

**The Board of Statutory Auditors' reasoned proposal
to Banca IFIS S.p.A.'s Shareholders' Meeting**

– Amendment to fees for the External Auditing Company –

Dear Shareholders,

Article 13 of Italian Legislative Decree no. 39 of 2010 states that the appointment of the External Auditing Company is required to be submitted for approval by the Shareholders' Meeting, based on a reasoned proposal by the Supervisory Body. Any modifications must follow the same procedure.

On 17 April 2014, following the decision to engage the External Auditing Company, EY S.p.A., for the period running 2014-2022 and having determined the corresponding fees, Banca IFIS had a smaller organisation than the one existing today which is far larger as a result of the acquisitions and restructuring carried out as from the end of 2016 up to 2018.

Indeed, the purchase of the ex-Group GE Capital Interbanca and ensuing merger to incorporate IFIS Factoring S.r.l. (with effects ex-Article 2504-*bis*, Italian Civil Code from 1 August 2017 and effect for accounting/taxation purposes from 1 January 2017) and Interbanca S.p.A. (with effects ex-Article 2504-*bis*, Italian Civil Code from 23 October 2017 and effect for accounting/taxation purposes from 1 January 2017) led, on 19 April 2018, to approval by the Shareholders' Meeting of EY S.p.A.'s first request for an increase in compensation, effective as from the year ended 31 December 2017.

Over 2018, both corporate restructuring and acquisitions continued. Specifically, with regard to reorganization, the Bank proceeded with the merger by incorporation of IFIS Leasing S.p.A. into Banca IFIS S.p.A. (effective as per art. 2504 bis of the Italian Civil Code as from 28 May 2018 with effect for accounting/taxation purposes as from 1 January 2018) and the spin-off of the NPL business unit, transferring its business to IFIS NPL S.p.A.. With reference to acquisitions, the purchase of Cap.Ital.Fin S.p.A. and Credifarma S.p.A. were finalized on 2 February 2018 and 2 July 2018 respectively.

In this regard, it is specified that EY S.p.A. was already the company appointed to audit the accounts of IFIS Leasing S.p.A. and has also been appointed to audit IFIS NPL S.p.A. and the two newly acquired companies, Cap.Ital.Fin S.p.A. and Credifarma S.p.A..

In the face of further expansion in corporate scope and the organizational restructuring that the Bank and some group companies underwent in 2018, on 11 March 2019, the External Auditors, EY S.p.A., sent the Board of Statutory Auditors a letter requesting an increase in compensation due to the heavier workload, effective as from the financial year ended 31 December 2018 and for the remaining period 2019- 2022.

Amendment to compensation following acquisitions and corporate restructuring

Below are the key points of the letter from EY S.p.A. requesting amendment of the fees due, dated 11 March 2019:

- The purpose of the aforementioned letter is to inform the corporate bodies of the amended timescales and fees for the period running from 2018 to 2022 for the external auditing services included in the proposal of 11 March 2014, approved by Banca IFIS S.p.A.'s Shareholders' Meeting of 17 April 2014 and amended by the Shareholders' Meeting of 19 April 2018 following the merger of Interbanca S.p.A. and IFIS Factoring S.r.l. carried out during 2017;
- The original proposal in chapter V 'Amendment to fees due to the External Auditing Company stated that *'fees may be reviewed at the end of each financial year to consider any particular circumstances which may increase or reduce agreed timescales (significant structural changes, exceptional or unforeseeable situations, etc.) The parties will promptly notify each other of any variation in fees.'*
- Following the aforementioned **merger by incorporation of IFIS Leasing S.p.A. into Banca IFIS S.p.A.**, EY S.p.A. extended auditing of the incorporating company's financial statements as from the date from which the legal effects of the transaction took effect, whilst, at the same time, ceased auditing of the financial statements of the incorporated company. Given that the effective date of the merger took place in the first half of 2018, the legal auditing of the 2018 financial year did not

