

BANCA IFIS S.P.A.
Share capital Euro 53,811,095 fully paid-in
Tax Code and registration number in the
Companies Register of Venice 02992620274 - ABI 3205.2
Via Terraglio, 63 - 30174 Mestre - Venice

**DIRECTORS' EXPLANATORY REPORT ON THE PROPOSALS CONCERNING THE
ITEMS ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING
CONVENED AT THE REGISTERED OFFICE LOCATED AT THE ADDRESS OF VIA
TERRAGLIO 63, MESTRE - VENICE, FOR 17 APRIL 2014 AT 9:00 AM.**

**(Report pursuant to article 125-ter of Italian Legislative Decree no. 58
of 24 February 1998 – “Consolidated Law on Finance”)**

Dear Shareholders,

You have been convened for the purpose of adopting resolutions with regards to the proposals contained in the items on the agenda of the Ordinary Shareholders' Meeting convened in single call at the registered office located at the address of Via Terraglio 63, Mestre - Venice, for 17 April 2014 at 9:00 am.

The items on the agenda of the Shareholders' Meeting, as specified in the Notice to convene, are as follows:

1) Approval of the Annual Report as of 31 December 2013; communication of the Group Consolidated Annual Report as of 31 December 2013; allocation of profits for the year; inherent and consequent resolutions;

2) Remuneration policies for corporate officers, employees and associates of the Banca IFIS Banking Group: Report on remuneration;

3) Authorisation to purchase and sell treasury shares, subject to revocation of the previous authorisation;

4) Insurance policy covering the civil liability of corporate officers (D&O); inherent and consequent resolutions;

5) Proposal by the Board of Statutory Auditors pursuant to art. 13 of Italian Leg. Decree 39/2010 for the assignment of the legal audit task for the 2014-2022 financial periods.

In compliance with the publicity obligations provided for by art. 125-ter of Italian Legislative Decree no. 58 of 24 February 1998, ("Consolidated Law on Finance"), without prejudice to the obligations set forth by additional provisions of the law or regulations, the Board of Directors has drawn up this explanatory report on the topics listed in the agenda of the Shareholders' Meeting.

This report is drawn up pursuant to art. 73 of the regulation issued by Consob with resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented, in reference to the proposal concerning the authorisation to purchase and sell treasury shares.

This report is made available to the public by filing it at the registered office and at Borsa Italiana S.p.A., as well as by publishing it on the Bank's website www.bancaifis.it (pursuant to art. 125-*quater* of the Consolidated Law on Finance).

* * *

1) Approval of the Annual Report as of 31 December 2013; communication of the Group Consolidated Annual Report as of 31 December 2013; allocation of profits for the year; inherent and consequent resolutions

Dear Shareholders,

The draft Annual Report as of 31 December 2013, which we submit for your approval, shows a profit for the period of Euro 83,403,440.00 (eighty-three million, four hundred and three thousand, four hundred and forty Euro), which allows us to propose the allocation of profits through the distribution of a cash dividend of Euro 0.57 for each ordinary share with detachment of coupon 17 on 28 April 2014;

Pursuant to article 83-*terdecies* of Italian Leg. Decree no. 58 dated 24th February 1998 (Consolidated Finance Law or CFA), entitlement to dividend payment is determined by the intermediary's account records referred to in article 83-*quater*, paragraph 3 of the CFA, at the end of the accounting day of 30th April 2014 (i.e., the *record date*).

The total disbursement, determined clear of the quota pertaining to the treasury shares, pursuant to art. 2357-*ter* of the Italian Civil Code, is equal to a maximum of Euro 30,672,324.15.

The payment of the aforementioned dividend, before the statutory deductions, is scheduled for 2 May 2014.

The proposal to allocate the profit for the period is in line with the dividends policy implemented by the Company, aimed at reconciling the need to strengthen company equity with the Shareholders' expectation to receive a dividend in line with the results of the Annual Report.

We also submit to your attention the Consolidated Annual Report as of 31 December 2013 which, although not subject to approval by the Shareholders' Meeting, represents additional information provided with the Annual Report of Banca IFIS S.p.A..

For additional and more detailed information regarding the above, please refer to the contents of the reports and documents filed with the Company's registered office pursuant to art. 2429, paragraph 3, of the Italian Civil Code, also published on the Bank's website www.bancaifis.it pursuant to art. 154-*ter* of the Italian Consolidated Law on Finance.

