

(Translation from the Italian original which remains the definitive version)

**REPORT OF THE BOARD OF STATUTORY AUDITORS
to the FINANCIAL STATEMENTS as of 31st December 2014**

Dear Shareholders,

With this report, prepared pursuant to art. 153 of Legislative Decree 58/1998 and to art. 2429, paragraph 2, of the Italian Civil Code, the Board of Statutory Auditors of Banca IFIS S.p.A. informs you of the supervisory and control activities carried out in the performance of their duties, during the year ended 31st December 2014.

1. Activity of the Board of Statutory Auditors

During the year 2014 the Board of Statutory Auditors carried out their institutional tasks in accordance with the rules of the Italian Civil Code and with Legislative Decrees no. 385/1993 (1993 Banking Law), no. 39/2010 and no. 58/1998 (Consolidated Law on Finance), of the By-Laws, in addition to being in compliance with those issued by the public authorities that exercise activities of supervision and control, also taking into account the principles of conduct recommended by the National Council of Chartered Accountants.

During the year the Board of Statutory Auditors performed its activities holding 25 meetings. Of these, eight meetings were held in joint form with the Audit and Risk Committee.

The Board also participated in 21 meetings of the Board of Directors.

The Chairman of the Board of Statutory Auditors or another Statutory Auditor also participated in the meetings of the Audit and Risk Committee and of the Appointments and Remuneration Committee (transformed into the Remuneration Committee with Board resolution of 18th December 2014, with the simultaneous formation of the Appointments Committee).

2. Significant operations of the year

In carrying out the activities of supervision and control, the Board of Statutory Auditors obtained periodically from the Directors, including through the participation in meetings of the Board of Directors, information on the activities carried out and on the most important economic, financial and equity operations approved and implemented by the Bank and by the subsidiary, also pursuant to art. 150, paragraph 1 of the Consolidated Law on Finance.

On the basis of the information obtained through its own supervisory activities, the Board of Statutory Auditors was not made aware of any operations that had not been conducted in compliance with the principles of correct management and that had not been approved and implemented in accordance with the law and with the By-Laws, which were contrary to the interests of the Bank, that were in contrast with the resolutions passed by the Shareholders' Meeting, that were imprudent or risky or were such as to compromise the integrity of the corporate assets.

In addition, the operations involving potential conflicts of interest were approved - with the approval of the Audit and Risks Committee, in its component consisting only of independent directors - in accordance with the law, with the regulations, with the By-Laws and with internal regulations.

The significant facts of the year include:

- the acquisition of a significant portfolio of NPL (approximately 120.000 positions for a nominal value of around 1,3 billion euro out of the total for the year respectively of around 214.000 positions for a total nominal value of around 2 billion euro).
- the continuation of dialogue with the Bank of Italy for the purposes of monitoring of the initiatives arising from the results of the inspection visit of 2012;
- the implementation of certain initiatives within the organisational structure, initiatives oriented to the continuous development of the system of risks and the quality of commercial assets, such as the monitoring of receivables both of performing and of problematic receivables;
- the launch of Reconta Ernst & Young as a new independent auditing firm appointed by the Shareholders' Meeting of 17th April 2014.

Also noteworthy was the reduction of the shareholding in Banca IFIS held by the controlling shareholder La Scogliera.

3. Supervisory activities

3.1 – supervisory activities on the observance of the law, the By-Laws and the Self-Regulation Code for listed companies

The Board of Statutory Auditors monitored compliance of the Procedure for operations with subjects related to the law in force and its correct application.

In particular, as provided by the relevant rules, the Chairman and/or the other Statutory Auditors participated in the meetings of the Audit and Risk Committee to address operations with related parties; the Board of Statutory Auditors periodically received information relating to the progress of their positions.

The Board of Statutory Auditors judged that the Board of Directors, in the management report and in the Notes to the Financial Statements, had provided adequate information on the operations with Related Parties, taking into account the provisions of the regulations in force. To the knowledge of the Board of Statutory Auditors, there are no intra-group operations and no operations with the Related Parties that are being implemented that are contrary to the interests of the company.

The Board of Statutory Auditors recommended equipping of the functions involved with adequate technological resources to enable the continuous and automatic verification of the identification and the limits of the activities with regard to the related subjects.