- require the limited review of the Half-year Interim Report;
- Following the aforementioned **transfer by Banca IFIS S.p.A. of its NPL business to the company IFIS NPL S.p.A.**, 100% controlled by Banca IFIS S.p.A., EY S.p.A., as the legal auditor of the transferring company and of the transferee, reduced its auditing of the transferor's financial statements whilst, at the same time, extending that of the transferee's, in execution of the duties entrusted to it on 29 June 2018, starting from the date from which the legal effects of the transaction took effect;
- Following the two aforementioned **acquisition transactions involving the companies Cap.Ital.Fin S.p.A. and Credifarma S.p.A.**, respectively 100% and 70% controlled by Banca IFIS, EY S.p.A., as the legal auditor of the acquiring company, extended its auditing of the consolidated financial statements of the Group to take into account the changed scope of consolidation, as well as of Cap.Ital.Fin S.p.A.'s and Credifarma S.p.A.'s financial statements for the year, acting on the auditing duties entrusted to it by these companies on 13 April 2018 and 18 July 2018 respectively.

The table below details the timescales and fees for execution of the external auditing activities for Banca IFIS S.p.A. for the period running 2018-2022, following the significant structural changes set out above:

External auditing of Banca IFIS S.p.A. at December 31, 2018	Compensation payable by Banca IFIS S.p.A. following last amendment		Increased auditing activities due to merger of IFIS Leasing				Reduced auditing activities for spin-off of NPL activities		Increase in consolidation scope		Updated compensation requested for the years 2018 to 2022	
			Compensation approved by IFIS Leasing		Discount for optimisation							
	Hours	Fees	Hours	Fees	Hours	Fees	Hours	Fees	Hours	Fees	Hours	Fees
Auditing of Statutory Annual Report	1,600	104,000	450	33,732	-90	-6,732	-350	-26,200			1,610	104,800
Verifications of regular account keeping	450	30,000	80	5,997	-16	-1,197	-90	-6,700			424	28,100
Signing of tax returns	90	6,000	30	2,249	-6	-449					114	7,800
Auditing of Consolidated Annual Report	150	10,000							150	11,200	300	21,200
Limited review of the Half-year Interim Report	600	40,000	180	13,493	-36	-2,693	-130	-9,700			614	41,100
Total	2,890	190,000	740	55,470	-148	-11,070	-570	-42,600	150	11,200	3,062	203,000

It is important to note that:

- For the years 2018-2022, the increase in the hours and related fees for the external auditing of Banca IFIS S.p.A.'s financial statements, following reorganisation of the Group, is equal to approximately +6.8% compared to 2017. This estimation considered, on the one hand, the reduction in costs for auditing activities on the Statutory Annual Report of the incorporated company, IFIS Leasing S.p.A., and, on the other, the need for EY S.p.A. to continue carrying out specific audit activities connected to the unusual activity carried out by the Company;
- The total fees for Banca IFIS S.p.A.'s Statutory Annual Report after the amendment in fees, grew from the current 190,000 Euro (for 2,890 hours) to 203,000 Euro (for 3,062 hours), an increase of around 6.8%.
- All the other clauses included in the original Proposal are still applicable, with the exception of expense reimbursements in that EY S.p.A. points out that the aforementioned corporate reorganization eliminated the individual entities to which expenses incurred were originally charged as is (in line with contractual provisions), and therefore expenses incurred for auditing carried out in offices other than the registered office of Banca IFIS S.p.A. should still be recognized in this way and hence without the originally envisaged cap of 10% of the compensation due for the activity being carried out. Hence, in addition to the reimbursements above, expenses incurred for the performance of duties, such as accommodation expenses and transfers, are to be reimbursed up to a maximum of 10% of the fee due for the auditing activity in question for those carried out at the registered office, whilst for their real amount for auditing carried out in other offices. Expenses incurred for technology (databases, software, etc.) and secretarial and communication services are to be reimbursed at a flat rate of 8% of the fee

- due for the auditing activity in question. VAT and CONSOB contribution will also be charged;
- The request to amend the compensation due to the External Auditors is accompanied by a breakdown of the professional mix by hours and fees.

Additional compensation due for the year 2018 following increased workload

The letter requesting the amendment of fees for the period 2018-2022, received on 11 March 2019, was accompanied by a similar letter with the same date, addressed by EY S.p.A. to the Bank and requesting an increase in the compensation due for the 2018 financial year only.

