

BANCA IFIS

REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURES BANCA IFIS GROUP



2015



Pursuant to art. 123 of the CFA
(traditional administration and control model)
Approving date: 2nd February 2016

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Glossary

Code/Corporate Governance Code: the Corporate Governance Code of listed companies approved in July 2015 by the *Corporate Governance Committee* and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

Civil Code / C. C.: the Italian Civil Code.

Board: the Issuer's Board of Directors.

Issuer: the issuer of securities to which this report refers.

Financial Year/FY: the corporate financial year to which this report refers.

Consob's Issuers' Regulations: the Regulations concerning issuers implemented with Consob's (Italian securities & exchange commission) resolution no. 11971 of 1999 (as subsequently amended).

Consob's Market Regulations: the Regulations concerning markets implemented with Consob's resolution no. 16191 of 2007 (as subsequently amended).

Regulations on transactions with related parties: the Regulation concerning related-party transactions implemented with Consob's resolution no. 17221 of 12 March 2010 (as subsequently amended).

Report: the report on corporate governance and company shareholding structure that companies are required to prepare pursuant to Article 123-*bis* of the CFA.

CFA/Consolidated Finance Act: Legislative Decree no. 58 of 24 February 1998 (known in Italian as 'Testo Unico della Finanza' – TUF).

1. Issuer profile

Governance

Banca IFIS is the Parent Company of the Banca IFIS banking group and applies the traditional model of administration and control, believing it to be the most suitable for its specific corporate reality to ensure efficient management and effective controls.

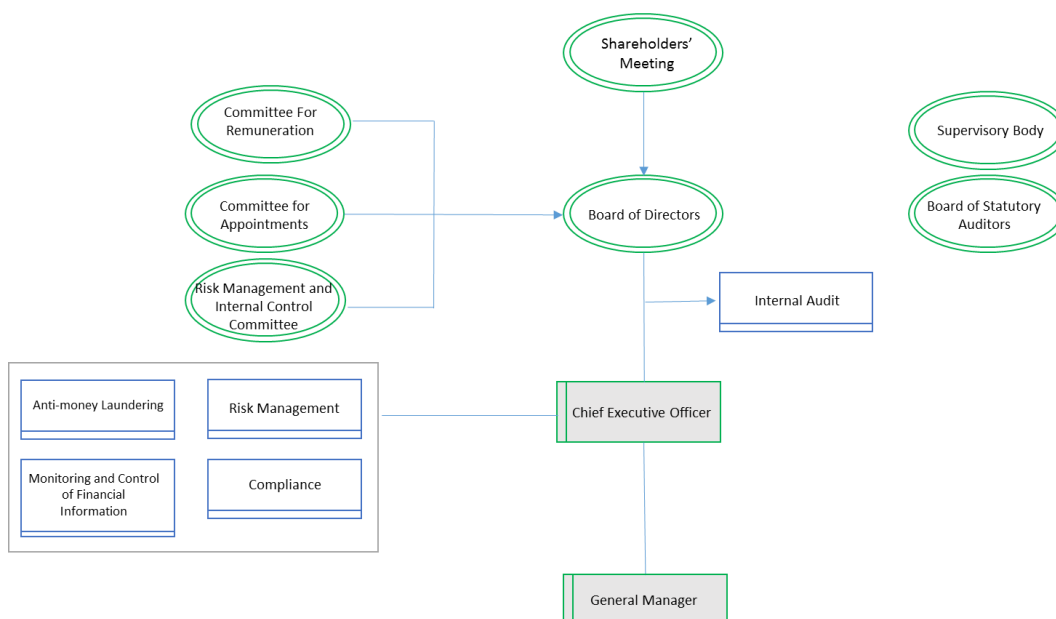
For Banca IFIS, the traditional model of administration and control has so far yielded excellent results in terms of value creation for shareholders, strengthening of capital and financial balance. The presence of minority shareholders within the Corporate bodies, thanks to the mechanism of the list vote included for some time in the Articles of Incorporation, the growing capacity to provide financial support for SMEs and to bring private insolvent parties into the circuit of solvent debtors and potential borrowers of new receivables in addition to the steady growth in the number of employees complement the Group's ability to meet the expectations of its stakeholders. The stability of the Bank and of the Group, which is also evident from the overall and fruitful dialogue with the supervisory authorities, has, in turn, confirmed the choice of the traditional model.

The traditional model appears, also from a prospective viewpoint, the most suitable to accommodate a harmonious and orderly development of the Group, as it places within a structure that has so far proved effective and efficient the skills relating to strategic supervision, management and control, facilitating a clear definition of responsibilities, a streamlined decision-making process and an effective dialectic between the bodies themselves.

In the model applied by Banca IFIS:

- Strategic supervision is performed by the Board of Directors;
- The Body assigned a management function has been identified in the person of the C.E.O.. The General Manager participates in this management function;
- Control is performed by the Board of Statutory Auditors.

The overall structure of corporate governance is today represented by the following scheme:



As regards the Bank of Italy's supervisory provisions on corporate governance (Circular no. 285 of 17 December 2013 and thereafter), Banca IFIS falls under the category of banks that are larger or more complex in terms of their operations as it is an Italian Stock Exchange listed company.

Over 2015, the procedure was initiated to fully adapt Banca IFIS's Articles of Incorporation to the amendments introduced by the Bank of Italy in the following supervisory provisions:

- update no. 15 of 2 July 2013 to the Bank of Italy circular 263 of 27 December 2006 that now falls within the Part One, Title IV of Circular no. 285/2013 (11th Amendment of 21 July 2015);
- Amendment no. 1 of 6 May 2014 to Bank of Italy's Circular 285 of 17 December 2013;
- Amendment no. 7 of 18 November 2014 to Bank of Italy's Circular 285 of 17 December 2013.

The Ordinary and Extraordinary Shareholders' Meeting of 8 April 2015 in fact approved the amendment of the Articles of Incorporation with regard to the tasks and/or the composition of the Shareholders' Meeting, of the Board of Directors and of the Body with management function.

Mission

The Banking group currently carries out its activities in the following operational areas:

- financial support to enterprises with the activity of *factoring* in Italy, mainly directed to the segment of SMEs, and through the activity of *factoring* abroad, carried out both through the internal structures of the Parent Company (International Area) and through the subsidiary IFIS Finance. The support to companies is also developed through the activity of outright purchase, which mainly concerns receivables to supplier entities of the National Health Service and through the package of solutions proposed to pharmacists, which include instalment financing for the consolidation of current loans;
- the non-recourse purchase of non-performing loans (due almost exclusively from individuals) from other intermediaries (mainly consumer credit companies and banks) and management of the associated credit value chain, from assisting debtors in drawing up sustainable repayment plans through a variety of communication channels (call centre, professional agents and external debt collection companies) to the collection of such loans (also through enforced recovery where debtors have the economic, financial and asset resources to be able to pay but are unwilling to do so);
- purchase and management of tax receivables;
- retail online collection through the rendimax savings account and the contomax current account; although these tools do not represent a specific business line for the bank, they are fully entitled to be classified among the Bank's operational segments thanks to the type of activity involved and the size of the collection.

Complementary to these activities are the activities related to corporate treasury whose contents, being results at certain particularly important times, do not change the *mission* of the Banking group described above.

Corporate social responsibility

The Bank introduced its Code of Ethics by virtue of the Board resolution passed on 4 July 2003 and last updated on 20 September 2012. This Code states the rights, duties and responsibilities of the Group's components as regards all parties with whom they have dealings in order to accomplish their corporate

purpose (clients, debtors, suppliers, employees and/or external collaborators, shareholders, supervisory bodies, institutions). It is therefore a directive with rules of conduct that have to be kept in mind when carrying out daily operations, in compliance with the legislation and regulations in force in the countries where the Group operates. The Code establishes standards and rules of conduct designed to reinforce corporate decision-making processes and guide the conduct of all collaborators of the Group's companies. The Code of Ethics is available on the company website www.bancaifis.it in the section "Corporate Governance/Legislative Decree 231/2001".

2. Information on the shareholding structure (as per Art. 123-bis, para. 1, CFA)

a) Structure of share capital (as per Art. 123-bis, para. 1, letter a), CFA)

As at 31 December 2015, subscribed and paid-in share capital totalled 53.811.095,00 Euro, divided into 53.811.095 ordinary shares of the par value of 1,00 Euro each, as shown in the following table:

The share capital at 31 December 2015 consists of the following types of shares:

STRUCTURE OF SHARE CAPITAL	No. of shares	% of share capital	Listed (market) / unlisted	Rights and obligations
Ordinary shares	53,811,095	100%	Listed (on MTA Milan electronic equity market)	Each ordinary share attributes the right to one vote

As at 31 December 2015, there were no other financial instruments outstanding attributing the right to subscribe newly issued shares.

For the shares to be allocated as variable pay to the C.E.O., to the General Manager and to any other person considered 'Key personnel', please refer to the report on remuneration as per Art. 123-ter of the CFA and the information document on equity-based compensation plans as per Arts. 114 bis of the CFA and 84 bis of the Issuers' Regulations; the documents can be viewed on the website www.bancaifis.it in the sections "Shareholders' Meetings" and "Remuneration".

b) Restrictions on the transfer of securities (as per Art. 123-bis, para. 1, letter b), CFA)

There are no restrictions on the transfer of shares, save the retention periods foreseen for the shares to be allocated as variable pay to the C.E.O., to the General Manager and to any other person considered 'Key personnel'. For more details on the shares to be assigned to these Corporate Officers, please refer to the report on remuneration as per Art. 123-ter of the CFA.

c) Significant shareholdings (as per Art. 123-bis, para. 1, letter c), CFA)

At 31 December 2015, from communications provided pursuant to article 120 of the CFA, and from those made by the relevant parties, pursuant to art. 152-octies of the Issuers' Regulations, the persons holding, directly or indirectly, shares carrying voting rights in excess of 2% of the share capital are as follows:

Declarant	Direct Shareholder	% of ordinary share capital	% of voting capital
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FÜRSTENBERG SEBASTIEN EGON	La Scogliera S.p.A.	50.114%	50.127	50.127
	Fürstenberg Sebastien Egon	0.013%		
SALAMON MARINA	Alchimia S.p.A.	2.000%	2.000	2.000
PREVE RICCARDO	Preve Costruzioni S.p.A.	2.156%	2.323	2.323
	Preve Riccardo	0.168%		
BOSSI GIOVANNI	Bossi Giovanni	3.429%	3.429	3.429

It is appropriate to point out that:

- The activity of the investment holding company La Scogliera S.p.A. is limited to holding its only significant equity investment - the controlling interest in Banca IFIS S.p.A.;
- Even though it is the majority shareholder, La Scogliera S.p.A. does not perform any management and coordination activity vis-à-vis Banca IFIS S.p.A.;
- The corporate purpose of La Scogliera S.p.A. expressly excludes management and coordination of the financial companies and banks in which it owns equity interests.

d) Securities granting special rights (as per Art. 123-bis, para. 1, letter d), CFA)

No securities have been issued that grant special rights of control.

e) Employee equity participation: mechanism for exercising voting rights (as per Art. 123-bis, para. 1, letter e), CFA)

Any employees holding shares of the Company exercise their shareholder rights in the same ways as other shareholders.

f) Restrictions on voting rights (as per Art. 123-bis, para. 1, letter f), CFA)

The Company knows of no restrictions on voting rights.

g) Shareholder agreements (as per Art. 123-bis, para. 1, letter g), CFA)

The Board of Directors of Banca IFIS S.p.A. knows of no agreements between the Company's shareholders as defined by Article 122 of the CFA.

h) Change-of-control clauses (as per Art. 123-bis, para. 1, letter h), CFA) **and statutory provisions on takeover bids** (as per arts. 104, para 1-ter, and 104-bis, para. 1)

Neither Banca IFIS S.p.A. nor its subsidiary IFIS Finance Sp. z o.o. have concluded significant agreements that take effect, are modified or lapse if change of control of the contractual party occurs.

The Articles of Incorporation of Banca IFIS S.p.A. do not contravene the passivity rule laid down by Article 104, paragraphs 1 and 2, of the CFA nor do they envisage the application of the neutralisation rules laid down by Article 104-bis, paragraphs 2 and 3, of the CFA.

i) Delegations of power to increase share capital and authorizations to buy treasury shares (as per Art. 123-bis, para. 1, letter m), CFA)

As at 31 December 2015, the Board was not empowered to increase share capital pursuant to Article 2443 of the Italian Civil Code, i.e. to issue equity securities.

The Ordinary and Extraordinary Shareholders' Meeting of 8 April 2015 authorised the purchase and sale of treasury shares, pursuant to arts. 2357 et seq. of the Italian Civil Code and to art. 132 of Legislative Decree no. 58/98.

The Shareholders' Meeting, in view of the portfolio of treasury shares held, the available reserves and the distributable profits evident from the financial statement for the year ended 31 December 2014, authorised up to the maximum provided by the Delegated Regulation (EU) no. 241/2014 of 7 January 2014 which - with regard to the purpose of support to trade and in light of the current excess of the class 1 primary capital with respect to capital requirements pursuant to art. 92 CRR (Pillar 1), 104 (1) (a) (Pillar 2) and 128(6) (capital reserves) CRDIV - amounts to 3% of the sum of share capital and share premium (which on the date of the Shareholders' Meeting corresponded to a value of approximately Euro 3.8 million). However, there was no subsequent need to submit the request to the Bank of Italy to obtain the authorisation provided for in that legislation.

During 2015 a sale operation and a number of operations of assignment of treasury shares were carried out: the number of treasury shares in the portfolio at year-end 2015 changed with respect to the date of the mentioned Shareholders' Meeting and amounts to no. 739446 which correspond to 1.374% of the share capital.

l) Management and coordination activity (as per Art. 2497 and thereafter of the Italian Civil Code)

Even though it is the majority Shareholder, La Scogliera S.p.A. does not perform any management and coordination activity in Banca IFIS S.p.A.. In this regard, it should be noted that the corporate purpose of La Scogliera S.p.A. expressly excludes management and coordination of the financial companies and banks in which it owns equity interests.

Note that:

The information required by Article 123-bis, paragraph 1, letter i) ('agreements between the company and Directors entailing indemnities in the event of resignation or dismissal without just cause or if the employment relationship ceases following a takeover bid'), can be found in the report on remuneration published pursuant to Article 123-ter of the CFA;

The information required by Article 123-bis, paragraph 1, letter l) ('rules applicable to the appointment and substitution of Directors ... as well as the amendment of the Articles of Incorporation, if different from additional legislative and regulatory rules applicable'), are illustrated in the section of this report dedicated to the Board of Directors (Section 4.1).

3. Compliance (as per Art.123-bis, para. 2, letter a), CFA)

Banca IFIS S.p.A. complies with the Corporate Governance Code of listed companies approved in 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., last updated in July 2015.

The Code is accessible to the public on the website of the Corporate Governance Committee at the following link:

<http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2015.pdf>.

The corporate governance structure of Banca IFIS is not influenced by non-Italian laws.

IFIS Finance Sp. z o.o., a factoring company wholly owned by the Issuer, is a Polish legal entity and is therefore subject to Polish legislation. This however, also because of the subsidiary's limited size in relation to the Parent company, in no way affects the corporate governance structure of Banca IFIS S.p.A..

4. Board of Directors

4.1. Appointment and substitution (as per Art. 123-bis, para. 1, letter I), CFA)

Members of the Board of Directors are appointed on the basis of lists presented by shareholders. Candidates are listed in sequential order and their number in any case must not exceed the maximum number of Members established by the Articles of Incorporation (fifteen).

Only shareholders who, alone or together with others, own at least 1% of ordinary shares at the time of submittal have the right to submit lists. A lower ownership threshold is possible and – by virtue of current legislation – must be indicated in the notice convening the Shareholders' Meeting called to vote on appointment of the Members of the Board of Directors.

