. Z o.o.

OWN FUNDS AND CAPITAL RATIOS (in thousands of Euro)	AMOUNTS AT	
	30.06.2015	31.12.2014
Common equity Tier 1 Capital (CET1) (1)	457.611	387.221
Tier 1 Capital (T1)	466.261	389.769
Total own funds	**477.795**	**396.190**
Total RWA	**2.965.762**	**2.787.920**
Common Equity Tier 1 Ratio	15,43%	13,89%
Tier 1 Capital Ratio	15,72%	13,98%
Total own funds Capital Ratio	**16,11%**	**14,21%**

(1) Common Equity Tier 1 capital includes the profit for the period net of estimated dividends.

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. For the purposes of calculating the Bank's total own funds and capital absorption, this regulatory framework requires including the Group Holding in the consolidation scope, governing the recognition of non-controlling interests in consolidated own funds.
Specifically, pursuant to the transitional provisions on own funds, the Group sterilised the valuation reserves referring to debt securities issued by the Central Administrations of EU Member States, consistently with a similar option allowed by the Bank of Italy in 2010 and outlined in Circular no. 263/2006. This had a net negative impact of 3,4 million Euro.

Income statements items

Formation of net banking income

Net banking income amounted to 264,7 million Euro, +85,1% compared to the prior-year period. The 143,0 million Euro increase was attributable to the surge in the DRL (+50,0%) and Tax Receivables (+72,3%) segments, as well as the gains related to the rebalancing of part of the AFS portfolio completed in April 2015 (gross 124,0 million Euro).

NET BANKING INCOME (in thousands of Euro)	1st HALF		CHANGE	
	2015	2014	ABSOLUTE	%
Net interest income	110.787	113.615	(2.828)	(2,5)%
Net commission income	29.247	28.989	258	0,9%
Net result from trading	156	155	1	0,6%
Profit from sale or buyback of financial assets	124.500	231	124.269	n.s.
Net banking income	**264.690**	**142.990**	**121.700**	**85,1%**

The result of the trade receivables segment (77,3 million Euro compared to 78,6 million Euro in the first half of 2014,

-1,7%) was influenced by opposite performance trends in the Credi Impresa Futuro and Pharma business areas. The Pharma business area's net banking income fell 15,9% in the first half compared with the prior-year period. This was the result of lower purchase commissions charged to the seller and classified as interest income: since late 2014, the Pharma business area changed its market approach, buying packages of receivables at par value (or slightly below par). Therefore, the Bank makes profits on the interest accrued on late payment, conservatively recognising it below the rate of interest on arrears, as well as settlements entered into in the period.

The Group is currently improving the accounting for this component in accordance with the reference regulatory framework to better reflect the actual profitability of this business area.

Meanwhile, Credi Impresa Futuro's performance was essentially in line with the prior-year period: this business area reported a turnover of 3,6 billion Euro (+11% from June 2014), outstanding loans totalling 1,8 billion Euro (+16% from June 2014), and a 7% rise in the number of corporate customers compared to the first half of the previous year.

Net banking income in the DRL segment, which deals with acquiring and managing unsecured non-performing exposures, totalled 19,4 million Euro, compared with 13,0 million Euro in 2014 (+50,0%). The excellent first-half performance was the result of the robust trend in bills of exchange and expressions of willingness—rising 22% overall (83,5 million Euro compared to 68,2 million Euro at 30 June 2014)—and the acceleration in the Legal Factory's judicial collection operations.

It should be noted that net banking income alone is not representative of the DRL segment's performance since, as far as bad loans in the DRL segment are concerned, it does not account for the economic impact of the changes in expected cash flows, which are recognised under net impairment losses/reversals on receivables.

The Tax Receivables segment generated 7,5 million Euro (4,4 million Euro in the first half of 2014, +72,3%), thanks largely to the considerable amounts collected during the period and the reduction in debt collection times compared to initial estimates.

The Governance and Services segment posted 160,4 million Euro, compared to 47,0 million Euro at 30 June 2014 (+241,1%). The gain on the securities sold as part of the mentioned rebalancing of the AFS portfolio contributed to this result. In addition, the segment improved its profitability thanks to lower retail funding costs—the result of a planned reduction in funding and interest rates.

In the **second quarter**, net banking income stood at 193,5 million Euro (69,5 million Euro net of the gains on securities trading), compared to 73,6 million Euro in the prior-year period. Trade receivables contributed 37,9 million Euro (vs. 41,1 million Euro), the DRL segment 12,0 million Euro (vs. 6,4 million Euro), tax receivables 3,6 million Euro (vs. 2,2 million Euro), and the Governance and Services segment 140,0 million Euro (nearly 16 million Euro net of the gains on trading in the AFS portfolio) compared to 23,9 million Euro in the same period last year.

Net interest income went from 113,6 million Euro at 30 June 2014 to 110,8 million Euro at 30 June 2015 (-2,5%).

Net commission income totalled 29,2 million Euro and was essentially in line with the amount at 30 June 2014 (+0,9%).

Commission income, totalling 31,6 million Euro compared to 32,5 million Euro at 30 June 2014, came primarily from factoring commissions on the turnover generated by individual customers (with or without recourse, in a flat or monthly scheme) as well as from other fees usually charged to customers for services.

Commission expense, totalling 2,3 million Euro compared to 3,5 million Euro at 30 June 2014, came primarily from approved banks' brokering, the work of other credit brokers, and commissions paid to correspondent banks and factors. The amount at 30 June 2014 included the commissions paid on bonds guaranteed by the Italian Governments, which were settled in October 2014.

Net profit from trading, amounting to 156 thousand Euro at 30 June 2015 compared to 155 thousand Euro in the prior-year period, is the result of exchange differences arising as a physiological consequence from the mismatch between the customers' drawdowns and the Treasury Department's funding operations in foreign currency.

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 HALF		CHANGE	
	2015	2014	ABSOLUTE	%
Net banking income	**264.690**	**142.990**	**121.700**	**85,1%**
Net impairment losses on:	(16.918)	(21.168)	4.250	(20,1)%
Receivables	(12.685)	(21.168)	8.483	(40,1)%
Available for sale financial assets	(4.233)	-	(4.233)	n.a.
Net profit from financial activities	**247.772**	**121.822**	**125.950**	**103,4%**

Net impairment losses on receivables stood at 12,7 million Euro, compared to 21,2 million Euro at 30 June 2014 (-40,1%). In the trade receivables segment alone, the consistently downward trend is attributable to, on the one hand, the Bank's rigorous policy concerning the assessment of the counterparty's credit risk, and on the other, the continuous monitoring of how this risk profile evolves: this allows addressing potential collection problems early, boosting credit quality indicators. 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, which fell to 112 bps.

The ratio of bad loans to loans in the trade receivables sector improved to 1,2% from 1,3% at 31 December 2014.

The bad-loan coverage ratio of the trade receivables segment was 87,2%, up from 86,4% at 31 December 2014.

Net impairment losses on available for sale financial assets, totalling 4,2 million Euro at 30 June 2015 (0 in the prior-year period), referred to impairment losses recognised on two unlisted equity instruments after testing them for impairment.

The Group's **net profit from financial activities** was 247,8 million Euro (123,8 million Euro net of the mentioned sale), compared to 121,8 at 30 June 2014 (+103,4%).

The net profit from financial activities in the Trade Receivables segment rose 13,6% to 63,8 million Euro compared to 56,2 million Euro in the first half of 2014, largely because of the fall in impairment losses on loans and receivables; the DRL segment stood at 20,2 million Euro, compared to 14,3 million at 30 June 2014 (+41%), due to the new collection methods introduced in the DRL segment by the CrediFamiglia brand; the Tax Receivables segment stood at 7,5 million Euro, compared to 4,3 million at 30 June 2014, up 75,6% for the reasons already explained in the “net banking income” section. Finally, net profit from financial activities in the Governance and Services segment, excluding the impact of the mentioned restructuring of the AFS portfolio, fell 31,5% to 32,2 million Euro, compared to 47,0 million Euro in the prior-year period. Please note that this result was influenced by the impact of the impairment losses on AFS financial assets described in the previous paragraph.

In the **second quarter**, net profit from financial activities totalled 182,7 million Euro (60,9 million Euro in the second quarter of 2014). Trade receivables contributed 30 million Euro (+7,9% compared to 27,8 million Euro in the second quarter of 2014), the DRL segment contributed 11,3 million Euro (+60,2% compared to 7,1 million Euro in the prior-year period); tax receivables contributed 3,6 million Euro (76,2% compared to 2,0 million Euro in the second quarter of 2014); the Governance and Services segment totalled 137,8 million Euro, compared to 23,9 million Euro at 30 June 2014.

Formation of profit for the year

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

FORMATION OF PROFIT FOR THE PERIOD (in thousands of Euro)	1st HALF		CHANGE	
	2015	2014	ABSOLUTE	%
Net profit from financial activities	**247.772**	**121.822**	**125.950**	**103,4%**
Operating costs	(51.810)	(46.640)	(5.170)	11,1%
Pre-tax profit from continuing operations	**195.962**	**75.182**	**120.780**	**160,7%**
Income tax expense	(65.183)	(25.127)	(40.056)	159,4%
Profit for the period	**130.779**	**50.055**	**80.724**	**161,3%**

At 30 June 2015, **operating costs** were up 11,1%, from 46,6 million Euro in the first half of 2014 to 51,8 million Euro.

The **cost/income** ratio stood at 19,6% at 30 June 2015 (37,2% excluding the gain on the AFS securities sold from net banking income), compared to 32,6% at 30 June 2014.

OPERATING COSTS (in thousands of Euro)	1st HALF		CHANGE	
	2015	2014	ABSOLUTE	%
Personnel expenses	23.682	21.218	2.464	11,6%
Other administrative expenses	27.453	23.333	4.120	17,7%
Allocation to provisions for risks and charges	82	1.639	(1.557)	(95,0)%
Net impairment losses on tangible and intangible assets	1.759	1.540	219	14,2%
Other operating income (expenses)	(1.166)	(1.090)	(76)	7,0%
Total operating costs	**51.810**	**46.640**	**5.170**	**11,1%**

At 23,7 million Euro, **personnel expenses** rose 11,6% due to new hiring (21,2 million in first half of 2014) - 98 new staff added in the first six months of 2015, up 15,9% compared to 31 December 2014. The increase in personnel expenses is connected with the goal to strengthen some areas and services supporting the business and the scenario in which the Group operates. At 30 June 2015, the Group employees numbered 681.