In 2014 the Bank did not perform any atypical or unusual operations, while those of greater significance and of an ordinary nature respect the limits of prudence, do not contravene the resolutions of the Shareholders' Meetings and do not prejudice the company's assets. During the year, the procedure to monitor the operations of greater importance started, as prescribed by the Circ. 263/2006 (15th update) of the Bank of Italy.

The Board of Statutory Auditors, in acknowledging the accession of Banca IFIS S.p.A. to the Self-Regulation Code for listed companies, verified the requirements of independence of its members, in addition to the correct application of the criteria and procedures of verification adopted by the Board to assess the independence of the directors.

3.2 – supervisory activities on the adequacy of the internal audit system, of the risk management systems and of the organisational structure

During the year, the Board of Statutory Auditors then carefully monitored the organisational and process interventions put in place and in particular monitored:

- the project management tools developed by the Bank in relation to its designed strategic initiatives, to the new regulations and to the individual remarks made by the Supervisory Board on the occasion of the inspection visit of 2012;
- the verification, with the assistance of the Internal Audit Function, of the suitability of the actions implemented.

With regard to the interventions performed and to those in the process of being implemented, relating to the remarks made by the Bank of Italy, these were finally reported by your company to the Bank of Italy with communication of 19th November 2014.

In addition, during the year, the Board:

- i. liaised with Senior Management to review, among other aspects, the internal audit and planning process system;
- ii. examined the planning modes of work and coordination, the periodic reports of the Audit Functions (i.e. Internal Audit Function, the Compliance and Anti Money Laundering Function and the Risk Management Function) and of the Manager in charge, in addition to examining the information on the outcomes of the monitoring activities in order to implement the corrective actions identified;
- iii. acquired information from the managers of corporate Functions;
- iv. participated, as reported above, in the work of the Audit and Risk Committee and when the topics so required, in their joint consideration with the Committee;
- v. monitored the adequacy and compliance of the entire ICAAP process with the requirements of legislation.

From the audits and examination of the Audit Functions reports, the constant strengthening of the internal audit system is evident; in particular, of note are:

- the initiatives aimed at the continuous improvement of the activities of audit and containment of credit risk, including changes to the Provisioning Policies aimed at the increase of levels of coverage of impaired loans.

- the activities aimed at the strengthening of Risk Management, with reference to the procedures and internal policies for the assessment and control of risks;
- the definition and implementation of the framework of management and government of the operational risks, which involves the structuring of a collection process of operating losses (Loss Data Collection) and the performance of periodic Risk Self Assessments;
- the definition of the operational framework of the audit functions in relation to the Polish subsidiary IFIS Finance Sp. z o.o.;
- the refining of the systems on compliance risk.

Intervention plans were provided with reference to the activities and to the problems identified, whose timely implementation is judged by the Board of Statutory Auditors as essential and that require particular attention by Senior Management.

On the basis of the activities carried out, the Board of Statutory Auditors – also in relation to the continuous dimensional growth of the Bank – believes that there are certain areas for possible further improvement, highlighting at the same time that there are no significant deficiencies in the internal audit system.

The Board of Statutory Auditors recommended the internal organisational definition of Risk Management and the timely finalisation of the workforce, both to achieve the optimal sizing identified by the corporate structures and to ensure the adequate separation of activities and roles.

In July 2013 the Bank of Italy, on the occasion of the 15th update of Circular 263, determined that the body with audit function should perform, as a rule, the functions of the Supervisory Body set up pursuant to Legislative Decree 231/2001 and that banks can however entrust those functions to a specially established organisation, providing appropriate justification for the purpose.

With reference to this provision, effective from 1st July 2014, the Board of Directors, at the session of 13th November 2013, carried out its own assessments and considered it appropriate to make use of the option of continuing to entrust the duties provided for in Legislative Decree 231/2001 to the Supervisory Body already established and to carry out a review of such a choice on the occasion of the renewal of the corporate bodies in 2016. Such a choice is justified in the context of the number and complexity of the topics already normally addressed by the activities of the Board of Statutory Auditors and in the specificity of the tasks of the Supervisory Board.

3.3 – supervisory activities on the administrative–accounting system and on the financial reporting process

The Board periodically met the manager responsible for the preparation of the accounting and corporate documents to exchange information on the administrative-accounting system and in addition discussed the reliability of the latter in order to have a correct representation of management related issues.