A shareholder can neither submit nor vote for more than one list, not even via agents or fiduciary companies. Shareholders belonging to the same group and shareholders forming part of a shareholder agreement concerning the Company's shares cannot submit or vote for more than one list, not even via agents or fiduciary companies. A candidate can be present on only one list or they are considered ineligible.

The lists must be submitted to the Company's registered office at least twenty-five days prior to the date set for the Shareholders' Meeting in first call, and must be made available to the public at the Company's registered office, on the Company's website and according to other methods provided for by regulations in force at least twenty-one days prior to the date set for the Shareholders' Meeting in first call.

The ownership of the minimum number of shares needed for presentation of the lists is determined by taking into account the shares recorded in favour of the individual shareholder or multiple shareholders jointly on the day in which the lists are submitted to the Company. In order to substantiate the ownership of the number of shares necessary for presentation of the lists, shareholders may exhibit the relevant certification, even subsequent to the submission of the lists, provided this is within the term set for publication of the lists by the Company.

The lists must be accompanied by:

- Information relating to the identity of shareholders who have presented lists, stating the percentage of shares held as a whole;
- A declaration by shareholders other than those who own, also jointly, a controlling or relative majority interest, certifying the absence of connections with the latter, as indicated in Article 147-ter of the CFA and Article 144-quinquies of Consob's Issuers' Regulations;
- Exhaustive information on candidates' personal and professional characteristics, as well as a declaration by the candidates themselves certifying possession of the requirements established by law and acceptance of their candidacy.

Candidates who do not meet the requirements of integrity, professionalism and independence

established by Article 26 of Legislative Decree no. 385/1993 cannot be included in lists. It should be noted that Legislative Decree no. 72/2015 initiated a comprehensive reform of the regulations of the requirements of corporate officers, intended to integrate the objective requirements of integrity and professionalism with criteria of competence and correctness that will be incorporated in secondary legislation to be issued by the Ministry of Economy and Finance; on the date of this report, the new legislation has not been defined by the Ministry.

Each list must also indicate:

- at least a quarter of the members (if this ratio is not an integer, it is approximated to the nearest lower whole number if the first decimal is less than or equal to 5; otherwise it is approximated to the nearest higher whole number) that are in possession of the independence obligations provided for both by the Corporate Governance Code of listed companies approved required by Borsa Italiana S.p.A. and by art. 148, paragraph 3 of Legislative Decree no. 58/1998. These candidates must be placed on the list among the top four places in sequential order;
- A number of candidates belonging to the least represented gender, equal to at least one third, except for those lists that include a number of candidates that is less than three.

Board Members are elected as follows:

- 1) all Directors except one are elected from the list obtaining the highest number of votes at the Shareholders' Meeting, according to the sequential order with which they are indicated on the list,
- 2) One Director is elected from the list obtaining the highest number of votes at the Shareholders' Meeting and that, pursuant to Article 147-ter, paragraph 3 of the CFA, is in no way connected, not even indirectly, with the shareholders who submitted or voted for the list that came first in terms of the number of votes.

Should such selection criteria fail to ensure proper balance between genders to the extent established by the law from time to time, a sliding mechanism is applied to the selection from the list which obtained, during the Shareholders' Meeting, the highest number of votes based on the consecutive order with which the candidates are indicated. Such mechanism excludes the candidate or candidates of the more represented gender and reselects the candidate or candidates of the missing gender.

If just one list of candidates is submitted, the names indicated on that list will be elected as Members of the Board of Directors, up to the number of Directors to be elected less one, who shall be elected by the Shareholders' Meeting there and then, based on a simple majority but excluding from the vote the shareholders who submitted the single list, and based on the proposal of the shareholders not excluded from the right to vote.

In any case, at least a quarter of the Members of the Board of Directors must meet the independence requirements established both by the Corporate Governance Code for Listed Companies dictated by Borsa Italiana S.p.A. and by Article 148, paragraph 3 of Legislative Decree no. 58/1998.

If, during the year, fewer than a quarter of the Directors are found to meet such requirements, the Board will decide to terminate the role of one or two of its Members who have ceased to meet such requirements, based on a criterion of shorter tenure, or, in the case of equal tenure, lower age, and will co-opt one or two independent Members.

The laws in force, without the involvement of list voting, shall govern any replacement of Directors, except in cases involving the termination of all Directors.

In the event of cessation of the Director elected from the list that obtained the highest number of votes at the Shareholders' Meeting and that, pursuant to Article 147-ter, paragraph 3 of the CFA is in no way connected, not even indirectly, with the shareholders who submitted or voted for the list that came first in terms of number of votes, the Board will first check the continued availability of the candidates listed

in the list, according to the latter's sequential order, and will co-opt Members based on this criterion of preference.

In case of termination of a Director belonging to the least represented gender, the co-opted Director shall in any event belong to the same gender.

Succession Plans

In 2015, the Board of Directors resolved not to adopt a succession plan for Executive Directors in light of interchangeability for purposes of ordinary management between the C.E.O. and the General Manager.

4.2. Composition (as per Art. 123-bis, para. 2, letter d), CFA)

Pursuant to the Articles of Incorporation, the Board of Directors is composed of between five to fifteen Members, elected by the Shareholders' Meeting. They remain in office for a maximum of three years, established at the moment of election and expiring on the date in which the Shareholders' Meeting called to approve the Annual financial statements for the last year of their office takes place.

The composition of the Board in office as at FY2015 year-end, as also shown in Table 2 attached to this report, is as follows:

- Sebastien Egon Fürstenberg (Chairman of the Board of Directors);
- Alessandro Csillaghy de Pacser (Deputy Chairman of the Board of Directors; Executive Director);
- Giovanni Bossi (CEO);
- Giuseppe Benini (Lead Independent Director);
- Francesca Maderna (Independent Director);
- Andrea Martin;
- Marina Salamon;
- Riccardo Preve;
- Daniele Santosuosso (Independent Director).

The present Board of Directors was elected at the Ordinary Shareholders' Meeting of 30 April 2013 for the years 2013, 2014 and 2015 and will expire on the date in which the Shareholders' Meeting called to approve the Annual financial statements for the year 2015 takes place. Two lists were presented: one by the majority shareholder "LA SCOGLIERA S.P.A." and one by the shareholders "Ersel Asset Management SGR S.p.A." fund manager of Fondersel P.M.I.; Eurizon Capital SGR S.p.A. fund manager of Eurizon Azioni PMI Italia; Eurizon Capital SA fund manager of Eurizon EasyFund Equity Italy LTE; Fideuram Investimenti SGR S.p.A. fund manager of Fideuram Italia; Fideuram Gestions SA fund manager of: Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav fund manager of Interfund Equity Italy and Otus Capital Management Limited fund manager of Maga Smaller Companies Master Fund Limited" (who certified the absence of any connection relations with the controlling shareholder).

Shown below, for both of them, are the list of candidates, the list of those elected and the percentage of votes obtained in relation to voting capital:

List submitted by the majority shareholder 'LA SCOGLIERA S.p.A.'		
List of candidates	List of those elected	Percentage of votes obtained

Sebastien Egon Fürstenberg	Sebastien Egon Fürstenberg	80.38%
Alessandro Csillaghy de Pacser	Alessandro Csillaghy de Pacser	
Giovanni Bossi	Giovanni Bossi	
Giuseppe Benini	Giuseppe Benini	
Francesca Maderna	Francesca Maderna	
Andrea Martin	Andrea Martin	
Riccardo Preve	Riccardo Preve	
Marina Salamon	Marina Salamon	
Lorenza Danzo		

The list presented by the shareholders "Ersei Asset Management SGR S.p.A. fund manager of Fondersi P.M.I.; Eurizon Capital SGR S.p.A. fund manager of Eurizon Azioni PMI Italia; Eurizon Capital SA fund manager of Eurizon EasyFund Equity Italy LTE; Fideuram Investimenti SGR S.p.A. fund manager of Fideuram Italia; Fideuram Gestions SA fund manager of: Fideuram Fund Equity Italy e Fonditalia Equity Italy; Interfund Sicav fund manager of Interfund Equity Italy and Otus Capital Management Limited fund manager of Maga Smaller Companies Master Fund Limited".

List of candidates	List of those elected	Percentage of votes obtained
Daniele Santosuosso	Daniele Santosuosso	3.83%

Below we show a summary of the personal and professional characteristics of each Director in office as at the end of the 2015 financial year (pursuant to Article 144-decies of the Consob's Issuers' Regulations) based on the declarations provided by each of them and attached to the lists, as well as on any subsequent updates notified by those concerned.

Chairman of the Board of Directors – Sebastien Egon Fürstenberg

Mr. Sebastien Egon Furstenberg has operated in the factoring sector for more than 25 years; in 1983 he founded the company I.Fi.S. S.p.A. – Institute of Financing and Rebate (now Banca IFIS S.p.A.).

As from 1992 he has been the Sole Director and, as from 2 February 2009, Chairman of the Board of Directors of La Scogliera S.p.A., a company whose purpose is to purchase, manage and sell investments in banks and financial companies and which holds the majority equity interest in Banca IFIS S.p.A..

Deputy Chairman – Alessandro Csillaghy de Pacser

Alessandro Csillaghy de Pacser has operated in the factoring sector for more than 30 years and has been the Bank's Deputy Chairman since 1996, performing an executive role to develop the Bank's presence abroad, by means of contacts with local institutions and foreign entrepreneurs designed to further Banca IFIS's foreign business.

In particular, he has set up representative offices in Central Europe in Bucharest and Timisoara in Romania and in Budapest in Hungary. He is directly responsible for the Budapest representative office pending closure, and, from April 2010, he was the Officer in charge of the Paris branch up until its closing (30 September 2012). Since 2011, he has been Chairman of the Board of Directors of the subsidiary IFIS Finance Sp. Z o.o, a factoring company in Poland.

Chief Executive Officer – Giovanni Bossi

A graduate in Economics & Commerce and a licensed Professional Accountant, Giovanni Bossi has been registered in the Italian Public Register of Approved Statutory Auditors since 1992. In the past he taught at the faculty of Finance Science and Law at Rome's Luiss University.

As a self-employed professional he provided consulting services to industrial and financial groups, also controlled by European public companies, located in Northern Italy, as well as to Italian companies in relation to the design and development of industrial and financial activities in East European countries.

Since May 1995, he has been the C.E.O. of the Issuer. He was also C.E.O. and then Member of the Board of Directors of La Scogliera S.p.A., office from which he resigned on 20 November 2012.

Director – Giuseppe Benini

He holds a degree in Economics and Business Administration from the University of Padua and has been enrolled since 1986 in the Association of Certified Public Accountants of Verona (section A) and in the Register of Accounting Auditors.

He works as a Certified Public Accountant and Auditor and has acquired significant experience in:

- Legality check and accounting check;
- Organization models (Italian Law Decree 231/2001) for banking, industrial and service companies;
- corporate restructurings as per articles 67 and 182 of the Italian Bankruptcy Law.

He assists leading national banks as a party-appointed consultant in matters such as claw-backs, anatocism and usury.

Director – Francesca Maderna

She graduated in Economics and Business Administration in 1988 and has been registered with the Association of Certified Public Accountants of Belluno since 1990 and with the Italian Register of Legal Auditors under no. 33675 since 1995.

She currently holds the offices of Member of the Board of Director of Clinica Mediterranea S.p.A. and Sole Director of Immobiliare del Nord S.p.A. - a property asset management company.

She has also held the office of Director in various companies operating in the hollow glass sector (AVIR Group).

Director – Andrea Martin

A graduate in Economics & Commerce, Andrea Martin is registered with the Venice Orders of Labour Consultants and of Professional Accountants & Accounting Experts; since 1986 he's been registered with the Register of Statutory Auditors. Since 1993 he has been registered in the Central List of Expert Auditors for Fiduciary and Audit Firms.

He has performed consulting services for some provincial associations of Veneto manufacturers, as well as for their consortia and service companies, for the Venice Public Prosecution Department for bankruptcy and corporate crimes, and has followed numerous creditor arrangement procedures. He has held offices as Chairman, Deputy Chairman, Executive Committee Member and Internal Statutory Auditor of Banks, Financial and Tax-collection entities. He has also been an External Auditor for various public entities and public and private cultural foundations.

He currently holds office as a Member of the Board of Statutory Auditors of various public entities, companies and foundations.

Director - Riccardo Preve

A Sociology graduate, in 1980 Riccardo Preve founded Preve Costruzioni S.p.A., an infrastructure construction company in the public works sector that controls other road signage and construction companies.

He operates heavily in the real estate field and has invested in the photovoltaic sector.

He currently covers the following offices: President, C.E.O. and Technical Director in different industrial companies, and he is a Member of the Confindustria Council of Cuneo.

He previously acquired longstanding experience in various financial companies and was Chairman of Banca di Credito Cooperativo.

Director – Marina Salamon

With a university degree in History (specialization in Economic History), in 1982 Marina Salamon founded Altana S.p.A. one of the foremost European medium/high-end children's apparel companies.

Controlla Doxa S.p.A, Doxa Marketing Advice S.r.l., Connexia S.p.A., Duepuntozero Research S.r.l. and Doxa Metrics S.r.l.: these are some of the leading Italian companies in the field of market research and web communication. The group also has minority interests in the companies The Visual Agency S.r.l. and Doxa Pharma S.r.l..

All entrepreneurial and financial undertakings are headed by the holding company Alchimia S.p.A., wholly owned, which is strongly present also in the real estate sector. Alchimia S.p.A. has also invested in the photovoltaic sector, through the construction or acquisition of solar parks in various Italian locations.

Director – Daniele Santosuosso

After obtaining his degree in Commercial Law, Mr. Santosuosso embarked on an academic path initially as a Scholar and Visiting Fellow at various universities abroad. He then became a Researcher, an Associated Professor in Commercial Law at 'La Sapienza' University in Rome and, lastly, a Full Professor in Commercial Law at the same university. He is the author of many papers, articles, essays and books, as well as a Member of certain scientific publications and collaborates with the Italian newspaper Il Sole 24 Ore. He is also the Founder and Director of 'Rivista di Diritto Societario' (Corporate Law Review). He has been a Member of the Bar Association since 1992, has his own law firm and has held various institutional and corporate management posts (amongst which Member of the Government Commission for the reform of company law in 2003).

Maximum number of offices held in other companies

The Regulation on the maximum total number of offices that can be held by company Officers was approved by the Shareholders' Meeting on 30 June 2009.

This Regulation first of all establishes that:

'The Officers of Banca IFIS S.p.A. accept office and maintain it insofar as they believe themselves able to dedicate the necessary time to the diligent performance of their tasks, taking into account both the number and the quality of offices held in the management and control bodies of other companies and the

commitment required of them by their further professional activities and by association appointments held'.

For the purposes of calculation of the limits on the maximum total number of offices governed by the 'Regulation', the following items are relevant:

- a) Companies with shares listed in Italian or foreign regulated markets;
- b) Italian or foreign companies with shares not listed in regulated markets and that operate in the insurance and banking sectors and in the financial sector in general. As regards the latter sector, the only financial companies relevant are those subject to prudential supervision by the Bank of Italy and registered in the specific list indicated in Article 107 of Legislative Decree no. 385/1993. In the case of foreign companies, an evaluation of substantial equivalence is performed;
- c) 'Companies of significant size' ('companies of significant size' are those that have individual shareholders' equity of at least 100 million Euro based on the last approved set of annual accounts).

Conversely, offices held within the Banca IFIS Group or in companies other than those listed above, do not count.

In the Regulation, the term 'Executive posts' means the following offices:

- C.E.O.;
- General Manager;
- Member of the Management Board;
- Member of the Executive Committee.

The terms 'Non-executive Director and controlling offices', on the other hand, mean the following:

- Member of the Board of Directors without proxies;
- Standing Member of the Board of Statutory Auditors;
- Member of the Supervisory Board.