Other administrative expenses totalled 27,5 million Euro, up 17,7% from 30 June 2014, largely because of higher business volumes in the DRL segment. The relevant costs for collecting debts and gathering information on customers (4,1 million Euro and 1,6 million Euro, respectively) are included in this item of the income statement. Also consulting fees rose due to the re-engineering of business processes and the internal control system (to comply with new prudential regulations for banks concerning the internal control and IT system as well as business continuity).

OTHER ADMINISTRATIVE EXPENSES (in thousands of Euro)	1st HALF		CHANGE	
	2015	2014	ABSOLUTE	%
Expenses for professional services	**11.791**	**7.846**	**3.945**	**50,3%**
Legal and consulting services	6.885	4.326	2.559	59,2%
Auditing	141	144	(3)	(2,1)%
Outsourced services	4.765	3.376	1.389	41,1%
Direct and indirect taxes	**3.814**	**5.631**	**(1.817)**	**(32,3)%**
Expenses for purchasing non-professional goods and services	**11.848**	**9.856**	**1.992**	**20,2%**
Customer information	2.285	1.387	898	64,7%
Property expenses	2.143	1.728	415	24,0%
Software assistance and hire	1.522	1.373	149	10,9%
Postage of documents	1.393	869	524	60,3%
Car fleet management and maintenance	1.093	1.124	(31)	(2,8)%
Advertising and inserts	776	795	(19)	(2,4)%
Telephone and data transmission expenses	700	696	4	0,6%
Business trips and transfers	541	468	73	15,6%
Other sundry expenses	1.395	1.416	(21)	(1,5)%
Total administrative expenses	**27.453**	**23.333**	**4.120**	**17,7%**
Expense recovery	(1.079)	(1.457)	378	(25,9)%
Total net other administrative expenses	**26.374**	**21.876**	**4.498**	**20,6%**

At 30 June 2015, **net allocations to provisions for risks and charges** amounted to 82 thousand Euro (compared to 1,6 million Euro in the first half of 2014). This was the result of 196 thousand Euro in provisions related to the ongoing tax dispute, 564 thousand Euro in provisions concerning Trade Receivables, and 661 thousand Euro in reversals of provisions following the end of the relevant lawsuit, for which Banca IFIS did not have to settle any liability.

Net impairment losses on intangible assets largely refer to IT devices, and at 30 June 2015 stood at 969 thousand Euro, +9,9% compared to the prior-year period.

Net impairment losses on property, plant and equipment and investment property totalled 790 thousand Euro, compared to 658 thousand Euro at 30 June 2014 (+20,1%).

Other net operating income totalled 1,2 million Euro (compared to 1,1 million Euro in the prior-year period) 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 196,0 million Euro, compared to 75,2 million Euro at 30 June 2014.

Income tax expense amounted to 65,2 million Euro, compared to 25,1 million Euro at 30 June 2014. The Group's tax rate was down to 33,3% in the first half of 2015 from 33,4% at 30 June 2014, largely because of the new option to deduct all costs for employees hired on open-ended contracts from the IRAP tax base. This was partially offset by the inability to deduct impairment losses on AFS securities from the IRES tax base.

Profit for the period totalled 130,8 million Euro, compared to 50,1 million Euro at 30 June 2014 (up 161,3%).

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

Reconciliation between the parent company profit and equity and the consolidated profit and equity

(in thousands of Euro)	30.06 2015		31.12.2014	
	EQUITY	OF WHICH PROFIT FOR THE PERIOD	EQUITY	OF WHICH PROFIT FOR THE PERIOD
Parent company balance	518.471	130.274	433.160	94.396
Difference compared to the carrying amounts of the companies consolidated line by line	5.795	505	4.690	1.480
- *IFIS Finance Sp. Zo.o.*	*5.795*	*505*	4.690	*1.480*
Group consolidated balance	**524.266**	**130.779**	**437.850**	**95.876**

Information on Risks and Risk Management Policies

The prudential supervisory provisions for banks continue to strengthen the system of rules and incentives that allow to measure more accurately potential risks connected to banking and financial operations as well as maintain internal capital levels more suited to the effective level of risk exposure of each intermediary.

Concerning risk governance, the Group regularly reviews the strategic guidelines set out in the so-called Risk Appetite Framework. Meanwhile, the second pillar of the provisions includes the ICAAP process (Internal Capital Adequacy Assessment Process), pursuant to which the bank autonomously assesses its own current and expected capital adequacy in relation to both so-called first-pillar risks (credit risk, counterparty risk, market risk and operational risk) and other risks (liquidity risk, banking book interest rate risk, concentration risk, etc.).

This examination accompanied the preparation and the forwarding to the Supervisory body of the annual ICAAP report as at 31 December 2014. In May 2015, again with reference to 31 December 2014 and in compliance with the obligations in the relevant provisions, Banca IFIS published information on its capital adequacy, its exposure to risks, and the general characteristics of the systems it has put in place for the identification, measurement and management of these risks. This document has been published on Banca IFIS's website www.bancaifis.it in the 'Institutional Investors' section.

With reference to the above and as per Circular 229 of 21 April 1999 as amended - Supervisory Instructions for banks - the Banca IFIS Group has set up an Internal Control System that aims to guarantee a reliable and sustainable generation of value in a context of sensible risk control and taking, so as to protect the Group's financial solidity. Banca IFIS's Internal Control System consists of rules, procedures and organisational structures aiming to ensure corporate strategies are complied with and the following goals achieved:

- effectiveness and efficiency of corporate processes (administration, production, distribution, etc.);
- safeguarding of assets' value and protection from losses;
- reliability and integrity of accounting and operating information;

- compliance of operations with the law, supervisory regulations and internal policies, plans, regulations and procedures, as well as the Codes (Code of Ethics, Corporate Governance Code, etc.) adopted by the Group.

Audits involve all personnel to varying degrees and constitute an integral part of daily operations. They can be classified according to the relevant organisational structures. Some types of audits are highlighted below:

- Line audits aim to ensure operations are carried out correctly. These audits are carried out by the operational structures themselves, incorporated in procedures, or performed as part of back office operations;
- Audits on risk management (including compliance risk) aim to define methods for measuring/evaluating risks, verify if limits assigned to the various operational areas are being respected, and check if operations within all areas are consistent with the risk appetite and tolerance objectives set out every year in the so-called Risk Appetite Framework. These audits are entrusted to structures other than the operational ones;
- Internal audit activities aim to identify anomalies and violations of procedures and regulations, as well as to assess the overall efficiency and effectiveness of the Internal Control System. These activities are carried out all the time, either regularly or exceptionally, by structures other than and independent from the operational ones, also via on-the-spot audits.

The role of the different players involved in the Internal Control System (the Board of Directors, the Control and Risks Committee, the Executive Director in charge of the Internal Control System, the Supervisory Body as per Legislative Decree no. 231/2001, the Internal Audit Function, the Corporate Accounting Reporting Officer, the Risk Management Function, the Compliance Function, and Anti-Money Laundering Function) are described in detail in the 'Report on Corporate Governance and Shareholding Structure', prepared pursuant to the third paragraph of article 123 bis of Legislative Decree 58 of 24 February 1998 (Consolidated Law on Finance) as amended, approved by the Board of Directors on 18 February 2015 and published on the Bank's Internet website in the Corporate Governance section.

Credit risk

Qualitative information

General aspects.

The banking group currently operates in the following fields:

- acquisition and management of trade receivables in Italy and abroad; business abroad is undertaken through both the internal structures of the Parent Company (International Area) and the subsidiary IFIS Finance; the offer of financial and accounts receivable management support is mainly aimed at the segment of Small- and Medium-sized Enterprises;
- acquisition and management of non-performing exposures (Distressed Retail Loans);
- acquisition and management of tax receivables.

The Treasury Department's operations complement such activities, and although they are particularly significant on certain occasions, they do not change the mission of the banking Group, which continues to be focused on providing financial and accounts receivable management support to Small and Medium-sized Enterprises.

The factoring business is characterised by the direct assumption of risks related to granting advances and loans, as well as guarantees, if any, on trade receivables of mainly small- and medium-sized enterprises, according to the growth strategies defined and pursued by the Group.

Traditional factoring operations are complemented with the business of acquiring distressed financial (Distressed Retail Loans, that is non-performing exposures), trade and tax receivables. The sellers are typically banks, financial institutions, insolvency proceedings and businesses.

At the end of the first half of 2015, the Banca IFIS Group expanded its business model by adding a new product: medium-term financing supporting the trade receivables of pharmacies.

Given the particular business of the Group’s companies, credit risk is the most important element to consider as far as the general risks assumed by the Group are concerned. The maintenance of effective credit risk management is a strategic objective for the Banca IFIS Group, pursued through the adoption of integrated tools and processes that ensure correct credit risk management in all its phases (preparation, lending, monitoring and management, and intervening on troubled loans).

Vis-à-vis surplus liquidity, if any, the Banca IFIS Group carries out operations involving very short-term deposits with highly creditworthy banking counterparties. Given the counterparties, the short time frames and the modest amounts involved, the credit risk associated with this activity is particularly low.

In April 2015, the Bank's Board, in light of tactical/strategic considerations, resolved first to reclassify the HTM portfolio to AFS financial assets, and then, based on market developments, to change the portfolio's composition, extending its residual life.

The portfolio's resulting average residual life is approximately twenty-nine months, and the maximum duration per individual asset is slightly longer than four years.

The Banca IFIS Group does not carry out any operation involving credit derivatives.

Credit risk management policies.

Organisational aspects

Credit risks in factoring operations directly arise from financing the business customers and guaranteeing them, when requested, against the account debtor’s default. Credit risk management takes place during two specific phases of the credit process: the initial credit assessment phase and, in case of a positive outcome, throughout the entire relationship with the seller/debtor counterparties. In order to increase the quality of its receivables portfolio, Banca IFIS deemed it appropriate to centralise the main phases related to risk taking and control as part of factoring operations in the Bank's Head Office, allowing for a high degree of homogeneity in lending operations and to strictly monitor individual positions through the specialisation of resources and separation of functions at all decision-making levels. In carrying out its operations, the Polish subsidiary IFIS Finance can take certain decisions independently within the operational and organisational limits defined by the Parent Company, Banca IFIS.