Within the context of the monitoring tasks provided for by the applicable legislation, in 2014 the manager responsible continued the audits provided for by the relevant operating procedure. The

Board of Statutory Auditors recommended the timely implementation of appropriate remedial actions to address the problems that had emerged during the audits.

The reports prepared by the Internal Audit Function, containing the main problems detected on the processes of Financial Reporting and on the Accounting Manual were also analysed and discussed, and it is improbable that these will affect the internal administrative-accounting audit.

During the year the Bank, with the constant incitement of the Board of Statutory Auditors, improved the audit systems to ensure consistency and alignment of the data between the various characteristic sources of the individual pieces of information.

The Board of Statutory Auditors also examined statements, for the year 2014, of the CEO and of the manager responsible, in accordance with the provisions contained in art. 154 bis of the Consolidated Law on Finance and in art. 81 *ter* of the Consob Regulations 11971/1999, from which no failings emerged that might affect the judgement of adequacy of the administrative-accounting procedures.

The Board of Statutory Auditors then acknowledged the audit systems relating to the foreign subsidiary IFIS Finance Sp. z o.o. whose financial statements have been reviewed by the Ernst & Young network and whose internal audit system is controlled by the parent company's Internal Audit Function, which also in 2014, as was the case in previous years, availed itself, with a three-year contract, of the partnership with BDO Sp. z o.o.

At periodic meetings the auditing firm Reconta Ernst & Young reported no problem situations to the Board of Statutory Auditors that could affect the internal audit system relating to the administrative and accounting procedures, nor did it ever highlight facts that were deemed reprehensible or any irregularities that would require the report pursuant to art. 155, paragraph 2, of the Consolidated Law on Finance.

With regard to the above, no elements were revealed that would lead to the conclusion that the activity has not been carried out in accordance with the principles of correct administration or that the organisational structure, the system of internal audit and accounting and administrative systems were not, in their entirety, adequate to the needs and dimensions of the company.

The Board of Directors prepared, in accordance with the law, the consolidated financial statements as of 31st December 2014 of the Banca IFIS Group that was submitted for the audit by the external auditing firm Reconta Ernst & Young S.p.A. and that includes in the scope of consolidation the results of the financial statements as of 31st December 2014 of Banca IFIS S.p.A and of the 100% subsidiary IFIS Finance Sp. z o.o.

We specify that, in line with the principles of conduct recommended by the National Council of Chartered Accountants, we examined the consolidated financial statements as of 31.12.2014 and we verified compliance with the legislation relating to the creation and layout of same and of the management report.

3.4 – supervisory activities pursuant to Legislative Decree 39/2010

The Board of Statutory Auditors, as the “Committee for internal audit and for the general auditing procedure”, carried out the task of supervision of the auditing firm's operations, as provided for by art. 19 of Legislative Decree no. 39/2010.

The Board of Statutory Auditors met several times during the year, as already stated, the auditing firm Reconta Ernst & Young S.p.A., pursuant to art. 150 of the Consolidated Law on Finance *(i)* in order to exchange information concerning the activities carried out by the same and *(ii)* during the preparation of the Bank's condensed interim consolidated financial report at 30 June 2014.

- On 4th August 2014 the auditing firm issued the report on the limited audit of the abbreviated six-monthly consolidated financial statements on, with no exceptions being highlighted;
- On 12th March 2015 the auditing firm issued – in accordance with art. 14 of Legislative Decree no. 39/2010 – the reports from which it is evident that the financial statements and consolidated financial statements, closed at 31st December 2014, are drawn up clearly and represent in a truthful and correct manner the financial and asset situation, the economic results and the cash flows of Banca IFIS S.p.A and of the Group for the year ended on that date. Furthermore, in the opinion of the auditing firm, the report on the management as of the financial statements and consolidated financial statements as of 31st December 2014 and the information referred to in paragraph 1 c), d), f), l), m) and paragraph 2, letter b) of article 123-bis of the Consolidated Law on Finance presented in the “Report on Corporate Governance and on the Ownership Structures” are consistent with the annual financial statements and consolidated financial statements as of 31st December 2014.