In addition to the office held at the Bank, an Executive Director:

- Cannot hold other executive offices in the companies identified, in terms of type or size, as per the Regulation;
- Can hold up to a maximum of five offices as Non-executive Director or Statutory Auditor in such companies.

In addition to the office held at the Bank, a Non-executive Director cannot hold more than ten offices as Director or Statutory Auditor, of which not more than two Executive offices, in other companies identified in terms of type or size, as per the Regulations.

Candidates for appointment as Director or Statutory Auditor of Banca IFIS S.p.A. must provide the Bank with an updated statement of the management, direction and control offices held by each of them.

Following their appointment, the Company's Directors and Statutory Auditors promptly notify the Corporate Affairs Department of Banca IFIS S.p.A. of any changes affecting the offices held by them in the management and control bodies of other companies.

The Board of Directors of Banca IFIS S.p.A. has the authority to accord possible exceptions, also temporary, to the maximum limit in the Regulation. To the date of this report, no such exceptions have been accorded.

Upon submittal of the lists for the appointments made by the Shareholders' Meeting on 30 April 2013, all candidates declared – when accepting their candidacy and possible appointment – that they had read the 'Regulation' and checked that they did not hold a number of offices in other companies exceeding the related limits.

No significant changes in this respect were notified subsequent to appointment.

The table below shows the number and type of positions held by the Directors of Banca IFIS to 31 December 2015, based on the information provided by them. In addition, in order to comply with the requirements of Circular no. 285/2013 of the Bank of Italy (Section VII, Chapter 1, Title IV, Part One), evidence was also provided of the positions held in the companies that are not considered relevant for the purposes of the "Regulation on the maximum number of offices that can be held by company officers".

POSITIONS HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS IN OTHER COMPANIES											
	POSITIONS IN COMPANIES RELEVANT TO THE REGULATION ON THE MAXIMUM NUMBER OF POSITIONS							POSITIONS IN COMPANIES THAT ARE IRRELEVANT FOR THE PURPOSES OF THE REGULATION ON THE MAXIMUM NUMBER OF OFFICES			TOTAL
	Companies listed on regulated markets including abroad		Financial, banking, insurance companies		Relevant companies dimensions		Total	Executive	Non Executive	Total	
	Executive	Non Executive	Executive	Non Executive	Executive	Non Executive					
Furstenberg Sebastien Egon	-	-	-	-	-	-	-	-	1	1	1
Csillaghy Alessandro de Pacser	-	-	-	-	-	-	-	2	-	2	2
Bossi Giovanni	-	-	-	-	-	-	-	1	-	1	1
Benini Giuseppe	-	-	-	-	-	7*	7	-	22	22	29
Maderna Francesca	-	-	-	-	-	-	-	1	1	2	2
Martin Andrea	-	-	-	-	-	-	-	1	7	8	8
Preve Riccardo	-	-	-	-	-	-	-	4	-	4	4
Salamon Marina	-	-	-	-	-	1**	1	-	3	3	4
Santosuosso Daniele	-	-	-	-	-	1***	1	-	-	-	1
OTHER CORPORATE OFFICERS											
Staccione Alberto	-	-	-	-	-	-	-	-	-	-	-
	* A4 Holding S.p.A.; Fenice Holding S.p.A.; Carlo Tassara S.p.A.; Boscolo Hotels S.p.A.; Snaidero S.p.A.; Italtel S.p.A.; UNA S.p.A.										
	** Illy Caffè S.p.A.										
	*** Lottomatica Holding S.r.l.										

Induction Programme

The aforementioned 1st Amendment of 6 May 2014 of Bank of Italy's Circular 285 of 17 December 2013, amongst other things, *suggests training plans that are suitable to ensure the set of technical skills of Members of the Administration and Control bodies, as well as Heads of the main corporate functions, necessary to carry out their roles in a knowledgeable manner, is maintained over time.* In light of this, during 2015, a number of training sessions for the Directors and the Statutory Auditors were conducted by Parente & Partners S.r.l., with particular focus on the following:

- the evolution in the management of the Bank: governance, capital, risk, liquidity and economic sustainability;
- the information systems and the role of the Board of Directors;

- the results of supervisory activities – major issues that emerged in the years 2013-2014;
- EBA SREP - Business Model, Internal governance and internal audits;
- the evolution of banking regulation and the dialogue with the supervisory authority: the system of review and prudential evaluation: main issues and open questions.

Throughout 2015 and during January 2016, the independent Director Daniele Santosuosso and the Chairman of the Board of Statutory Auditors Giacomo Bugna also participated, at the expense of the Bank, in a number of training sessions organised by Assogestioni and Assonime on the following topics:

- the responsibilities of directors and statutory auditors in listed companies;
- listed companies and risk management;
- related party transactions and the remuneration of directors;
- disclosure requirements and financial reports in listed companies.

The Board of Directors also considered the possibility of providing specific training programmes for new appointees in order to help integrate them into their new roles in corporate bodies.

4.3. Role of the Board of Directors (as per Art. 123-bis, para. 2, letter d), CFA)

During FY2015, 19 meetings of the Board of Directors were held, each lasting approximately three and a half hours on average. Attendance percentages are shown in Table 2 attached to this report.

Since the beginning of 2016 up to the date of approval of this report, three Board meetings have been held, including the one during which the "Report" was approved. The number of Board meetings in 2016 is expected to be in line with last year.

In fulfilment of the obligations established for listed issuers by Article 2.6.2 of the Market Regulations of Borsa Italiana S.p.A., the Board of Directors annually approves the Corporate Events Calendar to be notified to Borsa Italiana for disclosure to the public, within the deadline of 30 days after the end of the previous corporate financial year.

In particular, the Calendar specifies, within the framework of Board meetings established for the new financial year, the dates fixed for the approval of draft financial statements, six-monthly financial reports and quarterly reports, as well as the date scheduled for the Shareholders' Meeting for the approval of the Annual financial statements.

The 'Regulations on the convening and functioning procedures of Board of Directors' Meetings', whose latest update was made on 13 October 2015, establish that:

- the documentation supporting discussion of agenda items is saved in the shared network folder made available to each Director and Statutory Auditor by the end of the third working day before the date fixed for the meeting, except in urgent cases when documentation is made available by the end of the day before the meeting and in any case as soon as possible;
- Such documentation is sent or made available, on the Chairman's order, by the Bank's Corporate Affairs Department;
- When the Chairman deems it advisable due to the topics and related resolution involved – also in order to avoid abusive disclosure of confidential information, possible given the means of communication instruments used and quite apart from the intentions of those concerned – the briefing documentation can be provided directly at the meeting, advising Directors and Statutory Auditors of this beforehand by the deadline indicated above so that, if they deem it appropriate,

they can in any case have access to the information at the Company's registered office by the end of the day before the meeting and in any case as soon as available.

The procedures and time limits for sending the documentation to the Board described above were normally observed during the year 2015. The situation whereby the Chairman identified the opportunity to provide documents directly during a meeting almost never arose. This occurred in negligible percentage terms with respect to the totality of the issues addressed by the Board, mainly for the provision of more accurate versions of communications to be disseminated on periodic financial reporting, that is during negotiations concerning purchases or sales of non-performing receivable portfolios.

The evaluations which emerged during the annual self-assessment of the Board of Directors (concluded during the meeting of 19 January 2016) concerning the planning of the Board's meetings, the comprehensiveness of the agenda and the time frames and contents of the informative note conveyed prior to the meetings, the participation in said meetings and the management and execution of duties, as well as the precision of the minutes drawn up, are all considered satisfactory as a whole.

Pursuant to the Articles of Incorporation, Board meetings are attended by the General Manager in a consulting role. The Board of Directors chose the Corporate Affairs Office to be the office responsible for carrying out the duties that the Articles of Incorporation entrusts to the Secretary responsible for preparing reports and minutes. In addition, pursuant to the afore-mentioned 'Regulations', the Chairman can invite to attend Board meetings managers or other employees of the Company or other parties or external advisors whose presence is deemed useful in relation to the matters to be addressed.

During 2015 the Head of Corporate Affairs therefore attended the meetings.

Speakers also included:

- the manager responsible for preparing the company's financial reports, the head of the Administration Service and the *Investor Relator*, especially on the occasion of the presentation of the financial information documents;
- The Heads of the Customer and Debtor Areas (or other Members of these offices), to aid the Board in the assessment of assignment dossiers;
- The Head of the Organisation & Information Systems Area, the Head of Planning and Management Control and the Head of the NPL Area and other area managers when topics addressed concerned related activities and responsibilities.
- the advisor Ferdinando Parente to report on the performance of the tasks conferred to him.

Lastly, the Internal Auditing Officer, the Chief Risk Officer and the Compliance and Anti-money Laundering Officer directly illustrate their reports and work plans to Directors, in accordance with the current supervisory regulations enacted by the Bank of Italy.

Pursuant to Article 14 of the Articles of Incorporation, besides the attributions that, mandatorily, cannot be delegated, the matters reserved to the exclusive prerogative of the Board of Directors include:

- the business model, the strategic guidelines and operations, as well as business and financial plans;
- the guidelines for the internal audit system, ensuring that it is consistent with the strategic and risk appetite measures established and is able to understand the evolution of the business risks and the interaction between them;
- the criteria for identifying the most important operations to be subjected to prior approval by the risk control function;
- Adaptations of the Articles of Incorporation to regulatory requirements;

- Strategic guidelines and operations, as well as business and financial plans of the Group;
- Purchase and disposal of equity investments, companies and/or company branches leading to changes in the group, or investments or disinvestments exceeding 1% (one percent) of the shareholders' equity reported in the Company's latest financial statements approved.

On the basis of strategic indications, dimensional objectives and additional qualitative-quantitative elements of the Strategic Plan, the ICAAP Report and a document setting out the attention and alarm limits for the main risk indicators are drawn up and approved by the Board of Directors on a yearly basis. In accordance with the requirements of the new prudential Supervisory Provisions for banks, defined by the 15th amendment of Circular 263 of the Bank of Italy, the strategic plan for ICT was also approved.

As part of the recognition of the self-regulatory regulations for the system of corporate governance, the Board also approved the adjustment of the Remuneration Committee Regulations in line with updating of the Governance Code approved by the Committee for Corporate Governance in July 2015.

In 2015 the Board of Directors also approved a number of documents that are part of the review process of organisational and informational structures initiated by the Bank; in this context, the updates and/or the formalisation were approved of numerous internal regulatory framework documents including the General Regulations.

A period of focusing on information flows led to updating of the Group Regulations for the internal management and communication abroad of corporate information and of the Regulations on procedures for convening and functioning of the Board.

The Board assesses the general performance of the company, during examination of the financial reports governed by art. 154 ter of the CFA and during the examination (expected after approval of the mid-year results) of the comparison between the planning objectives and actual results and in correspondence with the annual Budget (quantitative document approved at the end of each year containing the economic forecast and financial data for the following year and by single Business Area, created from preliminary financial data for the current fiscal year closing).

The Board also assesses on an ongoing basis, as part of its handling of matters for which it is responsible, the appropriateness of the Bank's organisational, administration and general accounting set-up.

The suitability of the Bank's subsidiary's organisational, administration and general accounting set-up is evaluated by the Board of Directors by means of certain corporate governance and control tools, identified in the 'Group Regulations' which define the roles of the Parent Company and its subsidiaries, as well as defining management/coordination activities in both the strategic-management and technical-operational control field.

Description of the organisational model characteristics of the Group's Internal Control System and the variation of the activities carried out by the Group's control units (that is in the scope of management and coordination by the Parent Company over its subsidiaries) is contained in the Document on the Internal Control System of the Company and the Group – Guidelines and in the Regulations Governing Control Functions.

Pursuant to the provisions of the Articles of Incorporation highlighted earlier, the Board has the prerogative of prior review and approval of the transactions of the Issuer and its subsidiaries, when such transactions are of significant importance in strategic, economic, equity or financial terms. In such cases, the following process is adopted: the Board of Directors gives a mandate to the C.E.O. to perform a feasibility study of the transaction, in order to assess the risks and opportunities. This study must contain all the parameters necessary to permit informed decision-making by the Board of Directors. The Board,

after having reviewed the feasibility study, can either approve the transaction or ask for further in-depth analysis.

The Board has not established general criteria to identify transactions of significant strategic, economic, equity or financial importance for the Bank since these operations can only be approved by the Board itself, as part of the planning process or, as has occurred so far, as part of the key points that modify already approved strategic objectives and risk appetite.

The Board examined the issue of general criteria to identify transactions with associated parties of significant strategic, economic, equity or financial importance for the Bank when it approves the 'Procedure for Transactions with Associated Parties'.

As previously stated, the Board of Directors, during its meeting of 19 January 2015, and also in light of the provisions and instructions provided by the Bank of Italy, concluded its annual evaluation on the functioning of the Board and of its Committees as well as on their size and composition. This evaluation process was carried out by means of distributing a questionnaire, in the weeks prior, which varied according to the role of the person due to complete it (e.g. the Chairman of the Board of Directors, Members of Internal Committees etc.).

This evaluation was carried out taking into account the usual elements, such as Members' professional characteristics and experience, both managerial and general, as well as their seniority in office, also with a view to preparing the opinions to be expressed to the shareholders on those figures whose presence in the Board is deemed appropriate.

With regards to the methods used for the evaluation process, first of all the Chairman chose the person within the Bank to manage this process as he fits the criteria set by the Bank in the Regulations governing the Self-assessment Process. In the process of self-assessment, the designated agent (head of Corporate Affairs) was assisted by an external professional identified in the person of Mr. Ferdinando Parente from the company Parente & Partners S.r.l., who formerly undertook an assignment relating to technical assistance and consultancy ensuring compliance with the main obligations of the Bank.

The consultancy offered by the professional as part of the process of self-governance mainly focussed on preparing the questionnaire and providing assistance to the internal structure assigned to define the quantitative and qualitative assessment criteria of the members of the Board of Directors and also in the ensuing self-assessment of whether each Member meets the relative requisites.

After having prepared the questionnaire, the external professional provided support during the following phases of the self-assessment process:

- initial paperwork: helping to gather the information and data on which the assessment was based, also through interviews with the Board Members involved;
- processing: helping to analyse the information acquired and presenting the results;
- Officialising the results of the process within a specific document.

The questionnaire, in addition to having an opening section in which general questions to the Director are included (such as age and education), consists of two main parts: (i) Evaluation of the Board of Directors and (ii) Self-assessment of skills.

Specifically, the questionnaire contained the following sections:

- Qualitative composition of the Board of Directors;
- Quantitative composition of this Board;
- Working principles of the same;
- Role of the Board of Directors in a strategic scope;
- Degree of involvement of the Board of Directors in the definition of risk propensity and the preparation of suitable information on risk performance;

- Information flows and circulation of information;
- Evaluation of the remuneration and incentive system for Board Members;
- Evaluation of the Board of Directors' Chairman;
- Self-assessment of the Board of Directors' Chairman;
- Evaluation of the Chief Executive Officer;
- Self-assessment of the Members of the Committees set up within the Board of Directors.
- Self-assessment of skills.

The section dedicated to Self-assessment of skills aims to assess if certain knowledge and skills exist within the Board of Directors from the viewpoint:

- Of laws and regulations applying to the activities carried out;
- Of specific areas ensuring the sound and prudent management of the Bank.

The information gathered, through the compilation of said questionnaire are evaluated by the Board and the overall results help to define the actions to be taken to resolve any weak points identified.

The questions contained in the questionnaire required an answer in the form of a rating from 1-5 where one is the poorest assessment and five is the best.

The assessment expressed by the directors on the presence and range of the necessary skills was largely positive, as an equitable distribution of the skills being evaluated within the Board of Directors was highlighted.