In the first phase of the risk management process, the responsible organisational structure shall assess the creditworthiness of the seller and debtor counterparties, the nature of the commercial relationship between them, and the quality of the receivables factored. A multi-level system of delegations and decision-making powers allows the most senior analysts to assume increasingly growing, but still modest, risks. Greater risks can be taken by service and area managers. As for higher amounts, powers are attributed solely to the General Manager, the Chief Executive Officer, the Credit Committee, and the Board of Directors.

The Bank's branches do not have decision-making powers as for the assumption of credit risk. Rather, they have the responsibility of doing business in the local area and managing relationships with customers. Therefore, within the limits and with the procedures established by the Head Office's competent bodies, Branches manage ordinary operations with customers under the constant monitoring of the Head Office.

Qualified and specialised staff follow all stages of a relationship: from the sale of the receivables to the granting of advances, from the administrative management of the receivables to their collection, from the identification of anomalies, if any, to the verification and definition of the most appropriate actions to recover the debt, also with support from the Legal Department, if necessary.

As already specified, the Banca IFIS Group purchases also distressed receivables in the following business areas:

- tax receivables usually acquired from insolvency proceedings and due from tax authorities;
- financial receivables acquired from consumer credit companies, banks and leasing companies;
- trade receivables acquired from insolvency proceedings and companies.

Purchasing the different types of receivables is a fundamental aspect of the credit process. Prior to this phase, highly-skilled analysts carry out a thorough due diligence of the portfolio being transferred and the relevant organisational impact. Once the due diligence is completed, the Group sets the terms and conditions for offering/acquiring the receivables portfolio and how to manage it (individual or collective method), assessing the relevant impact on operating structures.

In order to collect distressed retail loans (DRL), the Banca IFIS Group relies on an in-house legal office, a widespread and tested network of credit collection companies operating throughout Italy, and a network of agents. This structure, together with several lawyers located near the courts, ensures the utmost flexibility as well as effective and timely actions to recover all types of receivables.

The Banca IFIS Group pays particular attention to the concentration of credit risk with reference to all the Group's companies, both at an individual and consolidated level. Banca IFIS's Board of Directors has delegated the Top Management to take action to contain major risks. In line with the Board of Directors' instructions, all positions at risk which significantly expose the Group, even if amounting to less than 10% of regulatory capital, are systematically monitored.

Management, measurement and control systems

The operational procedure governing Banca IFIS Group's credit process within traditional factoring operations is audited during the year and expressly requires an assessment of all the counterparties (both the customer-seller and the account debtor) involved in the factoring relationship.

Within factoring operations, credit risk is constantly monitored by means of procedures and instruments allowing to rapidly identify particular anomalies.

The bank has instruments and procedures in place allowing to evaluate and monitor risks. Specifically:

- it assesses the creditworthiness of the seller and the debtor;
- it immediately identifies the risk in each individual cash advance or financing transaction;
- it defines adequate pricing for each class of risk right from the initial commercial analysis of the feasibility of the operation.

Following a positive assessment and after starting to work with the customer, the bank continues to monitor the relevant credit risk using selected databases.

Protests, prejudicial events or signs of loans turning bad automatically lead to the suspension of operations. The ensuing analysis aims to assess the seriousness of the anomalies and whether the problems are permanent or temporary, so as to decide whether to maintain the relationship or reduce the exposures.

As for the activities concerning the Distressed Retail Loans business and the purchasing of tax receivables arising from insolvency proceedings, in order to ensure increasingly efficient control over the operations undertaken, the Group continued to invest in information systems dedicated to monitoring those portfolios.

Purchases of distressed retail loans are particularly significant. Those loans are classified as from their purchase under non-performing exposures. These are financial receivables (purchased from consumer credit companies, banks and leasing companies) and, to a lesser extent, trade receivables (acquired from insolvency proceedings and companies) which, in light of the characteristics of the receivable and the invoice seller, are duly classified in portfolios homogeneous in terms of management and collection methods (judicial and non-judicial). In particular, the Bank implements the following methods:

- collective management, characterised by non-judicial collection operations carried out mainly by specialist collection agencies, the network of professionals-agents, and the call centre;
- individual management, characterised by judicial collection operations

As for the credit risk associated with the bond portfolio, considering that it is made up mainly of Italian government bonds and, to a lower extent, short-term bank bonds, the Banca IFIS Group constantly monitors the credit quality of the bond issuers. The Risk Management function periodically reports to the bank's Board of Directors and Top Management on the composition of the bond portfolio.

As for Basel 2 principles for calculating capital requirements against first-pillar credit risks, the Bank chose to adopt the Standardised Approach.

Credit risk mitigation techniques

Within the factoring activity, when the type and/or quality of factored receivables do not fully satisfy requirements or, more generally, the invoice seller is not sufficiently creditworthy, the bank’s established practice is to hedge the credit risk assumed by the Group by obtaining additional surety bonds from the shareholders or directors of the invoice seller.

As for the account debtors in factoring relationships, wherever the Bank believes that the elements available to assess the account debtor do not allow to properly measure/assume the related credit risk, or the proposed amount of risk exceeds the limits identified during the debtor’s assessment, the Bank adequately hedges the risk of default of the account debtor. Guarantees issued by correspondent factors and/or insurance policies underwritten with specialised operators are the main hedge against non-domestic account debtors in non-recourse operations.

As for operations concerning distressed loans (Distressed Retail Loans and purchases of tax receivables arising from insolvency proceedings) and the relevant business model, generally no action is taken to hedge credit risks.

Impaired financial assets

With reference to factoring operations, relationships with customers are constantly monitored by the competent Head Office's department, based on both the relationship's performance and monitoring instruments implemented for counterparties at risk (Central Credit Register, protests and prejudicial events, etc.). Should anomalous trends and/or prejudicial elements arise on the part of the counterparty, the situation is placed under watch and the Head Office's Credit Management Area directly supervises the Branch's management of the relationship until the anomalies have been overcome.

Should the situation deteriorate or become critical, the Troubled Loans Area – Monitored Positions Service takes over the management of the relationship. Once it has duly examined the case and the relevant opportunities, it decides whether to maintain the position until the problems have been overcome or reduce the exposure. Based on available information, it also considers whether or not to classify the counterparty under bad loans or subjective substandard loans.

Managing impaired positions, either substandard or bad loans, normally falls under the responsibility of the Troubled Loans Area – Disputes Service, which takes the most appropriate actions to hedge and recover debts, periodically reporting to the Top Management and the Board of Directors. If it is believed that the problems encountered by the seller and/or the debtor could be successfully overcome with the Bank adequately hedging the credit risk, the position may be restructured and placed, once again, under the management and monitoring of the Monitored Positions Service or, if appropriate, the Customer Area.

Individual impairment losses, upon proposal by the Disputes Service, are assessed by the Top Management and submitted to the Board of Directors for approval.

A similar process is formally in place also for IFIS Finance Sp. Z o. o.. Nonetheless, it should be noted that the subsidiary has only marginal exposure to non-performing exposures.

A significant portion of Distressed Retail Loans are classified under non-performing exposures. The purchase of receivables at amounts well below their par value and cash flows generally higher than the price paid minimise the risk of losses.

As for non-performing exposures purchased and not yet collected, the overall outstanding book value of the portfolio is around 6.623 million Euro. At the time of purchase, the historical book value of these receivables was approximately 6.693 million Euro, and they were acquired for approximately 210 million Euro, i.e. an average price equal to approximately 3,9% of the historical book value. In the first half of 2015, approximately 1.071 million Euro were acquired for approximately 61 million Euro, i.e. an average price equal to 6,2%. The overall portfolio of non-performing exposures purchased and not yet collected has an overall weighted average life of around 32 months compared to their purchase date. As far as collective management is concerned (receivables managed through non-judicial operations), the annual trend in cash flows registered an average negative deviation of approximately 7,5% compared to the estimates made using the forecasting model (amount-weighted average), and an average positive deviation of 27% compared to the manager's collection estimates for the individually managed portfolio (judicial operations). Furthermore, it should be noted that overall at the end of the first half of 2015 there were approximately 48 million Euro in outstanding bills of exchange.

Should DRL be classified as bad loans, or should they become objectively impaired, the changes in the amortised cost calculated by discounting the new cash flows at the original effective interest rate compared to the prior period amortised cost are recognised under item 130 Net impairment losses/reversals on receivables.

DRL receivables are measured at amortised cost; the expected cash flows used for calculating the amortised cost are estimated with a statistical model based on proprietary historical time series on collection operations as far as the so-called massive management is concerned, and the estimates made by the analyst as far as the so-called analytical management is concerned.

On- and off-balance-sheet exposures to customers: gross and net amounts

Types of loans/Values	Gross exposure	Specific net impairment losses	Portfolio impairment losses	Net exposure
A. CASH EXPOSURE				
a) Bad loans	360.747	220.483	-	140.264
b) Unlikely to pay	171.784	17.262	-	154.522
c) Past due loans	47.258	1.767	-	45.491
d) Others	6.617.085	-	11.445	6.605.640
TOTAL A	**7.196.874**	**239.512**	**11.445**	**6.945.917**
B. OFF BALANCE-SHEET EXPOSURES				
a) Impaired	3.577	-	-	3.577
b) Others	212.112	-	-	212.112
TOTAL B	**215.689**	**-**	**-**	**215.689**

On-balance-sheet exposures include all cash financial assets due from customers, regardless of the portfolio they are included in (available for sale, held to maturity, loans and receivables).