The main points of the latter request are summarized below. The additional fees requested relate to the increase in the workload of the External Auditors following expansion in the action carried out for the 2018 period only, arising, in addition to the extraordinary operations described above, also from the specific additional activities shown below:

- **The first year of application of IFRS 9** required the External Auditors to carry out specific additional activities aimed at verifying for the first time that the systems and processes used by the Bank were adequate for the introduction of the new accounting standard, with involvement of highly-experienced EY specialists to assess the impact on value resulting from the definition of Fair Value mainly related to unlisted instruments with level 3 complexity. This circumstance led to more activities by the Auditing Team quantified in about 150 hours;
- Following the merger transaction, EY S.p.A., as legal auditor of the incorporating company, had to **extend its control activities to cover migration of the incorporated company IFIS Leasing S.p.A.'s accounting and non-accounting data to the systems of the acquiring company**. These activities, which also required the participation of EY IT experts, were made more complex due to the change in the IT system that affected the sector immediately before the merger. This circumstance led to more activities by the Auditing Team quantified in approximately 100 hours;
- Following the aforementioned acquisitions of Cap.Ital.Fin S.p.A. and Credifarma S.p.A., EY S.p.A. **carried out specific activities in relation to the Purchase Price Allocation Process carried out by the Bank**, as well as verifying consistent accounting representation in the consolidated financial statements as at 31 December 2018. This circumstance led to more activities by the Auditing Team quantified in approximately 60 hours;
- Following the **increase in activities carried out for auditing the accounts of BU Pharma**, and specifically for the in-depth accounting and process analysis that became necessary to carry out on the method of recording interest on arrears and assessment of the relative value in the Bank's financial statements with specific reference to the portion deemed recoverable, the Auditing Team worked an additional 40 hours approximately.

The following table shows in detail the additional man-hours worked and fees payable due to the activities previously referred to, broken down by professional role:

No. of people	Category	Hours	Hourly breakdown (%)	Cost per hour	Amount
1	Partner	35	10	220	7,700
1	Managing partner	193	55	145	27,985
1	Expert auditor	32	10	83	2,656
1	Assistant	90	25	60	5,400
		350	100		43,741
					Reduced to: 35,000

Overall, the estimated increase is approximately 17% of the amended compensation requested due by Banca IFIS alone (approximately 11% of the hours).

The Board of Statutory Auditors has examined the request of the External Auditing Company and has also acquired positive feedback from Banca IFIS's applicable corporate structures which, in turn, discussed the terms of the requested amendments, including financial terms, with the Heads of the External Auditing Company.

Specifically, Financial Officing has given its assessment to the Board of Statutory Auditors concluding that the External Auditing Company's request for the amendment of fees is justifiable taking into account the increased workload for auditing the 2018 Annual Report and the organisational changes in the Group, and that the amendments themselves are also reasonable.

Based on the above assessments and the checks carried out with the External Auditing Company, the Board of Statutory Auditors submits to the Shareholders' Meeting the proposal to amend the financial terms for the external audit activities assigned to EY S.p.A. for approval, believing that:

- The activities reported by EY S.p.A., with the relative amendment request, are in line with the external audit activities assigned and are justifiable with regard to the additional audit activities deriving from the operations involving Banca IFIS during the 2018 financial year;
- In formulating the fee amendment request, EY S.p.A. has provided suitable valuation elements regarding, in particular, the financial conditions set out in the same request, which appear to be consistent and coherent with the task assigned, as well as substantially aligned with existing conditions.
- EY S.p.A. is technically suitable considering both the adequacy of its organization and the level of its knowledge of the Bank and the Group it is part of, as well as the specifics of the Bank/Group's activities and its accounting and internal control system.