Given that the current qualitative and quantitative composition is adequate to the complexity and the work of the Board and has a good level of heterogeneity that is able to promote a plurality of approaches, we summarise below the main points of improvement that emerged during the process of self-assessment of the Board. In particular, reference is made to:

- diversification within the Board of Directors, the need to enhance the same, both in terms of genre and age, was identified;
- the roles within the Board of Directors with regard to which the opportunity arose to include an additional independent component, also to order to make the composition of the committees set up within the Board of Directors more efficient;
- the documentation supporting the Board resolutions, points for reflection became evident aimed at continuing to increase synthesis and usability through, for example, further improvement of the "executive summary".

The results represent a support for the Appointments Committee and the Board, as well as for the Shareholders' Meeting, for the identification of members of the Board of Directors who will be appointed by the Shareholders' Meeting called to approve the 2015 Financial Statements.

The Shareholders' Meeting has not authorised any exceptions to the ban on competition envisaged by art. 2390 of the Italian Civil Code.

4.4. Delegated Bodies and Officers

C.E.O.s

In the model applied by Banca IFIS:

- Strategic supervision is performed by the Board of Directors;
- The Body assigned a management function has been identified in the person of the C.E.O.. The General Manager participates in this management function.

Management powers cover the following main areas:

- Human resources management;
- Granting and utilization of credit;
- Treasury;
- Spending management.

Distribution of management powers is calibrated at a decreasing rate according to the levels of authorization, from the Board of Directors down to operating units.

The most significant limits in terms of value and area are summarized below, whilst systematic information flows also exist concerning the exercise of powers at any given time, as well as compliance with related quantitative limits:

Human resources management	As regards human resources management, the C.E.O. is responsible for decisions concerning the start, management and cessation of managers' employment, without prejudice to the authorities maintained by the Board for relations with key managers and/or those in staff functions serving the Board and in any case without prejudice to the Board prerogatives on managers of control functions established by the supervisory provisions for banks.
Granting and utilization of credit	<p>The system of delegations for the assuming and management of credit risk was appropriate from time to time to the evolution of the business model and to the organisational structure, with a view to coherence with the strategic directions and the limits set by the Risk Appetite Framework.</p> <p>The Chief Executive Officer, at the time of drafting this Report:</p> <ul style="list-style-type: none"> • may authorise the assuming of credit risks up to Euro 30 million per counter-party for the business of financing companies operated under the brand name Credi Impresa Futuro; • they are part (together with the General Manager and the Business Unit Manager) of the Committee authorised to purchase portfolios of non-performing loans up to a maximum of Euro 30 million; • they can purchase revenue office receivables up to a maximum price of Euro 10 million; • they can approve mortgage operations within the context of the commercial offer to pharmacists up to Euro 1.5 million. <p>Within the scope of risk positions assumed by the Board of Directors, the C.E.O. is also granted the following powers:</p> <ul style="list-style-type: none"> • To suspend, revoke and resume operations; • To change the amount, convert the technical form and change the operational characteristics without worsening the overall risk position; • To distribute the risk in terms of 'loans to couples', loan duration, debtor's ceiling (individual or group) and multiple group credit line.

Treasury	<p>All securities trading operations must be authorised by the Chief Executive Officer. Decisions on the purchase of securities issued by banks of the Parent Company of Banca IFIS, as well as resulting from the most recent appraisal of the relevant assignment, are reserved to the competence of the Board of Directors.</p> <p>The right to acquire equity shares to be allocated in the equity investment portfolio is exclusively reserved to the CEO with the following limits in terms of maximum amount held per individual investment, provided that the investment does not lead to changes in the composition of the banking Group:</p> <ul style="list-style-type: none"> • not more than 0.5% of the total consolidated treasury funds resulting from the latest approved financial statements of the Group; • no more than 2% of the share capital of the company of which it is planned to purchase an investment as resulting from the latest balance sheet approved by the same. <p>The right to <u>buy equity securities</u> to be placed in the trading portfolio is reserved exclusively to the CEO with the limitations mentioned below:</p> <ul style="list-style-type: none"> • maximum negotiable amount: operations are permitted on <u>equity securities</u>: to a total value of up to Euro 200 million; • the transactions described in the preceding paragraph must be "closed" by using options from the very moment of their opening and throughout the period during which the securities below are held; • "open" operations are also permitted for a total value of up to Euro 10 million. <p>In reference to the company securities portfolio, the limit on the overall financial lever is equal to 20 times the net consolidated equity.</p>
Spending management	Generally speaking, up to Euro 1.000.000 for each spending instruction within the sphere of the annual forecasts contained in the Budget.

Pursuant to Article 15 of the Articles of Incorporation, in emergencies the C.E.O. can take decisions concerning any deal or transaction that is not the sole prerogative of the Board of Directors, informing the Chairman immediately and notifying the Board at the first subsequent meeting.

The C.E.O., Mr. Giovanni Bossi, does not hold any offices of Director in other Issuers. The situation of *interlocking directorate* is therefore not applicable.

Chairman

The Chairman has not been given any management powers.

As he is the majority shareholder, the Chairman, via the corporate governance mechanisms described in this report and particularly at Shareholders' Meetings, plays a significant role in determining corporate strategies.

Executive Committee (as per Art. 123-bis, paragraph 2, letter d) CFA)

The Articles of Incorporation do not envisage the possibility of setting up an Executive Committee.

Reporting to the Board

In 2015 the CEO, took a decision as a matter of urgency in accordance with art. 15 of the Articles of Incorporation with reference to membership of Banca IFIS of the voluntary scheme constituted by the FITD [Interbank Deposit Protection Fund] to offer support to banks in December, in view of the strict deadline envisaged for the manifestation of intention.

The Board received reports on the exercising of management powers at different intervals depending on the subject of the power involved.

The rules for reporting on the use of powers are summarized below:

Report on liquidity status	monthly
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Composition of investment securities book	monthly
Credit-granting activity	monthly
Report on use of powers relating to spending	quarterly
Report on use of powers for Human Resources management	6-monthly
Training of personnel in prevention of money laundering	annually
Incentive system (report on criteria adopted by Top Management)	annually

4.5. Other Executive Directors

There are no other Directors considered Executive Directors because they hold:

- Office as the C.E.O. or Executive Chairman of a strategically significant subsidiary;
- Management positions in the Bank or in a strategically significant subsidiary or in the Parent company.

In addition to the C.E.O., the definition of 'Executive Director' also includes the Deputy Chairman for his activities promoting the corporate image and commercial development in some foreign markets.

4.6. Independent Directors

The Board performs its own assessments of the requirements established by the Corporate Governance Code for Directors classified as independent at the first meeting after appointment by the Shareholders' Meeting. It also assesses, periodically, the Directors' level of independence. On 30 April 2013, after appointment, the Board ascertained that three of its Members (Giuseppe Benini, Francesca Maderna and Daniele Santosuosso) met independence requirements as per the criteria contained in the Corporate Governance Code for Listed Companies, making the outcome of its assessments known by means of a communication to the market.

In addition, the Board of Statutory Auditors, pursuant to Application Criterion 3.C.5. of the Corporate Governance Code, checked, on the same date, the application of the criteria and of the verification procedures used by the Board of Directors to assess the independence of its Members and deemed it compliant with the indications provided by the Corporate Governance Code.

The Board of Directors, on an annual basis, checked the independence requirements provided for by the Corporate Governance Code and by paragraph 3 of Art. 148 of the CFA as concerns the Directors Giuseppe Benini, Francesca Maderna and Daniele Santosuosso. The last check was performed at the Board meeting of 15 December 2015.

At the meeting of 18 January, the Board of Statutory Auditors verified whether the criteria and procedures adopted by the Board on this occasion had been correctly applied.

During 2015, the independent Directors, despite not seeing the need to meet officially in the absence of the other Board Members, liaised on a wide variety of issues, continuing exchange both verbally and alongside meetings of Committees and of the Board of Directors.

On the date of this report, those Directors who, in the lists for the appointment of the Board (April 2013) had indicated their suitability to qualify themselves as independent, maintained their independence.

4.7. Lead Independent Director

In line with the guidelines established by the Corporate Governance Code for Listed Companies, as the Chairman of the Board of Directors is also the majority shareholder of La Scogliera S.p.A. and thus controls Banca IFIS, the Board of Directors has designated an independent Director as Lead Independent Director. The latter has the task of being the point of reference and coordination for requests and contributions of (non-executive and in particular independent) Directors to improve Board operations, also ensuring that information flows between Directors are constant and effective.

The Lead Independent Director has the power to call, when deeming it appropriate or at the request of other Directors, specific meetings solely for independent Directors for significant matters relating to Board operations and/to company operations in general.

On 30 April 2013, the Board of Directors appointed Mr. Giuseppe Benini as Lead Independent Director for the 3-year period running 2013-2015.

In his capacity as Chairman of the Risk Management and Internal Control Committee, the *Lead Independent Director* guided its activity and promoted the conduct of its meetings preliminarily with respect to those of the Board of Directors to discuss specific topics, in the areas of competence and also through exchange with the reference manager, reporting in turn to the Board a summary of this preliminary inquiry.

With respect to the organisational structure, then, the *Lead Independent Director*, following the Board reflections upon approval of the strategic plan, was part of (together with the CEO and another independent Director) a "dedicated table" which dealt with the evolution of the organisational structures and, in particular, of the IT with the aim of better implementing the scope and proactivity, in a logic of coherence with the strategic prospects of the Bank and with the business choices.

Finally, the *Lead Independent Director* played an active role within the Bank's operations with related parties and associated subjects, ensuring timely analysis and discussion on the quarterly reports and on the list of subjects surveyed, stimulating dialogue focussing on preventive decisions that the existing procedure reserves to the member of the Audit and Risk Management and Internal Control Committee composed of independent directors.

5. Processing of corporate information

At its meeting of 17 March 2015 the Board approved an update of the "Group rules for the internal management and outward communication of corporate information", adopted under the application criterion 1. para. 1, letter j of the Corporate Governance Code. The proposal was examined from a preliminary and appraisal-oriented perspective during a joint meeting of the Risk Management and Internal Control Committee pursuant to Legislative Decree no. 231/2001.

The update to the Regulation adopted changes to the internal organisation of the Bank and integrated the document with the following contents:

- attribution to the CEO of the responsibility to authorise the dissemination of information where this is not the responsibility of the Board of Directors;
- identification of the person responsible for the Communications and Investor Relations organisational unit as internal reference for the evaluation of price sensitive information;

- a provision that the information is only released to the public after compliance with the specific internal authorisation process and validation by the respective specialist functions that oversee this information;
- transposition of the possibility to also inform the public using innovative media.

Communication of information to the public

Banca IFIS disseminates to the public corporate and financial information both voluntarily and necessarily such as that required by sector regulations issued by the Bank of Italy or by the rules governing investor protection and transparency of the securities market issued by Consob.

The communications addressed to the public are prepared based on respect for the rights of shareholders and lenders, laws, regulations, and practices of professional conduct and are implemented according to the principles of clarity, transparency and timeliness.

Documents containing information that is internally generated by the organisational structures of Banca IFIS are only disseminated to the public following completion of the activities of preparation, validation and submission for approval and dissemination carried out by the respective competent units.

Required information

Documents containing mandatory information are examined and expressly authorised for dissemination by the CEO, with the collaboration of Communications and *Investor Relations*.

If they contain information and references to specific data of a corporate, economic, financial, patrimonial, managerial etc. nature, they must be previously validated by specialist organisational units and in particular by the respective officer.

Where these documents require the approval of one of the corporate bodies, it will be the duty of the respective specialist unit to submit them for resolution via the Corporate Affairs and according to the operating methods defined by the relevant management regulations.

Where provided by laws, documents containing accounting and financial information are subject to certification of the manager responsible for the preparation of the accounting documents. These documents, once approved by the competent bodies, are disseminated to the public, by the Bank, through the Regulated Information Dissemination Systems (SDIR) and through the other communication channels considered appropriate by Communications and *Investor Relations*.

"Price Sensitive" information

The public disclosure of inside information takes place in response to the specific "price sensitive" classification by Communications and *Investor Relations* and following approval by the competent specialist departments as well as by the CEO and/or the Board of Directors, if required.

In particular, documents containing accounting and financial information are certified by the Responsible Officer pursuant to art. 154 bis of the Consolidated Finance Act.

Upon conclusion of the authorisation process, the "price sensitive" information is disseminated, filed and published on the corporate website of the Bank.

Access to inside information

The Regulations primarily aim to prevent, even unknowingly, a situation whereby confidential, selective, untimely, incomplete or inadequate information may be provided to the market in relation to the activities

carried out by Banca IFIS and/or by the subsidiary IFIS Finance. The Regulations also establish part of the organisational instruments provided by Banca IFIS for the risks related to administrative liability of the organisation attributable to the committee for crimes of "market abuse" and sets out the measures taken by the Bank to ensure a level of confidentiality of information that is compatible with the need for business management in addition to the conduct to be adopted in the period between the time of identification of confidential information, and that at which the obligation of communication is determined (in order to ensure confidentiality during the time preceding the communication).

The directors, auditors and employees of the Bank who, through their official duties, come into the legitimate possession of confidential information relating to the Bank and/or to IFIS Finance, are required to keep it confidential and to only transmit it to the persons entitled to take possession of the same.

All persons who come into possession of confidential information not relating to their office or to the position held in the Bank, in addition to observing the provisions contained in the Regulations, must send the information to the Manager of the relevant area, if identified, or to the C.E.O. in other cases, removing such information from any support on which it is present and ensuring that this deletion is definitive and irreversible.

In order to guarantee greater attention with regard to inside information, a register of persons with access to the same was established and is regularly updated according to the procedures laid down in art. 152-bis of the Issuers' Regulations. The methods of management and access to the register is governed by the Operating Procedure ("Management of the Register of Persons with access to inside information").

6. Internal Board Committees (as per Art. 123-bis, para. 2, letter d), CFA)

The following Committees existed within the Board of Directors:

- The Risk Management and Internal Control Committee, consisting of four Non-executive Directors, three of which independent, with an independent Chairman, as better explained in Section 10;
- The Appointments Committee, consisting of three Non-executive Directors, two of which independent, with an independent Chairman, as better explained in Sections 7 and 8;
- The Remuneration Committee, consisting of three Non-executive Directors, two of which being independent, with an independent Chairman, as better explained in Section 9.

The Board of Directors also appointed a Supervisory Body equipped with autonomous powers of initiative and control pursuant to Legislative Decree no. 231/2001, currently chaired by a non-executive Director and composed of three permanent members (two independent directors and the director responsible for Internal Audits), all as more specifically specified in the third paragraph of section 11.

No function of one or more Committees has been reserved to the entire Board, under the Chairman's coordination, as required by the Corporate Governance Code.

No further committees have been set up in addition to those reported in this section.

7. Appointments Committee

By resolution of the Board of Directors of December of 18 December 2014 Banca IFIS established an Appointments Committee.

Composition and role of the Appointments Committee (as per Art 123-bis, para. 2, letter d) CFA)

The Appointments Committee must be made up of at least three Members chosen from among the non-executive Members of the Parent company's Board of Directors, the majority of which being independent. The Committee therefore consists of the Director Giuseppe Benini (independent and non-executive), the Director Riccardo Preve (non-executive) and, in the capacity of Chairman, the Director Daniele Santosuosso (independent and non-executive).

The Regulations governing the Appointments Committee allow the Chairman of the Parent company's Board of Statutory Auditors, or another Statutory Auditor delegated by him on a time to time basis, to attend. The other members of the Board of Auditors can also join. The C.E.O. and the General Manager of the Parent Company may also take part where the topics to be discussed do not concern them.

The Committee may avail itself and/or request the presence of:

- External consultants, which can be chosen from among the Members of the Parent company's Board of Directors, provided that such experts do not, at the same time, provide the Parent company and/or its subsidiaries, with services whose significance is such as to compromise the independent judgement of said consultants;
- Any Corporate Officer or employee of the Parent company or of another Group company.