Breakdown of cash and off-balance sheet exposures to customers by category (carrying amounts)

Exposures/ counterparties	Governments and Central Banks			Other public entities			Financial institutions			Insurance companies			Non-financial companies			Other entities		
	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal	Net exposure	Specific impairment losses/reversal	Portfolio impairment losses/reversal
A. Cash exposure																		
A.1 Bad loans	-	-	-	4.324	6.217	-	16	-	-	-	-	-	36.712	205.088	-	99.212	9.178	-
A.2 Unlikely to pay	306	173	-	2.610	2.480	-	9.270	1.189	-	-	-	-	32.553	13.020	-	109.783	400	-
A.3 Past due loans	661	-	-	2.447	1	-	-	-	-	-	-	-	40.618	1.708	-	1.765	58	-
A.4 Others	3.872.306	-	-	710.980	-	96	206.568	-	56	-	-	-	1.806.169	-	11.230	9.617	-	63
Total A	**3.873.273**	**173**	**-**	**720.361**	**8.698**	**96**	**215.854**	**1.189**	**56**	**-**	**-**	**-**	**1.916.052**	**219.816**	**11.230**	**220.377**	**9.636**	**63**
B. Off-balance-sheet exposures"																		
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-	-	-	156	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-	-	-	2.531	-	-	-	-	-
B.3 Past due loans	-	-	-	-	-	-	-	-	-	-	-	-	890	-	-	-	-	-
B.4 Others	-	-	-	539	-	-	16.688	-	-	-	-	-	194.580	-	-	305	-	-
Total B	**-**	**-**	**-**	**539**	**-**	**-**	**16.688**	**-**	**-**	**-**	**-**	**-**	**198.157**	**-**	**-**	**305**	**-**	**-**
Total (A+B) 30.06.2015	**3.873.273**	**173**	**-**	**720.900**	**8.698**	**96**	**232.542**	**1.189**	**56**	**-**	**-**	**-**	**2.114.209**	**219.816**	**11.230**	**220.682**	**9.636**	**63**
Total (A+B) 31.12.2014	**5.140.254**	**-**	**-**	**664.522**	**7.809**	**88**	**134.100**	**1.362**	**54**	**100**	**-**	**-**	**1.990.113**	**208.583**	**10.404**	**137.615**	**8.630**	**26**

Geographical breakdown of cash and off-balance sheet exposures to customers (carrying amounts)

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Overall impairment losses/ reversals	Net exposure	Overall impairment losses/ reversals	Net exposure	Overall impairment losses/ reversals	Net exposure	Overall impairment losses/ reversals	Net exposure	Overall impairment losses/ reversals
A. Cash exposure										
A.1 Bad loans	139.456	215.933	784	4.545	8	5	2	-	14	-
A.2 Unlikely to pay	154.390	17.258	107	4	17	-	2	-	6	-
A.3 Past due loans	44.970	1.226	521	541	-	-	-	-	-	-
A.4 Others	6.473.993	10.961	130.559	477	225	1	270	2	593	4
Total A	**6.812.809**	**245.378**	**131.971**	**5.567**	**250**	**6**	**274**	**2**	**613**	**4**
B. Off-balance-sheet exposure"										
B.1 Bad loans	156	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	2.531	-	-	-	-	-	-	-	-	-
B.3 Past due loans	890	-	-	-	-	-	-	-	-	-
B.4 Others	204.338	-	6.774	-	-	-	759	-	241	-
Total B	**207.915**	**-**	**6.774**	**-**	**-**	**-**	**759**	**-**	**241**	**-**
Total (A+B) 30.06.2015	**7.020.724**	**245.378**	**138.745**	**5.567**	**250**	**6**	**1.033**	**2**	**854**	**4**
Total (A+B) 31.12.2014	**7.950.952**	**231.513**	**113.328**	**5.433**	**20**	**5**	**1.550**	**3**	**854**	**2**

Geographical breakdown of cash and off-balance sheet exposures to banks (carrying amounts)

Exposures/Geographic areas	Italy		Other European countries		America		Asia		Rest of the World	
	Net exposure	Impairment losses/reversal	Net exposure	Impairment losses/reversal	Net exposure	Impairment losses/reversal	Net exposure	Impairment losses/reversal	Net exposure	Impairment losses/reversal
A. Cash exposure										
A.1 Bad loans	-	-	-	-	-	-	-	-	-	-
A.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
A.3 Past due loans	-	-	-	-	-	-	-	-	-	-
A.4 Others	104.994	-	9.401	-	448	-	-	-	-	-
Total A	**104.994**	**-**	**9.401**	**-**	**448**	-	-	-	-	-
B. Off-balance-sheet exposure"										
B.1 Bad loans	-	-	-	-	-	-	-	-	-	-
B.2 Unlikely to pay	-	-	-	-	-	-	-	-	-	-
B.3 Past due loans	-	-	-	-	-	-	-	-	-	-
B.4 Others	10.594	-	-	-	-	-	-	-	-	-
Total B	**10.594**	-	**-**	-	-	-	-	-	-	-
Total (A+B) 30.06.2015	**115.588**	-	**9.401**	-	**448**	-	-	-	-	-
Total (A+B) 31.12.2014	**283.956**	**-**	**5.117**	**-**	**186**	**-**	**-**	**-**	**-**	**-**

Major exposures

		30.06.2015	31.12.2014
a)	Carrying amount	4.114.673	5.682.017
b)	Weighted value	198.717	375.451
c)	Number	6	10

The overall weighted amount of major exposures at 30 June 2015 consisted of 36 million Euro in tax assets and 162,7 million Euro in loans to customers.

Disclosure regarding Sovereign Debt

On 5 August 2011, CONSOB (drawing on ESMA document no. 2011/266 of 28 July 2011) issued Communication no. DEM/11070007 on disclosures by listed companies of their exposures to sovereign debt and market performance, the management of exposures to sovereign debt, and their operating and financial impact also subsequent to 30 June 2015.

In compliance with the provisions of the aforementioned communication, it should be noted that at 30 June 2015 the book value of exposures to sovereign debt(1) represented by debt securities was 3.793,8 million Euro, and consisted entirely of Italian government bonds; these securities, with a par value of 3.718,5 million Euro, are classified under Available for sale (AFS) financial assets and included in the banking book; the weighted residual average life of these securities is approximately twenty-nine months.

The fair values used to measure the exposures to sovereign debt at 30 June 2015 are considered level 1, and the exposures concerned were not impaired at that date. For further details on the measurement method applied and the classification, please refer to the sections on Accounting policies and Information on the consolidated statement of financial position.

Pursuant to the CONSOB Communication, besides the exposure to sovereign debt, it is also necessary to consider receivables due from the Italian National Administration, which at 30 June 2015 totalled 799,9 million Euro, with 79,5 million Euro due from the “central Government” (of which 78 million Euro relating to tax receivables) and 720,4 million Euro due from “other public bodies”.

The valuation reserve, gross of the tax effect related to the overall position in Italian government bonds, went from a negative 9,9 million Euro (6,7 million Euro net of the tax effect) at the end of first half of 2015 to a positive value of approximately 14,7 million Euro at 28 July 2015 (9,8 million Euro net of the tax effect).

(1) As indicated in the ESMA document, ‘exposures to sovereign debt’ refer to bonds issued by and loans given to central and local government and governmental bodies.

Unconsolidated structured entities

Qualitative information

During 2014, Banca IFIS bought a property in Florence to be renovated for 9,6 million Euro. It plans to move the NPL area's offices there. At the same time, the Bank sold a finance lease agreement concerning the property currently housing the NPL Area to a newco, a special purpose vehicle set up exclusively to manage said property and owned by a real estate company not related to the Banca IFIS Group. Pending completion of the renovation works, the Bank entered into a lease agreement with the newco to continue using the current offices. The rent is substantially in line with the lease payments. Following the sale of the lease agreement, Banca IFIS is jointly liable for the settlement of lease payments. To hedge the risk of insolvency on the part of the newco, Banca IFIS obtained that it set up a million Euro security deposit with the Bank as well as a lien on 99% of voting shares in the newco, to be exercised in the event the newco defaults on its obligations.

In the first half of 2015, the newco regularly settled the lease payments due using the money raised from the leased property.

Since the sale of lease agreement does not meet the requirements of IAS 39 for derecognising the financial liability, Banca IFIS continues to recognise the building under property, plant and equipment, and the relevant financial liability under payables due to customers.

Market risks

Generally, as the Banca IFIS Group does not usually trade in financial instruments, its financial risk profile refers mainly to the banking portfolio. The activity of purchasing bonds, given that these bonds are classified under Available for Sale and Loans and Receivables, is included in the banking book and does not, therefore, constitute new market risks.

At the end of the first half of 2015, the Bank recognised a currency swap, included under the Bank's financial assets, with a mark-to-market value of approximately 248 thousand Euro. The classification of this derivative under financial assets held for trading does not reflect the purpose of the transactions, which is to mitigate the impact of potential fluctuations in the exchange rates.

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Interest rate risk and price risk – supervisory trading book

The Banca IFIS Group does not usually trade in financial instruments. At 30 June 2015, the only asset included in the supervisory trading book was a convertible bond of negligible amount, which was fully written down after the issuer declared default.

Interest rate risk and price risk – banking portfolio

General aspects, management procedures and measurement methods concerning the interest rate risk and the price risk

In general, the Banca IFIS Group does not assume significant interest rate risks, as it obtains funds mainly from interbank deposits (either collateralised or not) and from retail customers through the rendimax current account. Interbank funding operations are generally at a fixed rate and very short-term. Customer deposits on the rendimax and contomax current accounts are at a fixed rate for the fixed-term part, while on demand and call deposits are at a non-indexed floating rate the Bank can unilaterally revise without prejudice to legal and contractual provisions. Loans to customers are usually revocable and at floating rate. Interest rates applied to traditional customers for factoring relationships are normally indexed (mainly at the 3-month Euribor rate) with automatic adjustment to the trend in the cost of money. In some cases the interest rates are not indexed, but they can be unilaterally changed by the Bank without prejudice to legal and contractual provisions in this case, too.

As far as operations on Distressed Retail Loans are concerned, with a business model that focuses on acquiring receivables at prices lower than their book value, there is a potential interest rate risk connected to the uncertainty about when the receivables will be collected. The variability in the loan's term, which to all intents and purposes can be considered at a fixed rate, is particularly important with reference to tax receivables, the overall par value of which is highly likely to be collected, although in the medium/long term. In this context, and in order to effectively mitigate interest rate risk, it is particularly important to correctly assess the operation during the initial acquisition stage. Taking into account the impact of purchases of distressed retail loans, the contribution in terms of interest rate risk to the Banca IFIS Group's overall position, although positive, cannot be considered material.

At 30 June 2015, approximately seventy-nine per cent of the bond portfolio consisted of bonds indexed to market rates and twenty-one per cent of inflation-indexed bonds. The remainder consists of fixed-rate short-term bonds. The average duration of the overall portfolio is approximately five months.

The interest rate risk connected to funding operations carried out by the Parent Company's Treasury Department is assumed according to the limits and policies set by the Board of Directors, with precise delegations of power limiting the autonomy of those authorised to operate within the Bank's Treasury Department.