Now therefore, we hereby submit to your approval the following

proposed resolution

“The Ordinary Shareholders' Meeting of Banca IFIS S.p.A., having taken note of the Board of Directors' report on operations, of the Board of Statutory Auditors' report and of the report by the Auditing firm, having reviewed the annual report as of 31 December 2013

resolves

A) to approve the Annual Report for the period ending on 31 December 2013, with the report on operations presented by the Board of Directors;

B) to allocate the net profit for the period, equal to Euro 83,403,440.00 (eighty-three million, four hundred and three thousand, four hundred and forty Euro as follows:

a) to the shareholders a cash dividend (before tax withholdings required by law) of € 0.57 for each ordinary share with coupon (no. 17) on 28th April 2014. This dividend includes the portion attributable to the treasury shares held by the company as of the same date. Pursuant to article 83-terdecies of Italian Leg. Decree no. 58 (CFA) dated 24th February 1998, entitlement to dividend payment is determined by the intermediary's account records referred to in article 83-quater, paragraph 3 of the CFA, at the end of the accounting day of 30th April 2014 (i.e., the record date).

b) to other reserves as for the remaining amount;

C) to pay said dividend as from the date of 2nd May 2014. Payment will be made through the authorized brokers where the shares are registered in the Monte Titoli System.

2) Remuneration policies for corporate officers, employees and associates of the Banca IFIS Banking Group: “Report on remuneration”.

Dear Shareholders,

We present you with the document entitled “Report on remuneration” approved by the Board of Directors of Banca IFIS during the Meeting held on 6 March 2014.

With the aforementioned document, the Board aimed to fulfil the requirements referred to in art. 123-ter of Italian Consolidated Law on Finance as well as banking sector regulations as well as the self-regulation rules contained in the Corporate Governance Code of listed companies.

The Report hence contains additional information, in aggregate form, on individuals known as “Risk-takers” not included in the area of application of the aforementioned article of Italian Consolidated Law on Finance.

With regards to the normative framework, specific reference is made to the following:

- a) with reference to primary and secondary regulations applicable to listed companies
 - art. 123-ter of the Consolidated Law on Finance containing the provision requiring companies to make available to the public a Report on Remuneration at least twenty-one days prior to the date of the Ordinary Shareholders' Meeting convened to approve the annual report;
 - art. 84-quater of the Issuers' Regulations containing the requirement to make available to the public the aforementioned report on remuneration in compliance with the new “Scheme 7-bis” of Annex 3 A to the Issuers' Regulations;
- b) with reference to secondary regulations applicable to banks and banking groups
 - Bank of Italy's supervisory provisions in force “on the subject of remuneration policies and practices and incentive systems for banks and banking groups” concerned, in recent months, by the application process in Italy of Regulation (EU) no. 575/2013 and Directive 2013/36/EU;
- c) with reference to self-regulation rules of listed companies
 - Corporate Governance Code of Listed Companies, with reference to article 6 Remuneration of directors. In the *format* made available to the listed companies by Borsa Italiana S.p.A. in February 2013 for the preparation of the “Report on

Corporate Governance and Ownership Structures” pursuant to art. 123-*bis* of the Consolidated Law on Finance, one of the suggestions consists of providing information on the subject of remuneration by referring to the relevant sections of the Report on Remuneration as per art. 123-*ter* of the Consolidated Law on Finance.

The contents of the Report, approved by the Board of Directors, were reviewed by the Appointment and Remuneration Committee, from a standpoint of preliminary work on issues falling under its responsibility.

Briefly, the “Report on remuneration” consists of:

- Section I in which, based on the instructions provided in annex 3A, Scheme 7-*bis*, of the Issuer’s Regulations “*with reference to members of the administration bodies, general managers and other executives with strategic responsibilities...*”, the remuneration policy of the Banca IFIS Banking Group and the procedures used to adopt and implement said policy are illustrated; additional information is also provided, specifically on the policy concerning the “risk-takers” (according to the definition contained in the supervisory provisions), with a view to also fulfil, in a single document, banking sector regulations; lastly, this section also contains the proposed changes to the remuneration policies approved by the Shareholders’ Meeting for 2014 concerning the variable part of compensation for key personnel, particularly the Chief Executive Officer and the General Manager (increase in the deferred part from 40% to 60% should the variable part equal or exceed 50% of the fixed part and payment of the variable part is in shares): the Shareholders’ Meeting is called to adopt a resolution in favour of or against said Section I of the Report;
- Section II which contains, according to the provisions of art. 10 of the Articles of Association as well as of the application regulations on the topic, the information provided to the Shareholders’ Meeting concerning the implementation of remuneration policies during the course of 2013.
- lastly, the “Report” indicates, in compliance with art. 84-*quater* of the Issuers’ Regulations, the shares held by the members of the Board of Directors and of the Board of Statutory Auditors, by the General Manager and by the other executives with strategic responsibilities.