In the year 2015 the Appointments Committee met three times to discuss the topics within their competence. The meetings lasted for approximately 45 minutes. The first meeting was attended by the Vice Chairman, the Chairman of the Board of Statutory Auditors and two employees working in the Corporate Affairs department; the second meeting (jointly with the Risk Management and Internal Control Committee, the Board of Statutory Auditors and the Remuneration Committee) was attended by the CEO and finally the third meeting was attended by the personnel of Corporate Affairs, the Chairman of the Board of Statutory Auditors and the Bank's consultant Mr. Ferdinando Parente.

At the beginning of 2016, the Appointments Committee met once to express its opinion for the approval by the Board of Directors of the summarised report on the process of self-assessment that the Board started in November 2015 and concluded during the Board Meeting of 19 January 2016.

For 2016, with plans for the renewing of roles, it is foreseeable that the Appointments Committee will be also overseeing, in addition to the process of self-assessment, the verification of professional requirements, integrity and independence expected from new members. New reflection on the topic of succession planning is additionally possible.

Duties of the Appointments Committee

This Committee helps the Board of Directors and the other corporate bodies in the following processes:

- Nominating and co-opting Directors; The Committee gives advice during the assessment of the Board of Directors prior to the nomination process as to the best qualitative and quantitative size and composition of this Board, also in terms of Members whose presence on the Board is considered opportune and in terms of legal rules and regulations in force. The Committee also gives advice after the nomination process has taken place, checking correspondence between the qualitative and quantitative size and composition of the Board considered optimal prior to this process and the real situation after it; in cases of co-optation substituting independent Directors, the Committee proposes candidates to the Board;
- The self-assessment of corporate bodies; specifically, the Committee proposes to the Chairman of the Board of Directors, the person or persons in charge of strategically supervising over and managing the self-assessment process of corporate bodies;

- Verifying existence of the requisites of professionalism, honour and independence in those subjects with accounting, management and control roles, in compliance with article 26 of Legislative Decree no. 385/1993 (The 1993 Banking Law);
- Defining succession plans for top management positions (C.E.O. and General Manager) due to expiry of mandates or any other reason, in order to ensure business continuity and to avoid the company suffering financially or from a reputational point of view.

Furthermore, this Committee:

- Helps the Risk Management and Internal Control Committee to find and propose to the Board of Directors suitable candidates to nominate for managerial positions of control;
- Gives its opinion to the Board of Directors on limits to the number of positions that Directors and Statutory Auditors can hold and on any departures from the non-competition clause as per Article 2390 of the Italian Civil Code.

The Chairman of the Committee reports to the Board of Directors on activities carried out, at the first convenient meeting.

Committee meetings were properly documented in minutes and signed by the Members.

The Committee may access all company information deemed relevant for the performance of its tasks and may use, autonomously, the Bank's financial resources in the amount established by the Board and with the requirement of reporting with regards to any use of funds, at least once a year, usually during the review of the report on corporate governance and ownership structures.

The Board of Directors, with its resolution of 3 February 2015, assigned to the Appointments Committee financial resources in the amount of Euro 60,000 per year that can be used autonomously, with the requirement that this Committee reports back to the Board detailing its use of these funds as per the applicable regulations.

8. Remuneration Committee

Please refer to the relevant parts of the remuneration report published in compliance with Article 123-ter of the CFA.

9. Remuneration of Directors

Please refer to the relevant parts of the remuneration report published in compliance with Article 123-ter of the CFA.

10. Risk Management and Internal Control Committee

The Board has set up a Risk Management and Internal Control Committee within itself.

Composition and role of the Risk Management and Internal Control Committee (ex. Art 123-bis, para. 2, letter d) CFA)

This Committee is made up of the Director Giuseppe Benini (independent and non-executive) with the role of Chairman, and the Directors Francesca Maderna (independent and non-executive), Andrea Martin (non-independent and non-executive) and Daniele Santosuoso (independent and non-executive).

Its works are coordinated by the Chairman and minutes are duly taken during its meetings.

During 2015, the Committee met twenty-seven times, as shown in Table 2 enclosed with this report, with meetings lasting an average of two and a half hours. Nine of these meetings were joint meetings with the Board of Statutory Auditors and two were joint meetings with the Supervisory Body as per Legislative Decree 231/2001. There was one occasion of joint meeting with the Board of Statutory Auditors and the Supervisory Body and finally there was one occasion for joint meeting with the Board of Statutory Auditors, the Appointments Committee and the Remuneration Committee.

Since the beginning of the year 2016 until the date of approval of this document the Committee met four times, of which one was jointly with the Board of Statutory Auditors.

It is expected that the number of meetings that will be held by this Committee in 2016 will be no less than last year.

The Risk Management and Internal Control Committee is made up of four out of the nine Members of the Board of Directors, chosen from the Non-executive Directors, the majority of which being independent. Members of this Committee must have the necessary knowledge, competence and experience to be able to fully understand and monitor the risk strategies and appetite of the Bank.

At least one of its Members must have suitable experience in financial and accounting matters or in risk management, and this is assessed by the Board of Directors upon appointment. The Board of Directors has, from among its independent Members, deemed the Chairman of the Committee, Mr. Giuseppe Benini, as being the Member having the necessary experience in accounting and financial matters or risk management. The Board's decision regarding Mr. Benini's experience was reached during its meeting of 30 May 2013 and again later during the self-assessment process for summit bodies.

In addition to the holding of joint meetings with the Board of Directors, with the Supervisory Body, pursuant to Legislative Decree 231/2001, and with the other committees within the Board of Directors, during its meetings, the Committee, also interacted, based on prior agreement and to address individual topics, with the C.E.O., the General Manager, the Corporate Financial Reporting Officer, the Compliance and Anti-money Laundering Officers, the External Auditing firm and the Chief Risk Officer. It systematically interacted with the Internal Auditing Officer, who normally attends the Committee's meetings with a view to achieving synergy between the various players in the Internal Auditing System. The Committee again discussed, within a preliminary capacity with respect to the board's work, with the Manager and the other employees of the Problem Credit Area, the Head of Strategic Planning and Management Control, the Head of the Organisation Area, the Head of the Non-Performing Loans Area, the Head of the [NPL] Organisational Development Area, the Head of the Customers Area, the Head of the Debtors Area and the Head of the Treasury Area.

It is normal for the Head of Corporate Affairs and/or other Members from this Office to be invited to Risk Management and Internal Control Committee meetings.

Duties of the Risk Management and Internal Control Committee

The Committee provides its preliminary opinion to the Board of Directors on:

- The Guidelines of the Internal Control and Risk Management System;

- The adequacy of the Internal Control and Risk Management System with respect to the company's characteristics and to the assumed risk profile, as well as its efficacy;
- The work plan prepared by the Head of the Internal Auditing Office;
- The main characteristics of the Internal Control and Risk Management System and its adequacy;
- The results presented by the external auditor in the letter of recommendations, if any, and in the report on the main issues which came up during the external audit.

With regards to the appointment and revocation of the Head of the Internal Auditing Office and the allocation of resources suited to the fulfilment of his responsibilities by the Board of the Directors, the Risk Management and Internal Control Committee is required to provide its favourable opinion (which is binding).

When aiding the Board of Directors, the Risk Management and Internal Control Committee:

- Evaluates, together with the Corporate Financial Reporting Officer, and having heard the opinion of the External Auditor and of the Board of Statutory Auditors, the correct application of accounting standards and their uniformity for the purpose of drawing up the consolidated financial statements;
- Expresses opinions on specific aspects pertaining to the identification of the main corporate risks;
- Examines the periodical reports covering the evaluation of the Internal Control and Risk Management System, and the specifically relevant ones prepared by the Internal Auditing Office;
- Monitors the autonomy, adequacy, efficacy and efficiency of the Internal Auditing Office;
- May ask the Internal Auditing Office to carry out checks on specific operational areas, at the same time notifying the Chairman of the Board of Statutory Auditors;
- Examines the annual plans of the Control Office/Departments and the reports on their implementation;
- identifies and proposes, with the contribution of the Appointments Committee, the heads of the corporate functions of control to be appointed;
- contributes, through reviews and opinions, to defining the company policy of any outsourcing of business control functions;
- ensures that all the corporate audit departments correctly conform to the indications and guidelines approved by the Board of Directors and assists the latter in the development of the document of coordination of the control functions and in general of the group and corporate internal control system.

With particular reference to the tasks relating to management and control of risks, the Committee acts as support to the body with strategic supervisory function:

- in the definition and approval of the strategic directions and policies of risk management. Within the RAF [Risk Appetite Framework], the Committee carries out the activity of evaluation and proposal necessary for the Board of Directors to define and approve the risk objectives and the tolerance threshold;
- in verification of the correct implementation of strategies, of management policies of risks and of the RAF;
- in the definition of evaluation policies of corporate activities, including verifying that the price and terms of transactions with customers are consistent with the business model and risk strategies.

Without prejudice to the powers of the Remuneration Committee, the Committee ascertains that the incentives underlying the Bank's remuneration and incentive system are consistent with the RAF.

The Chairman of the Risk Management and Internal Control Committee reports to the Board of Directors at the first meeting, on the activities carried out, on the possible activation of financial autonomy, as well as on the adequacy of the internal control and risk management system. The Chairman of the Committee, where necessary, evaluates the appropriateness of possible further forms of reporting.

On the subject of transactions with related parties and/or affiliated subjects, the Risk Management and Internal Control Committee (consisting of independent Directors only), also performs the functions assigned to it by the Board of Directors, as governed within the scope of the 'Procedure' in force.

During 2015, the Committee's activity regarded the following key guidelines:

- procedure for transactions with related parties (obtaining the green light in advance from independent Directors and receiving a quarterly report on trends in these positions);
- presentation and implementation of the audit Program Plan 2014-2016 and of the other reports provided for by the supervisory legislation of the *Internal Audit*;
- discussion with those responsible for Risk Management, Anti-Money Laundering and Compliance in their respective plans and annual reports, on the quarterly Tableau de Bord then sent to the Bank of Italy, and on the ICAAP and RAF reporting;
- Preparatory work for the Board of Directors for matters concerning:
 - quarterly evaluations on receivables and on the other financial statement items, in view of the periodic financial reports;
 - dialogue with the Responsible Officer and with the company responsible for auditing the accounts;
 - dialogue with the head of the business continuity plan and with the reference manager on ICT governance (strategic plan, reports, disaster recovery and business continuity tests and plans);
 - Internal regulations (organisational policies, processes and procedures);
 - Management of corporate projects;
 - Management trends and prospects;
 - Liaison with Supervisory Authorities.

The Chairman of the Board of Statutory Auditors - or another Auditor delegated by the Chairman from time to time - participates in the works of the Committee. If deemed appropriate in connection to the issues to be discussed, the Risk Management and Internal Control Committee and the Board of Statutory Auditors meet jointly.

Committee meetings were properly documented in minutes and signed by the Members.

The Risk Management and Internal Control Committee may access all company information deemed relevant for the performance of its tasks and may use, autonomously, the Bank's financial resources in the amount established by the Board and with the requirement to report on any use of these funds.

The Board of Directors allocated the Risk Management and Internal Control Committee annual economic resources of 60,000 Euro, to be used autonomously, subject to reporting to the Board on their use of funds.

11. Internal Control and Risk Management System

Within the context of definition of the strategic plan, the Board of Directors has defined the nature and level of risk that is compatible with the strategic objectives of the Bank.

The definition of Group Strategic Plan allows:

- precise presentation of the risk/return objectives to be pursued;
- assessing of the consistency of the strategic objectives of profitability and market share with the operating limits, the risk appetite and risk capacity (consistency between business strategy, Risk Appetite Frameworks, henceforth "RAF", and ICAAP);
- checking of the consistency of the strategic objectives expected compared both with the competitive environment in which Banca IFIS and IFIS Finance operate and with the results achieved in previous years.

The strategic planning process of the Banca IFIS Banking Group is based on a three-year strategic plan approved by the Board of Directors on a yearly basis. Said Plan annually adjusts the strategic prospects drawn up in the previous document and extends their temporal horizon to the following year. The Plan was drawn up following alignment of the industrial plan with the new Group Policy for strategic planning, approved in 2015, and enhances the quantitative forecasts and the contents of the previous ones, prepared with certain further details required to meet the requirements of the new guidelines.

The Board of Directors of the Parent Company defines the group RAF that - in line with the group risk capacity, with the group business model and with the group strategic plan - establishes, both at overall group level and for the individual components of the same, the risk appetite, the tolerance thresholds, the risk limits, the risk governance policies and the processes necessary to define and implement them. In the group RAF the circumstances, including the results of the stress scenarios, are specified, which the CEO uses, with the support of the Parent Company Risk Management area and the business structures concerned, to define and implement specific containment actions.

The risk objectives and the tolerance levels are presented in terms of:

- capital adequacy in relation to the various areas of business;
- exposure to the risk of interest rate on the banking book;
- liquidity risk;
- concentration risk;
- leverage ratio;
- information risk.

For each risk identified, the Board of Directors of the Parent Company defines, with an appropriate policy of governance and management:

- the risk appetite, in accordance to what has been specified in the RAF;
- the operational limits of exposure, the definition of the most important operations and the relevant mechanisms of evaluation (including those of consistency with respect to the RAF) and of approval;
- the "process of risk taking", in particular with regard to credit risk;
- the "risk management process".

The component of the policy concerning the "risk taking process" can be developed in appropriate documents proposed by the operational structures involved in such activities.

Consistent with the strategic directions and the risk appetite established, the internal control system is able to identify the evolution of corporate risks and the interaction between them. The Internal Control System in fact consists of an ensemble of rules, functions, structures, resources, processes and procedures aimed at ensuring, in compliance with healthy and prudent management, the achievement of the following purposes, including containment of the risk within the limits indicated by the RAF:

The Board of Directors approved the document "Guidelines on the internal control system" that defines:

- a) The principles underlying the Group Internal Control System;
- b) the development process of the internal control system, with comprehensive division of the tasks of the governing bodies with respect to the stages of the internal control system: a) design of the internal control system; b) implementation of the internal control system; c) evaluation of the internal control system; d) outward communication on the internal control system;
- c) The elements that characterize risk governance;
- d) The control organizational model;
- e) The control roles and tasks assigned to the organizational units that carry out the company control functions;
- f) The liaison methods between organizational units that carry out the company control functions;
- g) Information flows between the organizational units that carry out the company control functions themselves and between these units and the corporate bodies.

The Parent Company Banca IFIS formalises and communicates to the subsidiary IFIS Finance the criteria governing the different stages that constitute the risk management process. It also validates the risk management process within the group. The Parent Company decides on the adoption of the internal risk-measurement systems and determines its essential characteristics, assuming responsibility for implementation of the project as well as overseeing the correct functioning of such systems and their constant methodological, organisational and procedural adjustment.

The Parent Company also issues IFIS Finance with directives for the design of the company's internal control system. IFIS Finance adopts an internal control system that is consistent with the strategy and policy of the group with regard to control, subject to compliance with applicable regulations on an individual basis. It is, however, necessary that the Parent Company, while respecting the local constraints, adopts all initiatives intended to ensure standards of control and protective measures that are comparable to those provided for by the Italian supervisory arrangements, including in cases where the Polish legislation does not provide for similar levels of attention.

The internal control system was designed taking into account the applicable rules and peculiarities of the business practised both by Banca IFIS and by IFIS Finance and provides, as a general rule, the activation in Banca IFIS of all the corporate control functions. At IFIS Finance, consistent with the operating characteristics and size of the company as well as with the low level of risk attributed by the same to the group, no corporate control functions were established except for the Anti-Money Laundering area, for which the relevant manager was appointed.