The business functions responsible for ensuring interest rate risk is managed correctly are: the Treasury Department, which directly manages funding operations and the bond portfolio; the Risk Management function, responsible for selecting the most appropriate risk indicators and monitoring assets and liabilities with reference to pre-set limits; and, lastly, the Top Management, which every year shall make proposals to the Board regarding policies on lending, funding and the management of the interest rate risk, as well as suggest appropriate actions during the year in order to ensure that operations are conducted consistently with the risk policies approved by the Bank.

As part of current operations and based on funding indications from the Treasury Department, as well as interest rate forecasts and assessments of lending trends, the Top Management provides the Treasury Department with guidelines on the use of available credit lines, with a view to taking advantage of changes in interest rates on very short-term maturities and monitoring interest rate-risk trends with reference to the physiological mismatching between assets and liabilities.

In order to monitor interest rate risk, the Top Management receives a daily summary on the overall cash position. Furthermore, the Risk Management function periodically reports to the Bank's Board of Directors on the interest rate risk position by means of a quarterly Dashboard prepared for the Bank's management. The Integrated Treasury and Risk Management System (SIT) provides further tools for assessing and monitoring the main interest rate-sensitive assets and liabilities.

With reference to the 2014 ICAAP Report, sent to the Supervisory Body in April 2015, the interest rate risk falls under the category of second-pillar risks. In the final document sent to the Supervisory Body, as per the relevant regulations (Circular 263 of 27 December 2006 – Title III, Chapter 1, Annex C), the Interest Rate Risk has been specifically measured in terms of capital absorption. In the face of a warning threshold of 20% of Regulatory Capital, the resulting risk indicator for the Group was 1,54% as at 31 December 2014.

Considering the extent of the risk assumed, the Banca IFIS Group does not usually hedge interest rate risk.

As for the price risk, the Group does not generally assume risks connected with price fluctuations on financial instruments, as its business focuses on financing SMEs' working capital.

As for bonds held, some are classified under Available for sale financial assets, giving rise to the risk that the Group's capital reserves could fluctuate as a consequence of the change in the bonds' fair value. Nonetheless, this risk is relatively low, given the high credit standing of the issuers and the short average duration of the portfolio.

The Risk Management function is responsible for monitoring the price risk that the Group assumes in carrying out its operations. Thanks to the Integrated Treasury System (SIT) and the contribution of the Risk Management Function, the Group can assess and monitor the operations of the treasury, providing appropriate tools for assessing price risks. Specifically, the SIT also allows to

- manage the Treasury's traditional operations (securities, exchange rates, money market and derivatives);
- measure and control the exposure to specific types of market risk;
- establish and constantly monitor limits set for the various operational functions.

B. Fair value hedging

There are no fair value hedges.

C. Cash flow hedging

There are no cash flow hedges.

Currency risk

General aspects, management procedures and measurement methods of the currency risk

Assumption of the currency risk, intended as an operating element that could potentially improve treasury performance, represents a speculative instrument: in principle, therefore, it is not part of the Group’s policies. The Bank’s currency operations basically involve collection and payment transactions associated with traditional factoring operations. In this sense, the advances in foreign currency granted to customers are generally hedged with deposits and/or loans from other banks in the same currency, thus eliminating for the most part the risk of losses connected to exchange rate fluctuations. In some cases, synthetic instruments are used as hedging instruments.

A residual currency risk arises as a physiological consequence of the mismatch between the clients’ borrowings and the Treasury Department’s funding operations in foreign currency. Such mismatches are mainly a result of the difficulty in correctly anticipating financial trends connected with factoring operations, with particular reference to cash flows from account debtors vis-à-vis the maturities of loans granted to customers, as well as the effect of interest on them.

However, the Treasury Department strives to minimise such mismatches every day, constantly realigning the size and timing of foreign currency positions.

Currency risk related to the Bank’s business is assumed and managed according to the risk policies and limits set by the Parent Company’s Board of Directors, with precise delegations of power limiting the autonomy of those authorised to operate, as well as especially strict limits on the daily net currency position.

The business functions responsible for ensuring the currency risk is managed correctly are:the Treasury Department, which directly manages the bank’s funding operations and currency position; the Risk Management function, responsible for selecting the most appropriate risk indicators and monitoring them with reference to pre-set limits; and the Top Management, which every year shall make proposals to the Bank's Board of Directors regarding policies on funding and the management of the currency risk, as well as suggest appropriate actions during the year in order to ensure that operations are conducted consistently with the risk policies approved by the Group.

In order to monitor the currency risk, the Top Management receives a daily summary on the treasury’s general position, showing, among other things, the Group’s currency position broken down by currency. The Integrated Treasury System (SIT) provides control functions with the appropriate tools for monitoring and managing the currency risk. Furthermore, the Risk Management function periodically reports to the Bank’s Board of Directors on the currency risk position by means of a quarterly Dashboard prepared for the Bank’s management.

The Group's expanding operations in Poland, through the subsidiary IFIS Finance, are no exception to the above approach: assets denominated in Zloty are financed through funding in the same currency.

With the acquisition of the Polish subsidiary, Banca IFIS has assumed the currency risk represented by the initial investment in IFIS Finance’s share capital for an amount of 21,2 million Zloty and the subsequent share capital increase for an amount of 66 million Zloty.

Furthermore, Banca IFIS owns a 5,43% interest in India Factoring and Finance Solutions Private Limited, worth 200 million Indian rupees and with a market value of 3.044 thousand Euro at the historical exchange rate. As already mentioned, in the second quarter of 2015 the Bank tested said interest for impairment, recognising a 2,2 million Euro charge.

Considering the size of this investment, the Bank did not deem it necessary to hedge the ensuing currency risk.

Breakdown of assets, liabilities and derivatives by currency

Items	Currency					
	US DOLLAR	POUND STERLING	JAPANESE YEN	CANADIAN DOLLAR	SWISS FRANC	OTHER CURRENCIES
A. Financial assets	**18.855**	**293**	**-**	**39**	**-**	**58.021**
A.1 Debts securities	-	-	-	-	-	-
A.2 Equity instruments	-	-	-	-	-	-
A.3 Loans to banks	3.588	151		39	-	4.353
A.4 Loans to customers	15.267	142	-	-	-	53.668
A.5 Other financial assets	-	-	-	-	-	-
B. Other assets	**-**	**-**	**-**	**-**	**-**	**130**
C. Financial liabilities	**14.753**	**-**	**18**	**-**	**8**	**2.863**
C.1 Due to banks	14.746	-	18	-	8	2.758
C.2 Due to customers	7	-	-	-	-	105
C.3 Equity securities	-	-	-	-	-	-
C.4 Other financial liabilities	-	-	-	-	-	-
D. Other liabilities	**-**	**-**	**-**	**-**	**-**	**254**
E. Financial derivatives	**-**	**-**	**-**	**-**	**-**	**24.817**
- Options	-	-	-	-	-	-
+ long positions	-	-	-	-	-	-
+ short positions	-	-	-	-	-	-
- Other	-	-	-	-	-	24.817
+ long positions	-	-	-	-	-	11.925
+ short positions	-	-	-	-	-	36.742
Total assets	**18.855**	**293**	**-**	**39**	**-**	**70.076**
Total liabilities	**14.753**	**-**	**18**		**8**	**39.859**
Unbalance (+/-)	**4.102**	**293**	**(18)**	**39**	**(8)**	**30.217**

Derivative financial instruments

Financial derivatives

The Banca IFIS Group does not trade in financial derivatives on behalf of third parties and limits proprietary trading to instruments hedging against market risk.

Banca IFIS often uses financial derivatives to hedge currency exposures. At 30 June 2015, the Group recognised 248 thousand euro as currency swap hedging against fluctuations exchange rate. As for the transactions entered into, it should be noted that the Group never undertakes speculative transactions.

Liquidity risk

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

The liquidity risk refers to the possibility that the Group fails to service its debt obligations due to the inability to raise funds or sell enough assets on the market to address the financial deficit. The liquidity risk also refers to the inability to secure new adequate financial resources, in terms of amount and cost, to meet its operating needs and opportunities, hence forcing the Group to either slow down or stop its operations, or incur excessive funding costs in order to service its obligations, significantly affecting its profitability.

Financial resources are represented by equity, on-line funding from retail customers, and funding operations carried out both on the domestic and international interbank market and with the Eurosystem. Considering the composition of the Group’s assets, the kind of business it carries out, and the strategies the Board of Directors defined in order to limit factoring operations on trade receivables to short or very short terms (normally not exceeding 6 months, excluding receivables due from the Public Administration, with average collection periods usually up to 12 months), the liquidity risk for the Banca IFIS Group, under normal financial market conditions, is not particularly critical.

With reference to the Group’s operations concerning Distressed Retail Loans and the purchases of tax receivables arising from insolvency proceedings, the characteristics of the business model imply a high level of variability concerning both the amount collected and the date of actual collection. Therefore, the timely and careful management of cash flows is particularly important. Due to the limited amount of distressed retail loans as a proportion of the Banca IFIS Group’s total assets, the overall impact on the maturity matching of consolidated assets and liabilities can be deemed marginal. In order to ensure expected cash flows are correctly assessed, also with a view to correctly pricing the operations undertaken, the Group carefully monitors the trend in collections compared to expected flows.

The Banca IFIS Group has always secured financial resources more than adequate for its needs thanks to its wide and diverse interbank relationships, the market's positive response to its on-line funding source, the setting up of a portfolio eligible for Repo transactions, and the type and quality of its assets.

During the period, the Bank pursued particularly prudent financial policies aimed at favouring funding stability This policy, which affects the economic efficiency of treasury management, in terms of the rate spread between interbank funding and lending, to guarantee certain and stable liquidity, is adequately supported by the profitability of the Group's operations.

At the moment, the available financial resources are adequate for current and future business volumes. Nonetheless, the Group is constantly striving to improve the state of its financial resources, in terms of both size and cost.

The Parent Company’s business functions responsible for ensuring that liquidity policies are properly implemented are: the Treasury Department, which directly manages liquidity; the Risk Management function, responsible for selecting the most appropriate risk indicators and monitoring them with reference to pre-set limits; and the Top Management, which every year shall make proposals to the Bank's Board of Directors regarding policies on funding and the management of liquidity risk, as well as suggest appropriate actions during the year in order to ensure that operations are conducted consistently with the risk policies approved by the Group

More specifically, as part of current operations and based on indications from the Treasury Department, as well as assessments of lending trends, the Top Management establishes policies for financing operations with durations over 3 months, in order to support ordinary short-/very short-term treasury operations, as well as manage and monitor liquidity risk.