The Report will be made available to the public, at the Bank’s registered office, on the Bank’s website and according to other methods established by Consob by this upcoming March 27, and in any event together with the Report on corporate governance and ownership structures.

The proposed changes in Section I of the Report have also entailed, pursuant to art. 114-*bis* of the CFA and of the relevant implementation rules (art. 84-*bis* of the Issuers’ Regulations), the need to make available to the public - at the same time as this report - at the company’s registered office, on its website and with other methods established by CONSOB, a document informing it on the consequent payment plan based on the attribution of Banca IFIS shares for certain company figures. With regards to this, reference is also made to the proposal made here below on the subject of purchase and sale of treasury shares.

We also present you with the outcome of the verification carried out by the Internal Control Function on the methods used to ensure compliance of the remuneration practices with the normative context (verification that was also presented to the Board of Directors), as

required by Bank of Italy's supervisory provisions of 30 March 2011 on the subject of remuneration and incentive systems.

In view of all of the above, we submit for your approval the following

proposed resolution

“The Ordinary Shareholders’ Meeting, having heard and approved the Board of Directors’ proposal listed in item 2) of the agenda:

A) takes note of the report on the implementation of remuneration policies during the course of 2013 presented, in compliance with art. 10 of the Articles of Association as well as with the regulations in force on the subject, within the scope of the document entitled “Report on remuneration”, drawn up in compliance with art 123-ter of the Consolidated Law on Finance;

B) takes note of the outcome of the verification carried out by the Internal Control Function on the methods used to ensure compliance of the remuneration practices with the normative context.

C) resolves to approve the contents of Section I of the document entitled “Report on remuneration” drawn up pursuant to art. 123-ter of the Consolidated Law on Finance, also for the purpose of adapting the remuneration policies of the Banca IFIS Banking Group for 2014”.

D) resolves to approve the payment plan based on the attribution of Banca IFIS shares for certain company figures described in the document drawn up pursuant to article 114-bis of the CFA and of the relevant implementation rules (art. 84-bis of the Issuers’ Regulations) and made available to the shareholders according to the terms of the law”

3) Authorization to purchase and sell treasury shares, subject to revocation of the previous authorisation

(Report as per art. 73 and as per Annex 3A of the regulation adopted by Consob with resolution no. 11971 dated 14 May 1999 as subsequently amended and supplemented)

Dear Shareholders,

The Ordinary Shareholders’ Meeting of 30 April 2013 authorised, among other things, the purchase and sale of treasury shares, pursuant to articles 2357 and following of the Italian Civil Code, as well as art. 132 of Italian Legislative Decree 58/98, establishing a price range within which the shares could be purchased, from a minimum of Euro 2 to a maximum of Euro 20, for a maximum amount of Euro 20 million. The purchased shares could then be sold at a price of at least 80% of the reference price recorded in the Stock Exchange session preceding the selling date.

The Shareholders’ Meeting also established a term of 18 months for the authorisation, starting from the date on which the resolution was adopted.

As of 31st December 2012, Banca IFIS held 259,905 treasury shares for an equivalent value of €1.3 million and a nominal value of €259,905.

During the course of 2013, Banca IFIS carried out the following transactions on its treasury shares:

- it purchased, at the average price of €7.06, 1,265,197 treasury shares for an equivalent value of €8.9 million and nominal value of €1,265,197,000;
- it sold, at the average price of €10.28, 441,519 treasury shares for an equivalent value of €4.7 million and nominal value of €441,519, for a profit of €2.4 million which, in compliance with international accounting standards, was allocated to capital reserves.

At the closing of the period, the ending balance is therefore equal to 1,083,583 treasury shares, for an equivalent value of €7.9 million and nominal value of €1,083,583.

Moreover, as a result of the purchases and sales of treasury shares carried out so far, as of the date of this report, Banca IFIS holds in its portfolio no. 834,356 shares, equal to 1.551% of the share capital, for an equivalent value of Euro 4,784,000.

a) REASONS FOR THE PROPOSAL.