The overall assessment of the internal control system is based on "system assessments" and "operation checks".

System assessments are performed by verifying that the choices regarding rules, information procedures and organisational structures are consistent:

- a) with the external regulatory and legislative requirements ("conformity assessment");

- b) with internal prescriptions that are not reflected in the external legislation or, in the absence of national regulations, with market standards identified ex ante, consistent with the objectives defined and the operations being implemented ("adequacy evaluations").

Operation checks are carried out to ensure the regularity of the activities being performed, with respect to:

- a) external regulatory and legislative requirements and any relevant national legislation that transposes the same ("compliance audits");
- b) with internal regulations that are not reflected in the external legislation or, in the absence of national legislation, with the market standards identified ex ante, consistent with the objectives defined and the operations being implemented ("adequacy evaluations").

In 2015, the Board of Directors, having taken note of the evaluations formulated by the Risk Management and Internal Control Committee, expressed a positive evaluation on the fact that the system of internal controls and the corporate organisation are aligned with the principles indicated in section I, Chapter 7, Title V of the Bank of Italy Circular 263 now contained in Part One, Title IV of the Bank of Italy Circular 285 (11th Update of 21 July 2015).

Key characteristics of present risk management and internal control systems in relation to the financial reporting process

1. Foreword

In relation to the financial reporting process, the Risk Management and Internal Audit Systems are components of the same overall 'System', which is designed, among other things, to ensure the trustworthiness, accuracy, reliability and timeliness of financial reporting.

In order to ensure appropriate protection and correct mitigation of the risk of erroneous financial reporting, Banca IFIS has a specific *framework* of analysis that crosses the various business processes and which seeks to identify and control the main risks that the company is exposed to in the execution of the relevant transactions that generate the information contained in the financial statements and any other information of a financial nature.

The application of the *framework* is designed to ensure accuracy, reliability and timeliness of financial reporting, pursuing integration with the overall system of internal control and risk management.

The provisions in the Articles of Incorporation concerning the 'Corporate Financial Reporting Officer' (hereinafter also 'Financial Reporting Officer'), the appointment of the present Financial Reporting Officer, and the 'Regulation of the Corporate Financial Reporting Officer', approved by the Board of Directors form, together with the overall set of administrative and accounting procedures, the complex of measures adopted by the Bank to cover the risk of erroneous financial reporting.

The *framework* consists of several levels of analysis that in combination result in the definition of adequate administrative and accounting procedures. It is based on principles and guidelines defined by the *Internal Control – Integrated Framework* issued by the *Committee of Sponsoring Organizations of the Treadway Commission (CoSO)* and by the *Control Objectives for Information and related Technology (CobiT)*, considered internationally accepted reference models.

The *framework* analysis levels are as follows:

- Process checks: these are checks that operate at the process level. Their implementation provides evidence that adequate administrative and accounting procedures are applied in order to ensure effective internal control over financial reporting;
- Controls on Information Technology (IT General Controls or "ITGC"): controls that operate at the corporate level and that are specifically related to the Information Technology management processes supporting execution of the business process; they relate, for example, to software maintenance and acquisition processes, physical and logical security management, application development and maintenance, etc.

2. Description of key characteristics of the present risk management and internal audit systems in relation to the financial reporting process (the "System")

The process of managing the risk of erroneous financial reporting and the modes of collaboration and coordination between the Monitoring and Control of Financial Information structure (which is overseen by the Officer in Charge), Administration and the other structures and bodies of the Bank are defined within Group Policy to manage the risk of erroneous financial reporting, approved by the Board of Directors. Administration is delegated to perform the administrative, accounting and production practices relating to the financial information also prepared with the contribution of the Officer in Charge and certified by the latter pursuant to art. 154-bis of the CFA.

2.1 Phases of the process for managing risks of erroneous financial reporting

The operational approach that characterises the overall process of risk management of erroneous financial reporting is structured, consistent with the risk management process phases, which the Bank has adopted, in the following sub-processes:

- **Identification:** the Monitoring and Control of Financial Information structure, also using the operational support of the Administration, identifies entities and the process steps to be included in the scope of the verification activities. With reference to the perimeter determined in this manner, it identifies the risk of erroneous financial reporting.
- **Evaluation:** the risks identified are evaluated in potential terms considering the relevant frequency (number of cases where the error may be encountered) and severity (level of potential loss resulting from the manifestation of the error). Subsequently, the Monitoring and Control of Financial Information structure evaluates the adequacy of the defined organisational safeguards in terms of risk prevention relating to erroneous financial reporting and consistency with the external legislation in force, in addition to the main best practices disseminated nationally and internationally.
- **Monitoring:** Monitoring and Control of Financial Information structure, in consideration of the adequacy expressed on the administrative and accounting procedures, verifies that the identified controls are actually put into practice in the manner and frequency prescribed and are tracked with filing of the relevant evidence.
- **Attenuation:** the evaluation of the adequacy and the actual application checks can highlight possible deficiencies in organisational safeguards provided for reducing the risk of erroneous financial information. Therefore, with the support of the corporate functions involved, first and foremost Organisation and Administration, the Monitoring and Control of Financial Information structure, it proposes and defines the necessary corrective actions and/or actions for strengthening the safeguards in place.
- **Reporting:** the Monitoring and Control of Financial Information structure prepares a report every six months which it shares with the Chief Executive Officer and subsequently presents to the

Board of Directors, to the Risk Management and Internal Control Committee and to the Board of Statutory Auditors. The report shows the verification activities carried out, the results thereof and any problems encountered. The Financial Reporting Officer uses the evaluation of the appropriateness and effective application of administration & accounting procedures to provide the certification required pursuant to Article 154-bis, paragraph 5, of Legislative Decree no. 58/1998.

2.2 Roles and functions involved

In light of the important responsibilities entrusted to him, the Financial Reporting Officer is attributed appropriate powers and resources for performance of his functions, as detailed in the last paragraph, number 11.5. The Financial Reporting Officer receives from all the organisational units of the Bank the full cooperation necessary for carrying out their activities, having guaranteed free access to all environments, to information, to accounting records and to the documents relating to his business. In addition, if necessary, this may require information or documents located with external suppliers, through the relevant internal reference for outsourced activity. Finally, the Financial Reporting Officer may agree with each organisational unit involved in the process, the procedures for transmitting the information flows necessary for the accomplishment of its activities.

The Officer in Charge, in performing their activity, takes advantage of the Monitoring and Control of Financial Information structure, for which they are responsible, and that has as an objective the assessment of completeness, appropriateness, functionality and reliability of the internal control system, focusing on the production of financial information and management of risk whereby the latter may be incorrect.

The organisational units of Administration, Organisation and Operations collaborate with the Monitoring and Control of Financial Information structure, each in relation to their own activities.

The Internal Audit function assesses the completeness, appropriateness, functionality and reliability of the management of risk of incorrect financial information.

Under the action of management and coordination exercised by Banca IFIS for IFIS Finance, appropriate information flows are established between the company and the Parent Company under which the Officer in Charge oversees the provision of adequate administrative and accounting procedures for formation of the consolidated financial statements and fulfils the requirements governed by articles 123-bis and 154-bis, paragraph 5, of the Consolidated Finance Act and the formalities prescribed by the Circulars 272 and 115 issued by the Bank of Italy that addresses the matrix of accounts and the production of consolidated-based supervision reports.

11.1. Director in charge of the Internal Control and Risk Management System

The Board of Directors appointed by the shareholders in the AGM of 30 April 2013 has confirmed the C.E.O. as the Director in charge of overseeing the functionality of the Internal Control and Risk Management System.

As a managing body, he constantly reported back to the Board of Directors on all aspects of corporate management, including verification of the overall appropriateness, effectiveness and efficiency of the Internal Control and Risk Management System.

Furthermore, the CEO:

- Coordinated the drawing up of Group Policies for the control and management of the main corporate risks and their presentation to the Board of Directors for approval on a time to time basis (compliance risk, operating risk, credit risk, interest rate risk, concentration risk, IT risk etc.);
- Coordinated the drawing up of the document 'Group and Individual Internal Control System – Guidelines', its presentation to the Board of Directors for approval and the ensuing amendments made to this document;
- Saw to the adaptation of this system to changes in operating conditions due to the legal and regulatory framework governing these.

Over 2015, there was no need for the C.E.O. to report, in a timely manner, to the Risk Management and Internal Control Committee nor to the Board of Directors, as no critical problems were encountered by him while carrying out his role and neither were problems reported to him by others.

The Director in charge of the Internal Control and Risk Management System may ask the Internal Auditing Office to carry out checks on specific operational areas and in compliance with internal rules and procedures when performing corporate operations, at the same time notifying the Chairman of the Board, the Chairman of the Risk Management and Internal Control Committee and the Chairman of the Board of Statutory Auditors. The outcome of Internal Auditing inspections that are negative or have revealed serious shortcomings are immediately sent in a complete and timely manner directly to the applicable corporate bodies.

11.2. Head of the *Internal Audit Department*

Since mid-2006 the head accountant. Ruggero Miceli has held the position of head of *the Internal Audit Department*, a unit that assists the Board of Directors. The mission assigned to the *Internal Audit* office by the relevant regulations approved by the Board of Directors also includes verification that the Internal Control and Risk Management System is always complete, adequate, fully operational and reliable.

Mr. Miceli's appointment took place at the Board meeting held on 4 August 2006, on the proposal of the Director in charge of overseeing the functionality of the Internal Control and Risk Management System. On the basis of supervisory provisions and corporate governance rules in force at the time, no other opinions were acquired in explicit form.

At the time of hiring, the remuneration of Mr. Miceli was approved by a Committee within the Board having duties back then similar to the current Remuneration Committee. Remuneration policies for the Members, employees and outside staff members of the Banca IFIS Banking group approved by the Shareholders' Meeting subsequently decreed his exclusion from stock option plans, as with other managers of control functions, as established by supervisory requirements concerning banks' organization and corporate governance. The mechanism for the possible acknowledgement of variable salary portions is governed within the scope of 'policies' approved by the Shareholders' Meeting, and requires the opinion of the Remuneration Committee and the competence of the Board of Directors.

The *Internal Audit Department* is not responsible for any operational area and from time to time is provided with resources that are adequate to carry out its own activities. The position of the Internal Auditing Office in the organisational chart as a staff department of the Board of Directors, in addition to assuring its independence - consistently with the Bank of Italy's guidance and with sector best practice - facilitates the appropriate exchange of information with the Internal Risk Management and Internal Control Committee, with the Board of Statutory Auditors and, in general, with corporate bodies and Officers.

The Regulations for Group Internal Auditing require the Parent Company's Internal Auditing Office to define a plan of activities that, basing itself on a structured process of analysis and prioritisation of the main risks, takes into account the different levels of risk involved in the various activities and structures of the Parent Company and of its subsidiaries.

The Programmatic plan of audit activities lists the control activities planned for the three-year period (multi-year plan) and contains a separate and detailed presentation of the activities planned for the first 12 months (annual plan). A specific section of this plan is dedicated to the revision activities performed in the IT area (ICT auditing).

In the Programmatic plan of audit activities, the Internal Auditing Office, with the aim of providing a summary framework linked to the Programmatic plan of audit activities for the previous financial period, reports on:

- The level of adaptation to the observations made within the context of the audits carried out;
- The completeness, adequacy, functionality and reliability of the Internal Control System.

The Programmatic plan of audit activities is forwarded simultaneously to the Board of Statutory Auditors, to the Risk Management and Internal Control Committee, to the Chairman of the Board of Directors, to the Director in charge of the Internal Control and Risk Management System as well as to Senior Management for subsequent review by the Board of Directors. The Programmatic plan is updated any time it is deemed necessary, upon request from corporate bodies and/or when proposed by the Head of the Internal Auditing Office.

During 2015, the Head of the Internal Auditing Office:

- Had direct access to all information useful for the performance of his office;
- Interacted constantly with the Risk Management and Internal Control Committee, with the Board of Statutory Auditors and with the Supervisory Body pursuant to Legislative Decree no. 231/2001 (of which it is a member) referring among other aspects its own work;
- Forwarded the outcome of all activities to the Risk Management and Internal Control Committee, to the Board of Statutory Auditors, to the Chairman of the Board of Directors and to the Director in charge of the Internal Control and Risk Management System, as well as to the Chief Executive Officer and the General Manager;
- Reported on its doings to the Board of Directors providing, in reference to the audited processes and/or areas, adequate information on the activity carried out, as well as evaluations on the Internal Control System and on the residual risk, including through instructions on compliance of the plans defined for the purpose of mitigating risks. The quarterly reports (tableau de bord), the Annual report and any other reports and documents on specific and important topics fall within this scope.
- Carried out specific activities concerning the reliability of information systems and accounting systems.

During approval of the 2015-2017 Audit Plan, the Board of Directors also confirmed the decision-making autonomy of the Internal Auditing Officer concerning training of the Office's staff, purchase of publications and payment of association dues, as well as assignment of further economic resources of 100,000 Euro, that can be drawn upon independently by the Head of the Internal Auditing Office for external consultancy.

The main activities carried out by the Head of the Internal Auditing Office during the course of 2015, on the basis of the aforementioned Programmatic plan, concerned, with varying depth according to the risk level, both the Parent company (Banca IFIS S.p.A.) and the subsidiaries (IFIS Finance Sp. z o.o.).

The main sectors of intervention were attributable to the following areas of operation: business loans, non-performing loans, tax credits, online collection and management of company liquidity. Activities were also implemented concerning cross-corporate processes not directly ascribable to specific business areas, second-level corporate control functions and the IT system.

Besides the quarterly reports (Tableau de Bord) and the Annual report on the work performed, in compliance with the requirements of Supervisory Bodies, the Head of the Internal Auditing Office also prepared specific reports concerning:

- Assessments of the subsidiary;
- Remuneration policies;
- The ICAAP process;
- Government and management of the liquidity risk.
- important outsourced operational functions.

The Internal Auditing Officer also interacted with Level 2 control units with reference to the areas of risk covered by such units.

The Internal Auditing Office drew on the collaboration of BDO Sp. z o.o. for the performance of audit activities within the Polish subsidiary.

11.3. Organizational Model as per Legislative Decree no. 231/2001

Banca IFIS, sensitive to the need to ensure conditions of transparency and fairness in conducting its business, in order to safeguard its institutional role and image, the expectations of shareholders and those who work for and with the Bank, has deemed it consistent with its corporate policies to implement the Organisational & Management Model envisaged by Legislative Decree no. 231/2001.

This initiative was also taken in the conviction that application of the Organisational Model is a sound means of informing those who work for the Bank, spurring them to adopt, in performing and conducting their activities, fair and linear conduct, such as to prevent the risk of perpetration of the crimes contemplated in Legislative Decree no. 231/2001.

The Bank condemns conduct contrary to current legislative requirements and to the ethical principles also stated in the Bank's Code of Ethics. In this respect, application and effective implementation of the Model improves the Bank's Corporate Governance, limiting the risk of crimes being committed.

In preparing its Organisational Model, updated in 2015 correlated to the prescriptions of Law no. 68 of 22 May 2015 and Law no. 69 of 27 May 2015, Banca IFIS has based itself on the guidelines issued by the ABI (Italian Banking Association) for the adoption of organisational models in relation to banks' administrative liability. These guidelines provide orientation for the interpretation and analysis of the legal and organisational implications stemming from the introduction of Legislative Decree no. 231/2001.