As for its own direct operations, the Bank adopted a model for analysing and monitoring present and future liquidity positions as an additional element systematically supporting the Top Management’s and the Board of Directors’ decisions concerning liquidity. The results of periodic analyses carried out under both normal and stress market conditions are reported directly to the Supervisory Body. In compliance with supervisory provisions, the Bank also has a Contingency Funding Plan aimed at protecting the banking Group from losses or threats arising from a potential liquidity crisis and guaranteeing business continuity even in the midst of a serious emergency arising from its own internal organisation and/or the market situation.

Furthermore, the Risk Management function periodically reports to the Bank's Board of Directors on the liquidity risk position by means of a Dashboard prepared for the Bank's management.

With reference to the Polish subsidiary, treasury operations are co-ordinated by Banca IFIS's Treasury Department, in accordance with the Group's policies. If needed, the Bank may intervene directly in the subsidiary's favour.

As part of the continuous process of updating internal procedures, and taking into account the changes in the relevant prudential regulation, the Bank has implemented a Group liquidity risk governance and management system.

Self-securitisation operation Il Giglio

On 25 January 2011, Toscana Finanza's Board of Directors resolved to implement a securitisation programme for non-performing exposures pursuant to Law 130 of 30 April 1999 in order to optimise the operational and economic management of part of its financial receivables portfolio.

The operation concerned non-performing banking loans identifiable in block and largely backed by mortgages for an overall par value of around 33,7 million Euro.

The special purpose vehicle, Giglio SPV Srl, issued floating-rate asset-backed securities that were wholly underwritten by the merged company Toscana Finanza S.p.A., which was given a specific sub-servicing mandate for the collection and management of the receivables.

It should be noted that, pursuant to the terms and conditions of the operation, there is no substantial transfer of all the risks and rewards relating to the transferred assets (receivables).

Exposure to high risk instruments – disclosure

Considering the goals it pursues and the technical aspects of the securitisation described above, the Banca IFIS Group faces no exposure or risks arising from the trading or holding of structured credit products, whether carried out directly or through unconsolidated special purpose vehicles or entities. In particular, it is important to stress that the securitisation has not removed any risk from the Group's total assets, since the derecognition requirements set by IAS 39 were not met. Meanwhile, the underwriting of the securities arising from the securitisation has not added any risk nor changed the presentation of the assets involved in the securitisation in the financial statements compared to that already in place. With reference to the Recommendation set out in the Report of the Financial Stability Forum of 7 April 2008, Appendix B, we can state that there are no exposures to instruments deemed highly risky by the market or implying a risk greater than previously expected.

Operational risks

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

Operational risk is the risk of losses arising from inadequate or dysfunctional procedures, human resources, internal systems or external events. Losses from fraud, human error, business disruption, unavailability of systems, breach of contract and natural disasters all fall under this category. Managing operational risks requires the ability to identify the risks entailed by all significant products, activities, processes and systems that could compromise the Group's goals. Operational risks include the risks of judicial or administrative sanctions, significant financial losses or reputational damage following violations of mandatory legal provisions (laws and regulations, such as the laws on banking transparency, anti-money laundering, privacy and administrative liability of legal entities) or corporate governance provisions (for example, the Corporate Governance Code for listed companies).

Correctly managing operational risks strictly requires adequate organisational structures, operational procedures and IT support. It is also extremely important to properly train resources. Indeed, the Banca IFIS Group is constantly committed to the professional training and growth of its human resources.

During the first half of 2015, the Group further strengthened the controls over operational risks, also by progressively updating internal processes aimed at monitoring and identifying potential anomalous situations. In addition, it started a gradual process to enhance the methods for identifying and measuring operational risks, consistently with the sector's market practices.

Currently, the management of operational risks for the Polish subsidiary is guaranteed by the strong involvement of the Parent Company, which makes decisions in terms of strategies and risk management.

As far as business continuity is concerned, the Banca IFIS Group has adopted a Business Continuity Plan, that is a set of initiatives and counter-measures designed to keep business interruptions within the limits set in business continuity strategies. The Business Continuity Plan also includes the Disaster Recovery plan, designed to deal with events that could disrupt the corporate IT systems.

As for Basel 2 principles for calculating capital requirements against first-pillar operational risks, the Bank chose to adopt the Basic Indicator Approach.

Business Combinations

Operations undertaken in the period

In the first half of 2015, Banca IFIS did not carry out business combinations as per IFRS 3.

Transactions carried out after the end of the period

The Banca IFIS Group did not carry out any business combination between the end of the period and the date of preparation of these Condensed consolidated interim financial statements at 30 June 2015.

Retrospective corrections

The Banca IFIS Group did not carry out any business combinations as per IFRS 3 during the period, therefore this section will be left blank.

Related-party transactions

In compliance with the provisions of Consob resolution no. 17221 of 12 March 2010 (as subsequently amended by means of Resolution no. 17389 of 23 June 2010) and the provisions of Circular 263/2006 (Title V, Chapter 5) of the Bank of Italy, Banca IFIS prepared the procedure relating to transactions with “related parties”, the current version of which was approved by the Board of Directors on 17 July 2013. This document is publicly available on Banca IFIS’s website, www.bancaifis.it, in the ‘Corporate Governance' Section.

During the first half of 2015 no significant transactions with related parties were undertaken.

At 30 June 2015, the Banca IFIS Group S.p.A. remains controlled by La Scogliera S.p.A. and is made up of the parent company, Banca IFIS S.p.A. and the wholly-owned subsidiary, IFIS Finance Sp. Z o.o.

The types of related parties, as defined by IAS 24, that are relevant for the Banca IFIS Group include:

- the parent company;

- key management personnel;

- close relatives of key management personnel and the companies controlled by (or associated to) them or their close relatives.

Here below is the information on the remuneration of key management personnel as well as transactions undertaken with the different types of related parties.

1. Information on the remuneration of key management personnel

The definition of key management personnel, as per IAS 24, includes all those persons having authority and responsibility for planning, directing and controlling the activities of Banca IFIS, directly or indirectly, including the Bank's directors (whether executive or otherwise).

In compliance with the provisions of the Bank of Italy’s Circular no. 262 of 22 December 2005 (as updated on 22 December 2014), key management personnel also include the members of the Board of Statutory Auditors.

Key management personnel

Short-term employee benefits	Post employment benefits	Other long-term benefits	Termination benefits	Share-based payments
1.734	-	79	21	176

The above information includes fees paid to Directors (1,2 million Euro, gross amount) and Statutory Auditors (153 thousand Euro, gross amount).

Information on related-party transactions

Here below are the assets, liabilities, guarantees and commitments outstanding at 30 June 2015, broken down by type of related party pursuant to IAS 24.

Items	Parent company	Managers with strategic responsibilities	Other related parties	Total	% on item
Due to customers	965	609	574	**2.148**	0,0%
Other liabilities	36.833	-	-	**36.833**	20,4%
Total liabilities	**37.798**	**609**	**574**	**38.981**	**0,5%**

Items	Parent company	Managers with strategic responsibilities	Other related parties	Total	% on item
Interest due and similar expenses	-	(2)	(4)	**(6)**	0,0%
Other operating income/expenses	(4)	-	-	**(4)**	(0,3)%

Transactions with the **Parent Company** relate to:

- the current account relationship with the Parent Company, La Scogliera S.p.A. The balance at 30 June 2015 shows a 965 thousand Euro payable due from Banca IFIS S.p.A. to the parent. Relations with La Scogliera S.p.A. are conducted at arm's length;
- the lease from Banca IFIS to La Scogliera of part of the property that housed the Bank's registered office until the end of 2005. Under the agreement, the annual lease payments total 32 thousand Euro plus VAT. This price was determined at arm's length. Starting from 30 June 2015 the agreement has been terminated.
- 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. Infragroup transactions 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. Under this tax regime, Banca IFIS's taxable income is transferred to La Scogliera S.p.A., the consolidating company, which is responsible for calculating overall group income. Following this decision, at 30 June 2015 Banca IFIS recognised 36,9 million Euro in payables due to the parent company under Other liabilities.

Transactions with **key management personnel** relate almost entirely to rendimax or contomax savings accounts.

Transactions with **other related parties** are part of Banca IFIS's ordinary business and the conditions applied are at arm's length. Specifically, some individuals qualifying as other related parties held rendimax or contomax accounts with the Bank amounting to 574 thousand Euro overall.

Segment Reporting

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 segments: Trade Receivables, Distressed Retail Loans, Tax Receivables, Governance and Services.

The Governance and Services segment manages the Group's financial resources and allocates funding costs to operating segments and subsidiaries through the Group's internal transfer rate system.

Here below are the results achieved in the first half of 2015 by the various business segments, which will be analysed in the sections dedicated to the individual segments.

INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Figures at 30.06.2015	77.275	19.442	7.523	160.450	**264.690**
Figures at 30.06.2014	78.618	12.964	4.367	47.041	**142.990**
Change %	*(1,7)%*	*50,0%*	*72,3%*	*241,1%*	***85,1%***
Net profit from financial activities					
Figures at 30.06.2015	63.825	20.193	7.537	156.217	**247.772**
Figures at 30.06.2014	56.171	14.318	4.292	47.041	**121.822**
Change %	*13,6%*	*41,0%*	*75,6%*	*232,1%*	***103,4%***

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES	GROUP CONSOLIDATED TOTAL
Net banking income					
Second quarter 2015	37.941	12.012	3.621	139.950	**193.524**
Second quarter 2014	*41.152*	*6.362*	*2.203*	*23.921*	***73.638***
Change %	*(7,8)%*	*88,8%*	*64,4%*	*485,1%*	***162,8%***
Net profit from financial activities					
Second quarter 2015	30.016	11.334	3.577	137.736	**182.663**
Second quarter 2014	*27.824*	*7.077*	*2.030*	*23.921*	***60.852***
Change %	*7,9%*	*60,2%*	*76,2%*	*475,8%*	***200,2%***