The auditing firm presented to the Board of Statutory Auditors:

- the report on the independence of the auditor, as required by art. 17 of Legislative Decree no. 39/2010, from which no situations emerge that might compromise its independence or constitute causes of incompatibility pursuant to the cited decree;
- the Key Issues Report from which it emerges, among other aspects, that in the review of the financial statements and consolidated financial statements of Banca IFIS S.p.A. closed at 31st December 2014, no significant deficiencies in the internal audit system were identified in relation to the financial reporting process.

As during 2013 the Board of Directors decided not to entrust to the auditing firm tasks other than the review of the financial statements, no other assignments were attributed to Reconta Ernst & Young S.p.A.; the contractual annual remuneration for the statutory audit is € 136.000.

The auditing firm also confirmed to the Board of Statutory Auditors that, during the year and in the absence of the conditions for their release, it did not issue opinions pursuant to the law.

3.5 – relations with the Supervisory Body

As recommended by the standards of conduct of the National Council of Chartered Accountants, in 2014 the Board of Statutory Auditors acquired from the Supervisory Body all the information useful

to verify those aspects relating to the autonomy, the independence and the professionalism necessary to efficiently carry out the tasks assigned to it.

The Board of Statutory Auditors thus acquired from the Body the information on the adequacy of the organisational model adopted by the company, on its concrete functioning and on its effective implementation.

The Supervisory Body reported on the activities carried out during the year ended 31st December 2014 without indicating any significant critical profiles, highlighting a situation of substantial alignment with the provisions of the organisation and management model pursuant to former Legislative Decree no. 231/2001.

4. Remuneration policies

In light of the provisions of the Supervisory Authority regarding remuneration and incentive systems, the Board of Statutory Auditors verified the adequacy and compliance with the regulatory framework (seventh update of Circular no. 285 of the Bank of Italy of 17th December 2013 and emendation of EU Delegated Regulation No. 604/2014) of the remuneration policies adopted by Banca IFIS S.p.A.

The Board examined the report on remuneration, approved by the Board of Directors on 18th February 2015, and also acknowledged the favourable opinion expressed by the Internal Audit Function.

The Board considers that the principles contained in the Remuneration Report do not contrast with the corporate objectives, the long-term strategies and the policies of prudent risk management.

The Board of Statutory Auditors is not aware, in addition to what has already been discussed earlier, of facts or details that need to be communicated to the Shareholders' Meeting.

The Board of Statutory Auditors did not receive, during 2014, complaints from Shareholders pursuant to art. 2408 of the Italian Civil Code.

On 9th March 2015 a complaint was received, pursuant to art. 2408 of the Italian Civil Code, from the shareholder Carlo Fabris, owner – according to the records of the Shareholders' Register – of no. 14 shares. The Shareholder complained that the notice of convocation of the Shareholder's Meeting indicated, in his opinion, an incorrect period for exercising of the right for shareholders to pose questions before the Meeting. The Board examined the complaint and while considering the notice of convocation substantially correct, suggested that the Board of Directors adopt the most appropriate solutions to facilitate to an even greater degree the exercising of the right by the shareholders.

In the course of the activity performed and on the basis of the information obtained no omissions, reprehensible facts, irregularities or in any case other significant circumstances were detected that would require reporting to the Supervisory Authorities or mention in this report.

In conclusion, the Board of Statutory Auditors – taking into account the specific tasks conferred to the auditing firm on the subject of accounting audit and verification of the reliability of the financial statements, that issued its opinion without reservations, extended also to the report on corporate governance and ownership structure, and in light of the statements made pursuant to art. 154 bis of Legislative Decree no. 58/1998 by the manager responsible for the preparation of the accounting and corporate documents and by the CEO – does not have any comments to make to the Shareholders' Meeting, pursuant to art. 153 of the Consolidated Law on Finance concerning the approval of the financial statements as of 31st December 2014, accompanied by the management report, as presented by the Board of Directors, and therefore has no objections regarding the approval of the financial statements, the proposal for appropriation of the profit and dividend distribution.

We point out that none of the undersigned auditors holds the position of member of a control body in more than one listed issuer and therefore the provisions of the first three paragraphs of art. 144 *quaterdecies* of the Issuers' Regulations no. 11971/1999, amended by resolution with Resolution no. 18079 of 20th January 2012, do not apply.

Venezia - Mestre, 18th March 2015

The Board of Statutory Auditors

(signed on the original)

(Giacomo Bugna)

(Giovanna Ciriotta)

(Mauro Rovida)