The new proposed resolution is justified by the following reasons:

- Since the previous authorisation granted by the resolution adopted during the Ordinary Shareholders' Meeting of 30 April 2013 is expiring, it is opportune to promptly renew it also in order to make it possible for the Bank to avoid the cost of convening a Shareholders' Meeting for the sole purpose of proposing the renewal of such authorisation;
- it seems advisable to encourage the regular performance of the negotiations, avoid price changes that are not in line with the market trend and ensure proper support to market liquidity;
- It also seems advisable to equip the Bank with a strategic and operational flexibility instrument that made it possible to use treasury shares as consideration in any non-recurrent transactions, including for the purchase and/or exchange of shareholdings, with other subjects within the scope of transactions of interest to the Bank.

b) MAXIMUM NUMBER OF SHARES THAT CAN BE ACQUIRED.

To allow the above, in view of the available reserves and the distributable profits as per the annual report as at 31 December 2013, it is appropriate to propose the authorisation to purchase ordinary treasury shares for a maximum amount of Euro 40,000,000 (forty million), whose equivalent purchase value can be covered by the specific "Reserve for the future purchase of treasury shares", of equal amount.

The shares whose purchase is being proposed are ordinary shares, fully paid, with nominal value of Euro 1 (one) each.

A proposal is also submitted to the Shareholders' Meeting to authorise the Board of Directors, at the same time, to the assignment and sale of Banca IFIS' shares purchased according to the methods specified here below.

The Directors wish to emphasise that their intentions do not currently include exceeding the limit of 5% of the share capital for which the supervisory provisions (Title I, Chapter 2, Section II of Bank of Italy's Circular no. 263 of 27 December 2006) require prior authorisation by Bank of Italy. Should this happen, the necessary request will obviously be presented to the Supervisory Body.

c) COMPLIANCE WITH THE LIMIT OF ONE FIFTH OF THE SHARE CAPITAL REFERRED TO IN PARAGRAPH 3 OF ART. 2357 OF THE ITALIAN CIVIL CODE.

The purchase for which authorisation is being requested refers to the Company's ordinary

shares whose maximum number, in compliance with the limits set forth in article 2357, paragraph three of the Italian Civil code, cannot have a total nominal value, including any shares owned by the Company and by its subsidiaries as of today's date, exceeding one fifth of the entire share capital.

Taking into account that Banca IFIS S.p.A. holds a majority shareholding as defined by art. 2359 of the Italian Civil Code, the guarantee that the percentage limit of one fifth of the share capital will not be exceeded will be obtained through a specific mandate to the directors, so that through the management and control activity of the subsidiaries, they can ensure that said subsidiaries will refrain from carrying out any transactions involving shares of Banca IFIS S.p.A..

d) **DURATION OF THE AUTHORISATION.**

The proposal calls for the shares being purchased, including through multiple transactions, within a period of 18 months from the date on which the resolution is adopted.

No time limits are set, on the other hand, for the right to subsequently sell the shares, even through multiple transactions.

e) **CONSIDERATIONS FOR THE PURCHASE AND SALE OF THE SHARES.**

The shares may be purchased at a minimum price of Euro 4 (four) and maximum price of Euro 25 (twenty-five).

The minimum and maximum prices were set by referring to an approximate range that goes from little less than one third to almost double the actual market price of the ordinary shares.

The purchased shares can then be sold at a price of at least 80% of the reference price recorded in the Stock Exchange session preceding the date on which the sale is carried out.

f) **METHODS OF EXECUTION OF PURCHASE AND SALE TRANSACTIONS**

Purchases and sales can be carried out exclusively through trading on the stock market on which Banca IFIS ordinary shares are listed, according to methods that allow equal treatment of the Shareholders, pursuant to art. 132 of the Consolidated Law.

Purchases and sales can be carried out in compliance with *Market Abuse* regulations, and shall be suspended during the 15 days that precede the Board's meeting called to approve the accounting data for the period. Said limitations are not applied in case of exceptional situations of subjective need, adequately justified by the Managing Director towards the Bank, Consob and the company that manages the Organised Markets.

g) **OTHER DISPOSAL METHODS.**

Treasury shares may :

1. be assigned as part of the variable pay to be paid to certain company figures in compliance with the policies approved from time to time by the Shareholders' Meeting.
2. be assigned as part of the variable pay to be paid to certain company figures in compliance with the policies approved from time to time by the Shareholders' Meeting.

h) **DETERMINATION OF THE "RESERVE FOR THE FUTURE PURCHASE OF TREASURY SHARES".**

The Shareholders' Meeting is called to resolve on the determination of the "Reserve for the future purchase of treasury shares" up to the total maximum amount proposed in the resolution of Euro 40,000,000 before the quota already used, taking the amount in full from the "Share

premium reserve”.