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 30.06.2015	-	-	-	3.803.216	3.803.216
Figures at 31.12.2014	-	-	-	*243.325*	*243.325*
Change %	-	-	-	*1463,0%*	*1463,0%*
Held to maturity financial assets					
Figures at 30.06.2015	-	-	-	-	-
Figures at 31.12.2014	-	-	-	*4.827.363*	*4.827.363*
Change %	-	-	-	*(100,0)%*	*(100,0)%*
Due from banks					
Figures at 30.06.2015	-	-	-	114.843	114.843
Figures at 31.12.2014	-	-	-	*274.858*	*274.858*
Change %	-	-	-	*(58,2)%*	*(58,2)%*
Loans to customers					
Figures at 30.06.2015	2.617.158	220.435	114.293	200.259	3.152.145
Figures at 31.12.2014	*2.455.052*	*135.429*	*119.473*	*104.376*	*2.814.330*
Change %	*6,6%*	*62,8%*	*(4,3)%*	*91,9%*	*12,0%*
Due to banks					
Figures at 30.06.2015	-	-	-	457.384	457.384
Figures at 31.12.2014	-	-	-	*2.258.967*	*2.258.967*
Change %	-	-	-	*(79,8)%*	*(79,8)%*
Due to customers					
Figures at 30.06.2015	-	-	-	6.037.552	6.037.552
Figures at 31.12.2014	-	-	-	5.483.474	5.483.474
Change %	-	-	-	*10,1%*	*10,1%*

SECTOR KPIs (in thousands of Euro)	TRADE RECEIVABLES	DRLs	TAX RECEIVABLES	GOVERNANCE AND SERVICES
Turnover (1)				
Figures at 30.06.2015	4.646.699	n.a.	n.a.	n.a.
Figures at 30.06.2014	3.800.169	*n.a.*	*n.a.*	*n.a.*
Change %	*22,3%*	-	-	-
Nominal amount of receivables managed				
Figures at 30.06.2015	3.207.237	6.823.367	163.104	n.a.
Figures at 31.12.2014	*3.101.058*	*5.630.151*	*167.834*	*n.a.*
Change %	*3,4%*	*21,2%*	*(2,8)%*	-
Net bad loans/Loans to customers				
Figures at 30.06.2015	1,2%	48,9%	0,0%	n.a.
Figures at 31.12.2014	*1,3%*	*51,8%*	*0,0%*	*n.a.*
Change %	*(0,1)%*	*(2,9)%*	-	-
RWA (2)				
Figures at 30.06.2015	1.913.311	220.435	36.313	154.413
Figures at 31.12.2014	*1.802.978*	*135.426*	*37.595*	*187.560*
Change %	*6,1%*	*62,8%*	*(3,4)%*	*(17,7)%*

(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 segments.

Trade receivables

This segment includes the following business areas:
- Credi Impresa Futuro (CIF), dedicated to supporting the trade receivables of SMEs operating in the domestic market;
- Banca IFIS International, 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 slight contraction in the Trade Receivables segment's net banking income, down -1,7% (77,3 million Euro compared to 78,6 in the first half of 2014), was largely attributable to the performance of the Pharma business area: it more than doubled its turnover compared to the prior-year period (697 million Euro compared to 315 million Euro) and collected significantly more payments (609 million Euro compared to 270 million Euro), but saw net interest income — the result of interest accrued according to the amortised cost method and funding costs allocated to the segment — shrink due to competitive pricing pressures. By reducing the discount on the acquisition, these negatively affect "standard" interest income. This decline was partly offset by the profits deriving from interest on arrears. Indeed, interest income includes a portion (amounting to 304,5 thousand Euro in the period) of interest on arrears accruing from the estimated collection date: the Bank, based on historical data and available information, estimates that at least 20% can be recovered.
At 30 June 2015 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 45,1 million Euro) as well as non-collected receivables (approximately 42,5 million Euro) due from the Public Administration.
The Credit Impresa Futuro and International business areas partly compensated for the Pharma business unit's performance. CIF saw turnover and loans rise by nearly 10-15 bps and margins in line with June 2014, while International almost doubled turnover and loans and improved its margins compared to June 2014.

Net impairment losses in the trade receivables segment alone reached 13,4 million Euro, down 40,1% from 22,4 million Euro at 30 June 2014. This was the result of slowing new non-performing exposures, thanks to constantly improving lending standards and increasingly efficient credit management and monitoring processes.

INCOME STATEMENT DATA (in thousands of Euro)	1st HALF		CHANGE	
	2015	2014	ABSOLUTE	%
Net interest income	47.675	46.896	779	1,7%
Net commission income	29.600	31.722	(2.122)	(6,7)%
Net banking income	**77.275**	**78.618**	(1.343)	(1,7)%
Net impairment losses on loans and receivables	(13.450)	(22.447)	8.997	(40,1)%
Net profit from financial activities	**63.825**	**56.171**	7.654	13,6%

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	2nd QUARTER		CHANGE	
	2015	2014	ABSOLUTE	%
Net interest income	22.922	25.073	(2.151)	(8,6)%
Net commission income	15.019	16.079	(1.060)	(6,6)%
Net banking income	**37.941**	**41.152**	**(3.211)**	**(7,8)%**
Net impairment losses on loans and receivables	(7.925)	(13.328)	5.403	(40,5)%
Net profit from financial activities	**30.016**	**27.824**	**2.192**	**7,9%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	30.06.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Bad loans	32.376	33.049	(673)	(2,0)%
Unlikely to pay	41.981	43.781	(1.800)	(4,1)%
Past due exposures	45.491	35.798	9.693	27,1%
Total net non-performing exposures	**119.848**	**112.628**	**7.220**	**6,4%**
Net performing exposures	2.497.310	2.342.424	154.886	6,6%
Total loans to customers (cash)	**2.617.158**	**2.455.052**	**162.106**	**6,6%**

Loans to customers included in this segment are composed as follows: 27,6% are receivables due from the Public Administration (compared to 27,1% at 31 December 2014) and 72,4% due from the private sector (compared to 72,9% at 31 December 2014).

Net non-performing exposures rose 6,4% from 112,6 million Euro to 119,8 million Euro. The segment's net bad-loan ratio edged down to 1,2% from 1,3% at 31 December 2014, while the ratio of net unlikely to pay to loans fell to 1,6% from 1,8% at 31 December 2014. The ratio of total net non-performing exposures to loans was unchanged from 4,6% at the end of 2014. Net non-performing exposures amounted to 22,9% as a percentage of equity, compared to 25,7% at 31 December 2014.

NON-PERFORMING TRADE RECEIVABLES (in thousands of Euro)	BAD LOANS (1)	UNLIKELY TO PAY	PAST DUE	TOTAL
BALANCE AT 30.06.2015				
Gross amount	252.859	59.244	47.257	**359.360**
Incidence on gross total receivables	*8,8%*	*2,1%*	*1,6%*	***12,5%***
Adjustments	220.483	17.263	1.766	**239.512**
Incidence on gross value	*87,2%*	*29,1%*	*3,7%*	***66,6%***
Net amount	32.376	41.981	45.491	**119.848**
Incidence on net total receivables	***1,2%***	***1,6%***	***1,7%***	***4,6%***
BALANCE AT 31.12.2014				
Gross amount	243.729	57.982	37.301	**339.012**
Incidence on gross total receivables	*9,1%*	*2,2%*	*1,4%*	***12,6%***
Adjustments	210.680	14.201	1.503	**226.384**
Incidence on gross value	*86,4%*	*24,5%*	*4,0%*	***66,8%***
Net amount	33.049	43.781	35.798	**112.628**
Incidence on net total receivables	***1,3%***	***1,8%***	***1,5%***	***4,6%***

(1) **Bad loans** are recognised in the financial statements up to the point in which all credit collection procedures have been exhausted.

KPIs	30.06.2015	30.06.2014	CHANGE	
			ABSOLUTE	%
Turnover	4.646.699	3.800.169	846.530	22,3%
Net banking income/ Turnover	1,7%	2,1%	-	(0,4)%

KPI y/y	30.06.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Net bad loans/Loans to customers	1,2%	1,3%	-	(0,1)%
Coverage ratio on gross bad loans	87,2%	86,4%	-	0,8%
Non-performing exposures /Loans to customers	4,6%	4,6%	-	(0,0)%
Total RWA per sector	1.913.311	1.802.978	110.333	6,1%

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 period (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 AT		CHANGE	
	30.06.2015	31.12.2014	ABSOLUTE	%
Receivables with recourse	2.167.071	2.000.116	166.955	8,3%
of which due from the Public Administration	*419.891*	*391.943*	*27.948*	*7,1%*
Receivables without recourse	207.690	201.131	6.559	3,3%
of which due from the Public Administration	*6.134*	*12.036*	*(5.902)*	*(49,0)%*
Outright purchases	937.767	899.811	37.956	4,2%
of which due from the Public Administration	*701.301*	*655.035*	*46.266*	*7,1%*
Total receivables	**3.312.528**	**3.101.058**	**211.470**	**6,8%**
of which due from the Public Administration	***1.127.326***	***1.059.014***	***68.312***	***6,5%***

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	46,5%	44,9%
Central Italy	23,1%	27,6%
Southern Italy	25,6%	11,1%
Abroad	4,8%	16,4%
Total	**100,0%**	**100,0%**

Distressed Retail Loans

This is the Banca IFIS Group's segment dedicated to non-recourse factoring and managing distressed retail loans. It serves households under the new CrediFamiglia brand.
The business is closely associated with recovering non-performing exposures;

DRL RECEIVABLES PERFORMANCE	(thousands of Euro)
Receivables portfolio at 31.12.2014	**135.429**
Purchases	78.095
Interest income from amortised cost	12.353
Other components of net interest income from change in cash flow	8.480
Losses/Reversals of impairment losses from change in cash flow	751
Collections	(14.673)
Receivables portfolio at 30.06.2015	**220.435**

INCOME STATEMENT DATA (in thousands of Euro)	1st HALF		CHANGE	
	2015	2014	ABSOLUTE	%
Interest income from amortised cost	12.353	12.891	(538)	(4,2)%
Other interest income from change in cash flow	8.480	1.965	6.515	331,6%
Funding costs	(1.303)	(1.892)	589	(31,1)%
Net interest income	**19.530**	**12.964**	**6.566**	**50,6%**
Net commission income	(88)	-	(88)	n.a.
Net banking income	**19.442**	**12.964**	**6.478**	**50,0%**
Net impairment losses/recoveries on loans and receivables	751	1.354	(603)	(44,5)%
Net profit from financial activities	**20.193**	**14.318**	**5.875**	**41,0%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	2nd QUARTER		CHANGE	
	2015	2014	ABSOLUTE	%
Interest income from amortised cost	6.317	6.597	(280)	(4,2)%
Other interest income from change in cash flow	6.492	706	5.786	819,5%
Funding costs	(719)	(941)	222	(23,6)%
Net interest income	**12.090**	**6.362**	**5.728**	**90,0%**
Net commission income	(78)	-	(78)	n.a.
Net banking income	**12.012**	**6.362**	**5.650**	**88,8%**
Net impairment losses/recoveries on loans and receivables	(678)	715	(1.393)	(194,8)%
Net profit from financial activities	**11.334**	**7.077**	**4.257**	**60,2%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	30.06.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Bad loans	107.889	70.089	37.800	53,9%
Unlikely to pay	112.540	65.337	47.203	72,2%
Past due exposures	-	-	-	-
Total net non-performing exposures	**220.429**	**135.426**	**85.003**	**62,8%**
Net performing exposures	6	3	3	100,0%
Total loans to customers (cash)	**220.435**	**135.429**	**85.006**	**62,8%**

KPIs	30.06.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	6.823.367	5.630.151	1.193.216	21,2%
Total RWA per sector	220.435	135.426	85.009	62,8%

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;
- settlement plans agreed with the debtors (so-called expressions of willingness).