Crimes pursuant to Legislative Decree no. 231/2001

As regards the crimes to which the set of rules in question is applicable, at present they consist of the following types:

- Crimes in dealings with Public Administration;
- Computer crimes and unlawful processing of data;
- Organized crime;

- Counterfeiting of coins, legal tenders, government stamps and identification instruments or signs;
- Crimes against industry and trade;
- Some types of corporate crimes;
- Crimes with terrorist intent or aiming to subvert the democratic order;
- Mutilation of female genitals;
- Crimes against the person;
- Market abuses;
- Crimes (manslaughter and negligently causing serious or grievous bodily harm) committed with breach of occupational health and safety regulations;
- Receiving, laundering and use of cash, assets or other benefits of unlawful provenance, as well as self-laundering (as from 1 January 2015);
- Copyright breaches;
- Convincing people to be reticent or to make false statements to the court authorities;
- Environmental crimes;
- Crimes on the subject of employment of third-country citizens with no regular work permits;
- Crimes of corruption between private individuals.

For full observance and interpretation of the Organizational Model, a Supervisory Body has been set up. The Supervisory Body is a collective body formed by Members of the Board of Directors, chosen from among the Non-executive Directors, and by the Internal Auditing Officer. Following resolution of the Board of Directors appointed by the Shareholders' Meeting of 30 April 2013, the Body is currently chaired by the Director Andrea Martin and is composed of another three permanent Members: the Directors Giuseppe Benini and Daniele Santosuosso and the Head of the Internal Audit function, Ruggero Miceli.

The Board of Directors at its meeting of 13 November 2013 confirmed the decision not to give the Board of Statutory Auditors Board functions, pursuant to Legislative Decree no. 231/2001 and reserved the right to consider upon the subsequent renewal of the company roles the solution to entrust to the Board of Directors the tasks of the Supervisory Body pursuant to Legislative Decree no. 231/2001 (suggested by the supervisory provisions issued with the 15th Amendment of 2 July 2013 of Circular no. 263/2006 of the Bank of Italy and now contained in Part One, Title IV of Circular 285 of the Bank of Italy (11th Update of 21 July 2015)). This topic was extensively discussed at the Board Meeting of 19 January 2016, also with reference to the opinion formulated by the Appointments Committee and based on the guidelines concerning the qualitative and quantitative composition of company boards to be made available to members in view of the renewal of roles. Upon conclusion of the meeting, the Board decided not to propose to the Shareholders' Meeting the solution to entrust to the Board of Statutory Auditors the tasks of the Supervisory Body pursuant to Legislative Decree no. no. 231/2001.

The Body holds office for three years and meets at least once a quarter. Meetings are regularly documented in minutes, which are recorded in the minutes register. The Chairman of the Supervisory Board, or other component from time to time designated by the Chairman himself, reports to the Board of Directors, at the first meeting, on the activities carried out and, where this is the case, the activities being carried out and/or planned and on the possible activation of financial autonomy.

That Body is equipped with autonomous powers of initiative and control, pursuant to Legislative Decree no. 231/2001 "Administrative liability of legal persons, companies and associations without legal personality".

Insofar as it is applicable, the Organizational Model adopted by the Bank also refers to the subsidiary, considering the current Group structure, particularly as regards:

- Group Regulations;
- Code of Ethics;
- Group Accounting Manual;
- Proxy Systems;
- Group policies;
- Company procedures.

The Regulations of the Supervisory Body are available on the Bank's website, in the section 'Corporate Governance – Corporate Documents – Supervisory Body Regulations'.

11.4. External Auditing Firm

The Shareholders' Meeting of 17 April 2014 appointed Reconta Ernst and Young S.p.A. to audit the Company's annual financial statements and the Group's consolidated financial statements as well as the limited auditing of Banca IFIS's half-yearly interim report, for each of the nine financial years running from 31 December 2014 until 31 December 2022.

The audit of the individual financial statements and the consolidated one, means auditing those of controlled and affiliated companies. Auditing of IFIS Finance Sp z o.o. is officialised by means of a separate agreement.

11.5. Corporate Financial Reporting Officer

On 28 April 2015 the Board of Directors appointed Mr. Emanuel Nalli, "Manager in charge of preparing the company's financial statements" with effect from 1st May 2015.

Pursuant to Article 19 of the Articles of Incorporation:

- the Board of Directors, pursuant to Article 154-bis of Legislative Decree no. 58/1998, after having received the mandatory opinion of the Board of Statutory Auditors, appoints a Corporate Financial Reporting Officer;
- the Officer responsible for preparing the company's accounting documents must be in possession of the integrity requirements envisaged for the election for the role of statutory auditor by art. 2 of Ministerial Decree 30 March 2000 no. 162 and the professional requirements envisaged for election to the Board of Directors of banks incorporated in the form of joint-stock company by art. 1, paragraph 1 of Ministerial Decree 18 March 1998, no. 161.

The Board of Directors gives the Manager in Charge autonomous spending powers, according to the program plan of activities that it intends to implement. The Manager in Charge must report periodically to the Board of Directors on the exercise of their spending powers.

The Manager in Charge also has the right to:

- acquire within the Bank information related to events, risk indicators or proposals for technical or organisational adjustments relating to administrative and accounting procedures;
- propose modifications to the system of internal controls when deemed appropriate;

- participate in the meetings of the Board of Directors and of the Board of Statutory Auditors and access the minutes of such meetings where the agenda foresees the examination and/or the approval of the economic and financial data of the Bank, of the Group and of IFIS Finance.

Shown below are the Heads of the other company functions who have been assigned specific tasks on the subject of internal control and risk management:

- The position of Chief Risk Officer (CRO) is assigned to Mr. Kristian Tomasini. The Parent Company Risk Management Office has an annual expenses budget, agreed upon with the Chief Executive Officer, according to the activities programmatic plan presented;
- the role of Head of Compliance is attributed to Mr. Francesco Peluso who is allotted an annual budget of Euro 25,000 that can be employed for the possible use of external consultancy that can be activated independently;
- the role of Anti-Money Laundering Officer is attributed to Ms. Giovanna Bazzaro to whom a similar annual budget is attributed.

The managers of the *Internal Audit*, of the Risk Management, Compliance and Anti-Money Laundering Functions:

- must possess adequate professional expertise;
- are appointed and removed by the Board of Directors, after consulting with the Board of Statutory Auditors;
- do not have direct responsibility for operational areas subject to audit.

The duties and responsibilities of the afore-mentioned second-level control functions are in line with the recalled supervisory provisions on Internal Control Systems issued by the 15th Amendment to Bank of Italy's Circular 263/2006 and now contained in Part One, Title IV of Bank of Italy's Circular 285 (11th Amendment of 21 July 2015).

11.6. Coordination between subjects involved in the Internal Control and Risk Management System

The cross-membership mechanisms and the non-excessive composition of committees, bodies and structures facilitate coordination between the subjects involved in the Internal Control and Risk Management System. During the course of its meetings, the Risk Management and Internal Control Committee and the Board of Statutory Auditors interact frequently, subject to agreement and to discuss individual topics, with the CEO, with the Corporate Financial Reporting Officer, with the External Auditing Firm, with the Chief Risk Officer, with the Head of Compliance and with the Anti-Money Laundering Officer. They also systematically interact with the Internal Auditing Officer who usually takes part in the meetings.

The Supervisory Body pursuant to Legislative Decree. no. 231/2001 also benefits from the same cross-membership mechanisms and similar systematic methods when interacting with other parties involved in the Internal Control and Risk Management System.

At least quarterly, normally initiated by the Head of Internal Audit, the heads of organizational units who manage control functions take part in formal meetings to discuss and exchange views on the following issues:

- planning of respective major audit/control activities;

- analysis of main findings from actions taken, of remedial actions either underway or requested;
- current status of various risks' exposure levels;
- sharing of the risk map, also organized by organizational unit risk takers, and the potential significance of identified risks;
- sharing of reports, methods and terminology;
- as well as, in a more general sense, for a useful exchange of information and for the analysis of possible means of collaboration.

Meetings are subject to adequate tracking and, as it pertains to specific matters to be discussed, representatives of other organizational units may be invited to participate.

Lastly, with regards to modes of coordination between the parties involved in the Internal Control and Risk Management System, a specific web application was developed to support reporting activities and the charting of possible improvement areas identified by the corporate bodies and by the Organisational and Control units, particularly with regards to the Internal Control System.

12. Directors' interests and related-party transactions

During 2013, following approval by the Risk Management and Internal Control Committee (composed solely of independent Directors) and the Corporate Financial Reporting Officer, the Board of Directors approved the updating of the 'Procedure for Transactions with Associated parties' (definition which, as per the Bank of Italy's provisions, includes related parties and the parties connected to these).

The 'Procedure', which describes the criteria for identifying transactions that must be approved by the Board after receiving the opinion (or after involvement) of the Risk Management and Internal Control Committee, is available on the website www.bancaifis.it (in the section 'Corporate Governance – Corporate documents').

During 2016 the "Procedure" will be the subject of periodic evaluation (at least three-yearly) with a view to its possible review.

The Board has not found any need for further operating solutions to facilitate identification and appropriate management of situations in which a Director has an interest, either personal or on behalf of third parties.

13. Appointment of Statutory Auditors

The appointment of Members of the Board of Statutory Auditors is regulated by Article 21 of the Articles of Incorporation and takes place based on lists presented by shareholders on which candidates are listed in sequential order and with a number of candidates not exceeding the Members to be elected. Each list consists of two sections: one for candidates for the office of Standing Auditor and the other for candidates for the office of Alternate Auditor.

A list can be presented by the shareholder or shareholders who, at the time of submittal of the list, own an equity interest equal to at least 1% of ordinary shares, or to another lower ownership threshold that – pursuant to current regulations – must be indicated in the notice convening the Shareholders' Meeting called to resolve the appointment of Statutory Auditors.

A shareholder can neither submit nor vote for more than one list, not even via agents or fiduciary companies. Shareholders belonging to the same group and shareholders forming part of a shareholder agreement concerning the Company's shares cannot submit or vote for more than one list, not even via

agents or fiduciary companies. A candidate can be present on only one list or they are considered ineligible.

Two Standing Auditors and one Alternate Auditor from the list that obtained the highest number of votes are elected, based on the progressive order in which they appear on said list; from the list that obtained the highest number of votes among the lists presented and voted upon by shareholders who are not associated with the reference shareholders pursuant to Art.148, paragraph 2 of Italian Leg. Decree no. 58/1998, the candidate indicated in first position of the relevant section of said list is elected as Standing Auditor; from the same list, the candidate indicated in first position of the relevant section of said list is elected as Alternate Auditor.

In the case of a tie between two or more lists, the oldest candidates will be elected as Statutory Auditors. If said selection criteria do not ensure the presence within the Board of at least one Standing Auditor and one Alternate Auditor belonging to the least represented gender, a sliding mechanism is applied to the selection from the list which obtained, during the Shareholders' Meeting, the highest number of votes based on the consecutive order with which the candidates are indicated. Such mechanism excludes the candidate or candidates of the more represented gender and reselects the candidate or candidates of the missing gender.

Chairmanship of the Board of Statutory Auditors is the prerogative of the Standing Auditor elected from the minority list mentioned above.

Outgoing Statutory Auditors can be re-elected.

If, notwithstanding the provisions of the Articles of Incorporation, as indicated above, only one list is presented or only one list receives votes, three Standing and two Alternate Auditors will be elected – on condition that the list in question receives the majority of the votes represented at the Shareholders' Meeting – in the order in which they are indicated for the respective office on that list. The candidate for the office of Standing Auditor indicated in the first position on the list will be appointed Chairman of the Board of Statutory Auditors.

In case of substitution of a Standing Auditor, his/her place is taken over by the Alternate Auditor belonging to the same list as the Auditor who has ceased to hold office.

If it is necessary to appoint standing and/or alternate auditors necessary to complete the Board of Statutory Auditors following early termination of the auditors in office, the Shareholders' Meeting will proceed as follows: if auditors elected from the majority list must be replaced, the appointment of the auditor or auditors takes place with majority voting, without list constraints. If instead it is necessary to substitute a Statutory Auditor designated by the minority, the Shareholders' Meeting will substitute him/her, with a relative majority vote, choosing the candidate from among the candidates indicated in the list to which the Auditor to be replaced belonged, who have confirmed their candidacy at least 25 days before the date set for the Shareholders' Meeting in first call, together with statements concerning the absence of causes of ineligibility or incompatibility, as well as possession of the requirements needed to hold the office.

The lists must be submitted to the Company's registered office at least twenty-five days prior to the date set for the Shareholders' Meeting in first call, and are made available to the public at the registered office, on the Company's website and according to other methods provided for by regulations in force at least twenty-one days prior to the date of the Shareholders' Meeting in first call.

The ownership of the minimum number of shares needed for presentation of the lists is determined by taking into account the shares recorded in favour of the individual shareholder or multiple shareholders jointly on the day in which the lists are submitted to the Company. In order to substantiate the ownership of the number of shares necessary for presentation of the lists, shareholders may exhibit the relevant

certification, even subsequent to the submission of the lists, provided this is within the term set for publication of the lists by the Company.

The lists must be accompanied by:

- Information relating to the identity of shareholders who have presented the lists, stating the percentage of shares held as a whole;
- a statement by shareholders other than those who hold individually or jointly, a controlling or majority investment, attesting to the absence of relationships of affiliation under art. 144-quinquies of the "Implementing regulations of Legislative Decree no. 58/1998 concerning the regulation of issuers" with the latter and other important relationships;
- Exhaustive information on candidates' personal and professional characteristics, as well as a declaration by the candidates themselves certifying possession of the requirements established by law and acceptance of their candidacy.

Those candidates who already cover Auditor positions in five other listed companies or who do not possess the honourableness, professionalism and independence requirements set forth by applicable regulations or that fall within the cases referred to in Art.148, para. 3 of Italian Leg. Decree no. 58/1998 may not be included in the lists of candidates. It should be noted that Legislative Decree no. 72/2015 initiated a comprehensive reform of the regulations of the requirements of corporate officers, intended to integrate the objective requirements of integrity and professionalism with criteria of competence and correctness that will be incorporated in secondary legislation to be issued by the Ministry of Economy and Finance; on the date of this report, the new legislation has not been defined by the Ministry.

Each list has to indicate at least one candidate for the office of Standing Auditor and at least one candidate for the office of Alternate Auditor belonging to the least represented gender.

Such requirement does not apply to lists with less than three candidates.

14. Composition and functioning of the Board of Statutory Auditors

(as per Art.123-bis, para. 2, letter d), CFA)

The membership of the Board of Statutory Auditors in office as at FY2015 year-end date, as is also shown in Table 3 attached to this report, is as follows:

- Chairman: Giacomo Bugna;
- Standing Auditor: Giovanna Ciriotto;
- Standing Auditor: Mauro Rovida;
- Alternate Auditor: Luca Giacometti;
- Alternate Auditor: Sonia Ferrero.

The Shareholders' Meeting that made the appointment took place on 30 April 2013 according to the Articles of Incorporation in force. The election for the 3-year period 2013-2015 took place based on a list vote. Two lists of candidates were presented: one by the majority shareholder "LA SCOGLIERA S.P.A." and one by the shareholders "Ersel Asset Management SGR S.p.A. fund manager of Fondersel P.M.I.; Eurizon Capital SGR S.p.A. fund manager of Eurizon Azioni PMI Italia; Eurizon Capital SA fund manager of Eurizon EasyFund Equity Italy LTE; Fideuram Investimenti SGR S.p.A. fund manager of Fideuram Italia; Fideuram Gestions SA fund manager of: Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav fund manager of Interfund Equity Italy and Otus Capital Management Limited fund manager of Maga Smaller Companies Master Fund Limited" (who certified the absence of any connection relations with the controlling shareholder). Shown below, for both of them, are the list of candidates, the list of those elected and the percentage of votes obtained in relation to voting capital:

List of candidates presented by the majority shareholder 'La Scogliera S.p.A.'		
Candidates for the office of standing auditor	List of those elected	Percentage of votes obtained
Mauro Rovida	Mauro Rovida	80.38 %
Giovanna Ciriotto	Giovanna Ciriotto	
Candidates for the office of alternate auditor		
Luca Giacometti	Luca Giacometti	
Francesca Rapetti		

The list presented by the shareholders Ersel Asset Management SGR S.p.A. fund manager of Fondersel P.M.I.; Eurizon Capital SGR S.p.A. fund manager of Eurizon Azioni PMI Italia; Eurizon Capital SA fund manager of Eurizon EasyFund Equity Italy LTE; Fideuram Investimenti SGR S.p.A. fund manager of Fideuram Italia; Fideuram Gestions SA fund manager of: Fideuram Fund Equity Italy and Fonditalia Equity Italy; Interfund Sicav fund manager of Interfund Equity Italy and Otus Capital Management Limited fund manager of Maga Smaller Companies Master Fund Limited"		
Candidates for the office of standing auditor	List of those elected	Percentage of votes obtained
Giacomo Bugna	Giacomo Bugna	3.83 %
Candidates for the office of alternate auditor		
Sonia Ferrero	Sonia Ferrero	

Below we summarise the personal and professional characteristics of each Standing Auditor (pursuant to Article 144-decies of Consob's Issuers' Regulations) based on the statements provided by each of them and attached to the lists, as well as on any subsequent updates notified by those concerned.