In case of positive resolution by the Meeting, the “Reserve for the future purchase of treasury shares” will then be used to set up, after every actual purpose, the “Reserve for treasury shares in portfolio”, unavailable and required by art. 2357-ter of the Italian Civil Code.

Therefore, the Shareholders’ Meeting is called to resolve on the following

proposed resolution

“The Ordinary Shareholders’ Meeting, having heard and approved the proposals submitted by the Board of Directors under item 3) of the agenda, in taking note of directors’ doings in order to execute the resolution adopted during the Shareholders’ Meeting of this past 30 April 2013,

resolves:

A) to revoke the previous authorisation for the purchase of treasury shares granted on 27 April 2013;

B) to determine the “Reserve for the purchase of treasury shares” up to a maximum amount of Euro 40,000,000 (forty million), before the quota already used, taking the amount in full from the “Share premium reserve”;

C) to authorise the Board of Directors to purchase the Company’s ordinary treasury shares, fully paid, with nominal value of Euro 1 (one) each, for a maximum number not exceeding one fifth of the share capital, also taking into account for said purpose the shares held by subsidiaries, and whose purchase value is covered by the “Reserve for the future purchase of treasury shares” as resolved above. This authorisation is granted for a maximum period of 18 (eighteen) months as from today’s date, whereas the purchases may be carried out, including through multiple transactions, at a price included between a minimum of Euro 4 (four) and a maximum of Euro 25 (twenty-five) per share. The “Reserve for the purchase of treasury shares in portfolio”, unavailable and referred to in art. 2357-ter of the Italian Civil Code, will be set up afterwards and in connection with the amounts of the purchases carried out, using the “Reserve for the future purchase of treasury shares”. The “Reserve for the purchase of treasury shares” will be maintained, as provided for by art. 2357-ter of the Italian Civil Code, until the treasury shares are transferred or cancelled;

D) to authorise the Board of Directors, with no time limits, to subsequently sell the treasury shares purchased as above, including through multiple transactions, at a price of at least 80% (eighty percent) of the reference price recorded in the stock market session preceding the date on which the sale is carried out;

E) to establish that purchases and sales can be carried out exclusively through trading on the stock market on which Banca IFIS ordinary shares are listed, according to methods that allow equal treatment of the Shareholders, pursuant to art. 132 of Italian Legislative Decree 58/1998;

F) to establish that purchases and sales may be carried out in compliance with Market

Abuse regulations and that they will be suspended during the 15 (fifteen) days that precede the Board's meetings called to approve the accounting data for the period. Said limitations are not applied in case of exceptional situations of subjective need, adequately justified by the CEO towards the Bank, Consob and the company that manages the Organised Markets;

G) to authorise the Board of Directors to use the treasury shares of "BANCA IFIS S.P.A", if necessary using the "Reserve for the future Purchase of Treasury Shares":

- 1. to assign said shares as consideration in non-recurring transactions, including for the purchase and/or exchange of shareholdings, with other subjects within the scope of transactions of interest to the Bank;*
- 2. assign said shares as part of the variable pay to be paid to certain company figures in compliance with the policies approved from time to time by the Shareholders' Meeting.*

H) to grant ample powers to the CEO in order to carry out all transactions, including financial ones, inherent and consequent to the execution of the aforementioned resolutions, in compliance with the provisions of the law and of the regulations in force from time to time, also guaranteeing that, through the management and control activity exercised on the subsidiaries, that said subsidiaries refrain from any transaction involving Banca IFIS S.p.A.'s shares, so as to ensure compliance with the maximum limit of one fifth of the share capital. With regards to the above, the CEO is authorised to avail himself of the collaboration of third parties, entering into appropriate contracts and appointing agents or proxies for individual acts or categories of acts".