Finally, the Board of Statutory Auditors reminds the Shareholders that during approval of the previous Board of Statutory Auditors' reasoned proposal to assign the task of external auditing to EY S.p.A. on 17 April 2014, the Shareholders' Meeting was made aware that *'the forecasts of the number of hours necessary to carry out the assignment may be adapted only if circumstances arise, which are not foreseen at the time this proposal was formulated, and which involve an increase in timescales ... compared with what is set out in the proposal.'*

Dear Shareholders,

You are hereby invited to deliberate on the proposed amendment of the compensation due to the company EY S.p.A. until expiry of its mandate. The Board of Statutory Auditors invites you to pass the following resolution:

'Banca IFIS S.p.A.'s Shareholders' Meeting:

- *Having noted Article 13 of Italian Legislative Decree no. 39 of 27 January 2010 (Implementation of Directive 2006/43/EC on the external auditing of annual accounts and consolidated accounts);*
- *Having noted the resolution passed by the Shareholders' Meeting on 17 April 2014;*
- *Having noted the content of the mandate assigned to the External Auditing Company regarding the possibility of reviewing the fees to take into account any special circumstances likely to change the forecasted timescales;*
- *Having noted the organisational changes and the transformation in the consolidation scope and that EY S.p.A., the External Auditing Company for 2014-2022, requested, on 11 March 2019, that the timescales and related fees be amended to take into account the additional audit activities compared with the services included in the original proposal approved by Banca IFIS S.p.A.'s Shareholders' Meeting on 17 April 2014, and then amended on 19 April 2018;*
- *Having examined this Board of Statutory Auditors' reasoned proposal containing the terms of the above External Auditing Company's proposal and formulated based on the positive assessment carried out by Banca IFIS S.p.A.'s applicable corporate structures;*

Believing that:

- (i) The positive assessment re EY S.p.A.'s technical suitability is confirmed regarding the adequacy of its organisation and its knowledge of the Bank and the Group as a whole to which it belongs, as well as its knowledge of the Company and the Group's specific activities and their accounting and internal control systems;*
- (ii) The activities reported by EY S.p.A. in the amendment request are in line with the auditing*

activities assigned and reflect the additional audit activities deriving from operations involving Banca IFIS during the 2018 financial year;

- (iii) In formulating the fee amendment request, EY S.p.A. has provided suitable valuation elements regarding, in particular, the financial conditions set out in the same request, which appear to be consistent and coherent with the task assigned, as well as substantially aligned with existing conditions;*

resolves

- A) To amend the fees agreed upon for the external auditing activities already assigned to EY S.p.A. as per the amendment request sent by this External Auditing Company.*

The resulting fees for the years 2018-2022 are quantified as follows:

1) For 2018

- For auditing the Statutory Annual Report –139,800 Euro (of which 35 thousand Euro for the amendment requested for 2018 only);*
- For auditing the Consolidated Annual Report – 21,200 Euro;*
- For quarterly audits pursuant to Art. 14 paragraph 1, letter b) of the Decree 39/2010 - 28,100 Euro;*
- For the limited audit of the Half-yearly Interim Report - 41,100 Euro;*
- For the signing of tax declarations - 7,800 Euro;*

2) For 2019–2022

- For auditing the Statutory Annual Report – 104,800 Euro;*
- For auditing the Consolidated Annual Report – 21,200 Euro;*
- For the quarterly checks pursuant to Article 14, paragraph 1, letter b) of Decree 39/2010 –28,100 Euro;*
- For the limited audit of the Half-yearly Interim Report – 41,100 Euro;*
- For signing tax declarations – 7,800 Euro;*

3) In addition to the ISTAT increase, VAT and the supervisory contribution provided by Consob, under the terms and conditions agreed in the existing assignment, out-of-pocket expenses for activities carried out at the registered office will be reimbursable up to a maximum of 10% of the compensation due for the activity in question, whilst for auditing activities carried out in other locations, expenses will be reimbursed in their full amount. Expenses relating to technology (databases, software, etc.) and secretarial and communication services will be reimbursed at a flat rate of 8% of the fee due for the auditing activity carried out.

- B) To confer upon the Chairman of the Board of Directors and the Chief Executive Officer – including severally – the broadest powers to carry out this resolution.'*

Venice, 26 March 2019

The Board of Statutory Auditors

Giacomo Bugna

Giovanna Ciriotta

Massimo Miani