As for funding operations during the first half, the Bank registered an increase in bills of exchange, which complement the new debt collection method consisting in settlement plans (expressions of willingness). Funding from the above-mentioned instruments totalled 83,5 million Euro in the first half. In the first six months of 2015, the Bank collected 14,6 million Euro, compared to 16,6 million Euro in the prior-year period, after it sold in late 2014 the portfolio of bills of exchange outstanding at 31 October 2014, with par value of 219 million Euro.

The purchases made in the period led to the acquisition of financial receivables portfolios with a par value of nearly 1,3 billion Euro at a price of 78,1 million Euro (i.e. 6,2% of the par value), consisting of 163.849 positions. These positions are currently accounted for at cost, as the Bank still has to finish analysing the relevant documentation before it can recognise them at amortised cost.

As a result of these acquisitions, the portfolio managed by the DRL segment includes 928,8 thousand positions, for a par value of nearly 6,8 billion Euro.

Tax receivables

It is the Banca IFIS Group's segment 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 segment 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 non-performing exposures, if required.

TAX RECEIVABLES PERFORMANCE	(thousands of Euro)
Receivables portfolio at 31.12.2014	**119.473**
Purchases	13.744
Interest income from amortised cost	5.897
Other components of net interest income from change in cash flow	2.722
Reversals of impairment losses from change in cash flow	(349)
Collections	(27.194)
Receivables portfolio at 30.06.2015	**114.293**

INCOME STATEMENT DATA (in thousands of Euro)	1st HALF		CHANGE	
	2015	2014	ABSOLUTE	%
Net interest income	7.479	4.367	3.112	71,3%
Net commission income	44	-	44	n.a.
Net banking income	**7.523**	**4.367**	3.156	72,3%
Net impairment losses/recoveries on loans and receivables	14	(75)	89	(118,7)%
Net profit from financial activities	**7.537**	**4.292**	3.245	75,6%

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	2nd QUARTER		CHANGE	
	2015	2014	ABSOLUTE	%
Net interest income	3.621	2.203	1.418	64,4%
Net commission income	-	-	-	-
Net banking income	**3.621**	**2.203**	**1.418**	**64,4%**
Net impairment losses/recoveries on loans and receivables	(44)	(173)	129	(74,6)%
Net profit from financial activities	**3.577**	**2.030**	**1.547**	**76,2%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	30.06.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Bad loans	-	-	-	-
Unlikely to pay	-	34	(34)	(100,0)%
Past due exposures	-	-	-	-
Total net non-performing exposures	**-**	**34**	**(34)**	**(100,0)%**
Net performing exposures	114.293	119.439	(5.146)	(4,3)%
Total loans to customers (cash)	**114.293**	**119.473**	**(5.180)**	**(4,3)%**

KPIs	30.06.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Nominal amount of receivables managed	163.104	167.834	(4.730)	(2,8)%
Total RWA per sector	36.313	37.595	(1.282)	(3,4)%

Net banking income is generated by the interest accrued according to the amortised cost method and funding costs allocated to the segment; specifically, the positions acquired over the last few years are making a growing contribution to profit or loss.
The Tax Receivables segment generated 7,5 million Euro (4,3 million Euro in the prior-year period, +75,6%), thanks largely to the considerable rise in the amounts collected—even faster than initially estimated—which positively contributed to profit or loss.

During the period, it collected 27,2 million Euro, exceeding estimates, and acquired 192 receivables at an average price of 13,7 million Euro, i.e. approximately 77% of the par value of the tax receivables net of enrolments (i.e. 17,7 million Euro) compared to 74% at 30 June 2014.
With these purchases, the segment's portfolio comprises 1.525 positions, for a par value of 163,1 million Euro and a value at amortised cost of 220,4 million Euro at 30 June 2015.

Governance and services

Within the scope of its management and coordination activities, the Governance and Services segment 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, 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 segment includes the contribution of the securities portfolio to net interest income for the period, amounting to 48,1 million Euro compared to 87,3 million Euro in the prior-year period, a fall largely attributable to the mentioned sale of part of the AFS securities portfolio in April 2015 — as part of this rebalancing, the Bank also lengthened the portfolio's maturity structure. The profitability of the segment takes advantage of the lowering of the cost of retail funding, due to the planned reduction of the masses and of interest rates.

INCOME STATEMENT DATA (in thousands of Euro)	1st HALF		CHANGE	
	2015	2014	ABSOLUTE	%
Net interest income	36.103	49.388	(13.285)	(26,9)%
Net commission income	(309)	(2.733)	2.424	(88,7)%
Dividend and net result from trading	124.656	386	124.270	32.194,3%
Net banking income	**160.450**	**47.041**	**113.409**	**241,1%**
Net impairment losses on available for sale financial assets	(4.233)	-	(4.233)	n.a.
Net profit from financial activities	**156.217**	**47.041**	**109.176**	**232,1%**

QUARTERLY INCOME STATEMENT DATA (in thousands of Euro)	2nd QUARTER		CHANGE	
	2015	2014	ABSOLUTE	%
Net interest income	15.477	25.085	(9.608)	(38,3)%
Net commission income	(63)	(1.214)	1.151	(94,8)%
Dividend and net result from trading	124.536	50	124.486	248.972,0%
Net banking income	**139.950**	**23.921**	**116.029**	**485,1%**
Net impairment losses on available for sale financial assets	(2.214)	-	(2.214)	n.a.
Net profit from financial activities	**137.736**	**23.921**	**113.815**	**475,8%**

STATEMENT OF FINANCIAL POSITION DATA (in thousands of Euro)	30.06.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Available for sale financial assets	3.803.216	243.325	3.559.891	1463,0%
Held to maturity financial assets	-	4.827.363	(4.827.363)	(100,0)%
Due from banks	114.843	274.858	(160.015)	(58,2)%
Loans to customers	200.259	104.376	95.883	91,9%
Due to banks	457.384	2.258.967	(1.801.583)	(79,8)%
Due to customers	6.037.552	5.483.474	554.078	10,1%

KPI	30.06.2015	31.12.2014	CHANGE	
			ABSOLUTE	%
Total RWA per sector	154.413	187.560	(33.147)	(17,7)%

Receivables in the Governance and Services sector were up 95,9 million Euro (+91,9%) as a result of the increase in margin lending related to repurchase agreements on the MTS platform with Cassa di Compensazione e Garanzia as counterparty.

Venice - Mestre, 28 July 2015

For the Board of Directors

The Chairman
Sebastien Egon Fürstenberg

The C.E.O.
Giovanni Bossi

Declaration on the Condensed consolidated interim financial statements at 30 June 2015 as per article 81-ter of Consob Regulation no. 11971 of 14 May 1999

BANCA IFIS

Statement on the consolidated half-yearly report at 30 June 2015 pursuant to art. 81-ter of Consob Regulation no. 11971 of 14 May 1999 and ensuing amendments

1.We, the undersigned, Giovanni Bossi – CEO and Emanuel Nalli – Manager responsible for preparing the Company's financial reports for Banca IFIS S.p.A., taking into account that stated in article 154-bis, paragraphs 3 and 4, of Legislative decree no.58 of 24 February 1998, attest:

i. The adequacy of the financial report given the company's characteristics;

ii. The effective application of administrative and accounting procedures for the preparation of Banca IFIS's consolidated half-yearly report, during the period from 1 January 2015 to 30 June 2015.

2. The assessment of the suitability and effective implementation of administrative and accounting procedures for the completion of the consolidated half-yearly report was carried out following an in-house developed methodology based on assessment of the risk of incorrect financial reporting. The methodology adopted is compliant with the requirements envisaged by the supervisory laws on risk assessment and internal audit systems.

3. Furthermore, we attest that:

3.1 the consolidated half-yearly report:
a) has been drawn up in compliance with International Accounting Standards, endorsed by the European Commission as for European regulation no. 1606/2002 of the European Parliament and Council of 19 July 2002 ;
b) corresponds with the results contained in accounting records, books and registers;
c) gives a true and fair view of the financial position and results of operations of Banca IFIS and other companies included in the consolidation scope.

3.2 the Interim Directors' report contains a reliable analysis of trends and corporate results, of the position of Banca IFIS and of the companies included in the consolidation scope, together with a description of the main risks and uncertainties to which they are exposed.

Venice - Mestre, July 28th 2015

CEO

....

Giovanni Bossi

Manager responsible for preparing the Company's financial reports

....

Emanuel Nalli

Report of the Independent Auditors limited to the Condensed consolidated interim financial statements at 30 June 2015

The attached report of the independent auditors and the Condensed consolidated interim financial statements at 30 June 2015, to which the report refers, conform to those which will be published pursuant to the law; subsequent to the date given in the report, Reconta Ernst & Young S.p.A. did not carry out any audit work aimed at updating its contents.

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Auditors' review report on the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
Banca IFIS S.p.A.

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements, comprising the balance sheet, the statements of income, the statement of comprehensive income, the changes in shareholders' equity, the statement of cash flows and the related explanatory notes, of Banca IFIS S.p.A. and its subsidiaries (the "Banca IFIS Group") as of June 30, 2015. Directors of Banca IFIS S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of Banca IFIS Group as of June 30, 2015 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Verona, July 28, 2015

Reconta Ernst & Young S.p.A.
Signed by: (Marco Bozzola), Partner