4) Insurance policy covering the civil liability of corporate officers (D&O); inherent and consequent resolutions

Dear Shareholders,

In reference to the sixth item on the agenda of the Ordinary Shareholders' Meeting, we refer to the resolution adopted by the Ordinary Shareholders' Meeting of 30 April 2013 which authorised the renewal of the insurance coverage for Directors and Officers (D&O), upon expiry, by signing with the same counterparts, or with another leading insurance company, a policy in line with the best practices in force on the international market, taking into account the specific nature of the business carried out by the Bank and by the Group and within the scope of the most significant conditions listed here below:

- *maximum annual compensation of at least € 15 (fifteen) million;*
- *annual cost in line with the market trend and in any case not exceeding € 100,000 (one hundred thousand), inclusive of taxes;*
- *annual expiry (therefore on 31st December 2014)".*

With regards to the above, please note that, in execution of the aforementioned resolution, an insurance policy was taken out with the insurance companies Chubb and Liberty Mutual, at the following conditions:

- *maximum insured amount of Euro 15 million for each damage and per insurance period (the first Euro 10 million on Chubb and the rest, up to the amount of 15 million, on Liberty Mutual);*

- total cost of Euro 106.993,20 (Chubb Euro 80,098.20 and Liberty Mutual Euro 26,895.00);
- coverage period from 31/12/2013 to 31/12/2014.

Consequently, the Shareholders' Meeting is asked to express its approval on what has been done and to hereby authorise the renewal of the insurance policy upon its expiration, basically at the same conditions and consequently expiring on 31/12/2015.

Therefore, the Shareholders' Meeting is called to resolve on the following

proposed resolution

“The Shareholders' Meeting, having heard and approved the Board of Directors' proposal in item 4) of the agenda

resolves:

A) to express its approval of the insurance coverage underwritten in execution of the Shareholders' Meeting resolution of 30 April 2013;

B) to hereby authorise the renewal of the Directors and Officers (D&O) insurance coverage upon its expiry, by signing with the same counterparts, or with another leading insurance company, an insurance policy in line with the best practices in force on the international market, taking into account the specific nature of the business of the Bank and of the Group and within the scope of the most significant conditions listed here below:

- *maximum annual compensation of at least Euro 15 (fifteen) million;*
- *annual cost in line with the market trend and in any event not exceeding euro 110,000 (one hundred and ten thousand), inclusive of taxes;*
- *annual expiry (and consequently on 31 December 2015).”*

C) to grant the Managing Director and the C.E.O., severally, full powers in order to define policy renewal, upon its scheduled expiry dates, at the best market conditions, taking into account that the annual cost must not exceed, as a result of write-ups, adjustments and market situations of the same coverage as needed, an amount equal to 20% the cost established by today's Shareholders' Meeting.

5) Proposal by the Board of Statutory Auditors pursuant to art. 13 of Italian Leg. Decree 39/2010 for granting the legal auditing task of the company accounts for the 2014-2022 financial periods.

Dear Shareholders,

today's Shareholders Meeting for approval the Financial Statements for the 2013 period marks the end of the legal audit task entrusted to the company KPMG S.p.A. by the Shareholder's Meeting held on 30th April 2007 for the financial periods from 2008 until 2013¹.

¹ Extension of the task previously assigned by the Shareholders' Meeting held on 28th April 2005 for the 2005/2007 three-year period.

Art. 17 of Italian Leg. Decree 39/2010 requires that issuers of securities allowed for negotiation on regulated Italian and European Union markets assign the task of legally auditing their accounts to an auditor for a period of at least nine financial years, excluding the possibility of renewal until at least three financial periods have passed since the termination date of the previous assignment.

Hence, the task entrusted to KPMG S.p.A. cannot be renewed since the year 2013 marks the end of the nine-year period established in the aforementioned article.

We therefore submit to your review the proposal pertaining to the assignment for the legal audit of the individual and consolidated financial statements drawn up by Banca IFIS S.p.A. for each of the nine financial periods with closing date from 31st December 2014 until 31st December 2022, as well as for additional tasks strictly connected with legal audit activities for the 2014-2022 nine-year period.

With regards to the above, please note that art. 13 of Italian Leg. Decree 39/2010 requires the Ordinary Shareholders' Meeting to assign, upon a justified proposal made by the control body, the task of legally auditing the accounts, and to determine the fee owed to the appointed auditing firm for the entire duration of the assignment as well as to establish any criteria for adjusting said fee during the course of the assignment.

In light of the above, the Board of Directors hereby submits to the review and approval of the Shareholders' Meeting the justified proposal put forward by the Board of Statutory Auditors concerning the assignment of the legal audit task for the 2014-2022 financial periods, enclosed with this Report.

Venezia - Mestre, 6 March 2014

For the Board of Directors
The CEO
Giovanni Bossi

**PROPOSAL FOR THE ASSIGNMENT OF THE LEGAL AUDIT TASK
FOR THE 2014-2022 FINANCIAL PERIODS**

Dear Shareholders,

with the approval of the Financial Statements as of 31st December 2013, the task assigned to KPMG S.p.A. for the legal audit of the company's accounts, granted by the Shareholders' Meeting held on 30th April for the 2008-2013¹ financial periods, has come to an end.

In view of the provisions referred to in articles 13, paragraph 1, 16 and 19 of Italian Legislative Decree 39/2010, the Shareholders' Meeting, following a justified proposal by the Control body, is required to adopt a resolution concerning the assignment of the legal auditing task and to determine the fee to be paid to the Auditing Firm assigned said task for the entire time the task is being carried out, as well as to define any criteria for adjusting said fee during the course of the assignment.

This proposal concerns the assignment of the task to an auditing firm which, in compliance with the provisions referred to in art. 14 of Italian Legislative Decree no. 39 dated 27th January 2010, shall be required to perform the following activities:

- a) the legal audit of the Company's financial statements for the period and consolidated financial statements for each one of the nine periods with closing date from 31st December 2014 until 31st December 2022;
- b) the verification, during the course of the period, that the company's accounts are being properly kept and that events related to company management are duly reflected in the accounting entries;
- c) the limited legal audit of the half-yearly consolidated financial statements in condensed form for each one of the nine periods with closing date from 31st December 2014 until 31st December 2022;
- d) the signing of tax statements pursuant to article 1, paragraph 5, first indent of Italian D.P.R. no. 322 dated 22nd July 1998, as amended by article 1, paragraph 94 of Italian Law no. 244/07 and by Form 770, Simplified and Ordinary;
- e) the legal audit of the local financial statements for the period pertaining to the wholly-owned subsidiary IFIS Finance Sp. z o.o. with headquarters in Poland.

The selection process

The Board of Statutory Auditors felt that the Sole Auditor principle for the Group met the characteristics of efficiency and uniformity required during the execution of the accounting audit task.

The Group's current configuration was kept in mind for the purpose of identifying the auditing firms to contact; consequently, the following five auditing firms, all members of the relevant Association, were contacted to request a quotation for auditing services: Deloitte & Touche S.p.A., Reconta Ernst & Young S.p.A., PricewaterhouseCoopers S.p.A., BDO S.p.A. and Mazars S.p.A..

¹ Extension of the task previously assigned by the Shareholders' Meeting of 28th April 2005 for the 2005/2007 three-year period.

The requests for quotation were suitably granular in terms of the requested information.

The selection process was conducted ensuring the transparency and traceability of the activities and of the decisions taken, being careful to use suitable confidentiality and privacy standards during the various phases of the process.

This approach entailed key activities such as the prior definition of qualitative-quantitative criteria and their weight in terms of the selection carried out, as well as the participation in the selection process of individuals identified by name.

Suitable information was also provided to the Control and Risks Committee.

The selection criteria

During the set-up phase, the following aspects were taken into account: *i)* experience in the sector; *ii)* the companies' organizational structure; *iii)* the professional expertise acquired in the banking sector, and *iv)* the presence of banking institutions on the market.

An additional evaluation element concerned the composition of the audit team, with special focus on the Auditor's parent company, taking into account both the mix of professional levels assigned to the audit and the presence of specialized skills in the various areas of operation (i.e. *risk management*, IT, tax).

Lastly, the audit approach was considered, paying attention to audit methodologies and overall planning of the various activities referred to in the quotation.

The economic aspect was not taken into account as one of the previously defined selection criteria, however it was duly considered by the Board for the purpose of finally choosing the proposal to be submitted to the Shareholders' Meeting.

The choice of Auditor

The Board of Statutory Auditors examined the received quotations and discussed various aspects of said quotations during the meetings held with the various Auditing Firms from 16th until 19th December 2013, in the presence of the Chairman of the Control and Risks Committee, of the Chief Financial Officer, of the Head of the Internal Audit Function and of the Head of the Corporate Affairs Function.

Following the process described above, the Board of Statutory Auditors, during its meeting of 19th February 2014, unanimously felt that the quotation submitted by the company Reconta Ernst & Young S.p.A. was the one that best met the criteria upon which the selection was based, and communicated its choice during the subsequent meetings of the Control and Risks Committee and of the Board of Directors, held on 3rd March and 6th March 2014, respectively.

The distinguishing elements of the choice made

Based on the process described above and in light of the set of information acquired during the aforementioned cognitive process, the Board of Statutory Auditors reckoned that the main elements in favour of Reconta Ernst & Young S.p.A. were the following:

- i)* the experience acquired in the auditing of listed companies, with special focus on banks located in North-Eastern Italy, which represents an important element for evaluating an auditor's ability to carry out the task assigned by Banca IFIS;

- ii) the corporate structure integrated at the European level, which is relevant for the purposes of effective coordination as concerns the audit of the Polish subsidiaries as well as to ensure a uniform evaluation of accounting-related aspects;
- iii) the experience acquired in banks with significant size and locations similar to those of Banca IFIS, from the top management figures to the auditing team. Moreover, the position of *Engagement Quality Reviewer* held by the President of Reconta Ernst & Young, Simone Scettri, was deemed an indicator of specific commitment towards Banca IFIS;
- iv) the audit approach consists in an initial investment of man/hours that is significantly higher compared to the other competitors. The commitment in terms of number of hours and professional mix appears to be superior to that of the exiting Auditor. Moreover, in terms of planning once fully operational, the greater balance expressed by the planning of various activities associated with the task in question represented an additional element in favour of the selected Auditor;
- v) the entity of the economic offer, an element which nevertheless comes after the other technical elements indicated above.

The economic offer

The economic offer submitted by Reconta Ernst & Young S.p.A. is illustrated in the following tables:

FEES FOR THE AUDIT OF THE FINANCIAL STATEMENTS AS OF 31ST DECEMBER 2014	HOURS	FEES
Accounting audit of the financial statements for the period and of the consolidated financial statements	1,540	82,000
Accounting audit of the half-yearly consolidated financial statements in condensed form	515	28,500
Verification on the proper keeping of the accounting books	480	22,000
Activities aimed at the signing of Tax Statements	60	3,500
Total	2,595	136,000

FEES FOR THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE PERIODS FROM 31ST DECEMBER 2015 UNTIL 31ST DECEMBER 2022	HOURS	FEES
Accounting audit of the financial statements for the period and of the consolidated financial statements	1,325	82,000
Accounting audit of the half-yearly consolidated financial statements in condensed form	455	28,500
Verification on the proper keeping of the accounting books	355	22,000
Activities aimed at the signing of Tax Statements	60	3,500
Total	2,195	136,000

The offer also requires that: *i)* the indicated fees be adjusted on an annual basis, starting from 1st January 2015, according to the total change in the ISTAT index related to the cost of living compared to the previous year; *ii)* incidental expenses be charged (databases, software applications, etc.) calculated in the amount of 5% of the fees; and *iii)* out-of-pocket expenses be charged on the basis of the final expense reimbursement, up to a maximum of 10% of the fees.

The fees listed above do not include VAT or the supervisory contribution in favour of CONSOB, however they also include activities pertaining to verifying the translation of financial statements into the English language.

The economic offer is significantly lower compared to the fee paid to the exiting auditor for a total number of hours that is basically the same due to lower hourly rates.

Lastly, the estimated number of hours needed to carry out the task is not expected to be adjusted except in the case of circumstances which were not foreseen at the time the quotation was drawn up and which lead to an increase in the number of hours and/or a change in the professional level of the audit team members with respect to the contents of the quotation.

In any event, all changes will have to be discussed and agreed upon.

The Group

The request for quotation sent to the Auditing Firms also included the accounting audit of the financial statements pertaining to the Polish subsidiary, IFIS Finance Sp. z o.o.

For auditing activities related to the subsidiary, a total of 275 hours were estimated, for a total of € 17,000.

Following a resolution to be adopted by the Shareholders, Banca IFIS will notify the subsidiary's pertinent Bodies, recommending, within the limits of the specific regulations in force in the country of operation – Poland – that it select the same Auditing Firm as the Parent company, in compliance with the principle of a sole auditor for Groups of companies.

The subsidiary will be asked to require the application of contractual conditions which are similar to those contained in the submitted quotation.

Dear Shareholders,

You are therefore invited to adopt a resolution on the proposal to assign to the company Reconta Ernst & Young S.p.A. the tasks pertaining to auditing services for the financial periods from 2014 until 2022, as illustrated above.

Venice - Mestre, 6 March 2014

Board of Statutory Auditors