Chairman of the Board of Statutory Auditors – Giacomo Bugna

Mr. Bugna acquired his experience at a leading auditing firm, focusing on the sector of financial institutions with regards to both the auditing and advisory activity.

In 1997-1998, he was responsible for introducing the certification of financial statements at the Bank of Italy. Since 2011 and until April 2014, he was a Member of the Board of the 'Fédération des Experts-comptables Européens' (Federation of European Expert Accountants), which groups together the professional associations of the 27 Member States that make up the European Community.

Standing Auditor – Giovanna Ciriotto

Director of the Board of Certified Public Accountants and Expert Bookkeepers of Venice, Director as well as Member of the same Board's continuous professional training commission, Ms. Ciriotto obtained a Degree in Economics and Business Administration from the Università Cà Foscari di Venezia. Since 2011 she has been a director of the Fondazione Università Cà Foscari and is an expert on: company law and corporate governance, extraordinary operations, planning and real estate tax consultancy, tax litigation. She is a partner with the accounting firm De Perini & Ciriotto, located in Venice.

Standing Auditor – Mauro Roviada

A 1973 graduate in Economics and Business Administration and scholarship holder at the Chair of Economic Politics of the Faculty of Economics and Business Administration at the University of Genoa, Mr. Roviada has been a Certified Public Accountant since 1975, a Legal Auditor, a Member of the Association of Technical Consultants of the Court of Genoa. He currently carries out consulting activities, mainly in Genoa, in the corporate, litigation and bankruptcy proceedings areas; he is also a consultant for various Genoa-based companies and groups with interests in the following sectors: construction, maritime tourism services, goods handling harbour services, industries associated with the shipbuilding activity, real estate trading, mechanical industry apparel, IT and services; Lastly, he is a Member of the Boards of Directors and Boards of Statutory Auditors of various different companies.

Alternate Auditor – Sonia Ferrero

A chartered accountant, she has been a member of the order of Certified Public Accountants of Turin since 2001. Following her graduation in Economics from the University of Turin, she attended the IPSOA Master for specialisation in International Taxation She works at the law and tax firm of Di Tanno&Associati where she deals with Italian & international taxation, fiscal litigation, debt collection and private equity fund operations.

Alternate Auditor – Luca Giacometti

Luca Giacometti graduated in Economics & Commerce. He has been a Certified Public Accountant since 1995, and since 1999 has been a Member of the Register of External Auditors; he is also enrolled in the Register of Technical Consultants of the Court of Genoa. He is also a Member of the Board of Certified Public Accountants and Expert Bookkeepers for the circumscription of the Court of Genoa. He attended

the training course to obtain the qualification of Auditor, pursuant to Legislative Decree 231/01 – Supervisory Board Member Legislative Decree 231/01 – Expert/Consultant Legislative Decree no. 231/01.

He has acquired in-depth knowledge and experience in the corporate, tax, accounting, administrative and financial fields; moreover, he provides consulting services for companies and groups of companies mainly located in the area of Genoa and operating in the sector of construction and of maritime and harbour tourist services, for which he also holds the office of Director and Member of the Board of Statutory Auditors.

During the year 2015 the Board of Statutory Auditors met at the Bank in total 33 times during which it discussed with the Managing Director, the General Manager, the three committees within the Board of Directors, the Supervisory Body pursuant to Legislative Decree no. 231/2001, the accounting firm, the head of Internal Audit, the Responsible Manager and the other organisational units of control as well as with numerous managers and employees of the Bank. The meetings and/or audits lasted approximately two hours on average.

Since the beginning of 2016, until the date of approval of this report, the Board of Statutory Auditors has met three times, one of these was a joint meeting with the Risk Management and Internal Control Committee. The Board of Statutory Auditors is likely to hold a similar number of meetings during 2016 as it did last year.

There have been no changes in the Board of Statutory Auditors' composition as of the closing of the period.

After its nomination, the Board of Directors, in its meetings on 30 April and 30 May 2013 checked Statutory Auditors' possession of the requirements of integrity, professional experience and independence, as per Article 148, paragraph 3 of Legislative Decree no. 58/1998, based on the Substitute Declarations envisaged by Italian Presidential Decree no. 445 of 28 December 2000. During the Board of Directors' session held on 17th July 2013, an overall presentation was given on the verifications carried out on the subject of the requirements of professionalism, honourableness and independence of Directors and Auditors. The Board of Statutory Auditors was present during the above-mentioned meetings of the Board of Directors.

In addition, the Board of Statutory Auditors periodically checks the suitability of its Members to perform the functions of the control body in terms of professionalism, availability of time and independence, as well as its own adequacy in terms of powers, functioning and composition, taking into account the entity and complexity of Banca IFIS and of its business activities. During this verification, it has been confirmed from time to time that the Members of the Board of Statutory Auditors continue to meet the independence requirements as per all the criteria established by the Corporate Governance Code for Directors' independence. The Board of Statutory Auditors in its Meeting of 18 January 2016 confirmed the continuing presence of the independence requirements of its Members foreseen by the Corporate Governance Code and by paragraph 3 of Art. 148 of the CFA. In carrying out this evaluation, the Board of Statutory Auditors applied all the criteria set out in said Code. With regards to the fact that the Director Mr. Rovida has exceeded nine years out of twelve in office (application criterion 3.C.1, letter e of the Corporate Governance Code), the other two Members of the Board have studied the assessments made by the Board of Directors' Meeting of 30 April 2013 in terms of Mr. Rovida's judgements and his freedom to evaluate Management performance and can confirm that he has maintained an independent and unbiased attitude over time. They also took into account Mr. Rovida's declaration filed in the Bank's records regarding the insignificance of his remuneration from the Bank for being a Statutory Auditor when compared to his overall income from all his professional activities.

Over 2015, the Board of Statutory Auditors attended the aforementioned training sessions carried out by Parente & Partners. The Chairman of the Board also participated, together with an independent Director, in the *induction sessions* which were arranged by Assogestioni and Assonime, the cost of which was incurred by the Bank and whose topics were specified in chapter 4.2.

Consistent with the provisions of the Corporate Governance Code and also pursuant to the provisions of art. 136, para. 1 of the Consolidated Banking Act ('Obligations of banking officers'), if a Statutory Auditor either directly or on third parties' account has an interest in a certain transaction of the Issuer, he/she must inform the other Statutory Auditors and the Chairman of the Board promptly and exhaustively about the nature, terms, origin and extent of his/her interest. The Statutory Auditors also fall within the field of application of the 'Procedure for transactions with associated parties' discussed in Section 12.

As part of the coordination with the other players of the Internal Control and Risk Management System, the Board of Statutory Auditors had primarily relations, as envisaged by the Corporate Governance Code, with the Internal Auditing Office, whose Head normally attends the Board of Statutory Auditors' meetings, and with the Risk Management and Internal Control Committee, as well as with the Appointments and Remuneration Committees whose meetings are normally attended by the Chairman of the Board of Statutory Auditors.

During 2015 nine joint meetings of the Board and of the Risk Management and Internal Control Committee took place, one of the Remuneration Committee, one with the Supervisory Body pursuant to Legislative Decree no. 231/2001 and the Risk Management and Internal Control Committee and a joint one with all the three committees within the Board of Directors.

Below, in order to comply with the requirements of Circular no. 285/2013 of the Bank of Italy (Section VII, Chapter 1, Title IV, Part One), the number and type of positions held by the standing members of the Board of Statutory Auditors of Banca IFIS to 31 December 2015 are reported, based on the information provided by them.

POSITIONS HELD BY THE MEMBERS OF THE BOARD OF STATUTORY AUDITORS IN OTHER COMPANIES				
	Positions as a director or statutory auditor held pursuant to art. 148-bis CFA	Positions in the company that are irrelevant for the purposes of art. 148-bis		TOTAL
		Executive	Non Executive	
Giacomo Bugna	-	-	-	-
Mauro Rovida	12	-	-	12
Giovanna Ciriotto	3	-	2	5

15. Relations with shareholders

The Bank has created a specific section on its website, easy to identify and access by clicking on the item "Corporate Governance" in the menu at the top of the home page, which makes available information of importance to shareholders in order to enable them to exercise their rights knowledgeably.

With resolution of 19 January 2012, the Board of Directors appointed the Head of Communications and *Investor Relations*, Ms. Mara Di Giorgio as Investor Relations Manager. The staff of the Investor Relations Department reports to the C.E.O.

Since 2010 for the annual operating budget Banca IFIS has also had an interactive website, to make available to the public the economic and financial documentation. The sharing of financial issues also

includes sharing on the social pages and profiles of Banca IFIS of the main performance indices at the time of the operating and quarterly results.

16. Shareholders' Meetings (as per Art. 123-bis, para. 2, letter c), CFA) TUF)

The duties of the Shareholders' Meeting are similar to those found in the majority of listed Italian banks. Specifically, the Shareholders' Meeting:

- Approves the Annual report;
- Appoints (applying the list vote mechanism) and revokes Members of the Board of Directors, establishing their remuneration;
- Appoints (applying the list vote mechanism) and revokes Members and the Chairman of the Board of Statutory Auditors, establishing their remuneration;
- Resolves on remuneration policies for Directors, employees and outside staff Members and receives reports on the same;
- Resolves on remuneration plans based on financial instruments;
- Resolves on transactions that involve amendments to the Articles of Incorporation;
- Resolves on the other matters reserved for it by the Articles of Incorporation or by law.

Shareholders' Meetings can also be held outside the Company's registered office, as long as the venue is in Italy. The Shareholders' Meeting is held at least once a year, within 120 days of the end of the corporate financial year.

Shareholder's Meetings may be attended by holders of voting rights for whom the Company has received the notification by the intermediary at the end of the third day of open trading preceding the date set for the Shareholders' Meeting in first call. The communication is made based on the evidence at the end of the seventh accounting day of open trading set for the Shareholders' Meeting in first call.

The above is without prejudice to legitimate attendance and the exercise of the right to vote should such communication be received by the Company beyond the aforementioned term, provided that this is before the start of the Shareholders' Meeting of the single call.

Those who are entitled to vote may have themselves represented at the Shareholders' Meeting, pursuant to the law, by means of written proxy or proxy granted by electronic means.

The electronic notification of the proxy may be made using the special form available on the Company website.

The Company designates for each Shareholders' Meeting, indicating it in the notice to convene, one or more individuals to whom the holders of voting rights can grant, following the methods established by applicable normative provisions, a proxy with voting instructions on all or some of the proposals on the agenda. The Proxy has effect only with regards to the proposals for which voting instructions have been provided.

With regards to the majorities for the validity of resolutions and the drafting of the minutes, reference is made to the provisions of the law, to applicable regulations, to the Articles of Incorporation and to the Shareholders' Meeting Regulations.

Only shareholders who, alone or together with others, own at least 1% of ordinary shares at the time of submittal have the right to submit lists for the appointment of Members of the Board of Directors. A lower ownership threshold is possible – if allowed by current legislation – and must be indicated in the meeting notice convening the Shareholders' Meeting called to vote on appointment of the Members of the Board

of Directors. A shareholder can neither submit nor vote for more than one list, not even via agents or fiduciary companies. Shareholders belonging to the same group and shareholders forming part of a shareholder agreement concerning the Company's shares cannot submit or vote for more than one list, not even via agents or fiduciary companies. A candidate can be present on only one list or they are considered ineligible. One Director is taken from a list other than the one receiving the most votes. In the event of the latter's cessation from office during the mandate, the Board will first check the continued availability of the candidates listed on the list concerned, according to the latter's sequential order, and will then proceed with co-optation based on this criterion of preference.

No proposals were made to the Shareholders' Meeting by shareholders who control the Issuer with regards to topics for which a specific proposal was not formulated by the Directors.

The 'Shareholders' Meeting Regulations', the current version of which was approved by the Shareholders' Meeting on 30 April 2013, governs the manner in which meetings are held and function.

The Regulation, which specifies the maximum duration of individual contributions by attendees, their order, the voting procedure, the contributions of Directors and Statutory Auditors, and also the powers to settle and prevent the occurrence of conflict during Shareholders' Meetings, is available on the internet site in the section 'Shareholders' Meetings'.

Pursuant to the Shareholders' Meeting Regulations, the Meeting's Chairman, also drawing on the assistance of Company personnel, checks: that proxies are correct, the right of attendees to take part in the Meeting and the latter's proper constitution.

All those who attend have the right to take the floor on each of the topics discussed. Those with rights may ask questions on the items on the agenda even before the Meeting takes place, within the terms set forth by the regulations in force and indicated in the notice to convene. The questions received within the term indicated in the notice will be answered during the Meeting, at the latest. A single answer may be given to questions with the same content. Those who intend to speak must ask the Chairman, by written request containing an indication of the topic to which the question refers, after the Chairman has read out the agenda items and up until he declares discussion of the relative topic closed. As a rule, the Chairman gives permission to speak according to the chronological order in which requests are submitted. If two or more requests are submitted simultaneously, the Chairman gives permission to speak according to the alphabetical order of the requesters' surnames. The Chairman can authorize the submission of requests to speak by a show of hands. In such case, the Chairman gives permission to speak according to the alphabetical order of requesters' surnames. Members of the Board of Directors, the Board of Statutory Auditors and Top Management of the Bank, or Members of other Group companies, as well as the representatives of the Firm assigned the task of the legal auditing of accounts and Company and Group personnel may all ask to join the discussion when the Chairman deems it useful in connection with the topic to be discussed.

During the Ordinary Shareholders' Meeting held on 08 April 2015, only one Member of the Board of Directors was absent. The number of Directors that attended was thus 8. Also present was the entire Board of Statutory Auditors.

During the Shareholders' Meetings, the C.E.O., on behalf of the Board of Directors, makes himself available to report on the activity performed and planned by the Board, while in any case observing the rules for privileged information. The Board, also by means of the reports made available to shareholders

in the terms established by the CFA and through ongoing fine-tuning of the organization of institutional communication via the Website, commits itself to ensuring that shareholders receive sufficient information on the items necessary to enable them to take informed decisions as regards the resolutions that are the prerogative of the Shareholders' Meeting.

During the Ordinary Shareholders' Meeting held on 08 April 2015, with regard to the Appointments and Remuneration Committee, Francesca Maderna (Chairwoman) and the two Members Andrea Martin and Daniele Umberto Santosuosso were present. Shareholders were informed with regards to the methods used to exercise the Committee's functions as part of the Remuneration report as per Art.123-ter of the CFA.

During the financial year, no changes occurred in the control structure of Banca IFIS S.p.A..

The market capitalisation of shares recorded the following values at the beginning and end of the period:

Date	Share price (€)	No. of shares forming share capital	Capitalization (€)
30 December 2014	13.69	53,811,095.00	736,673,890.55
30 December 2015	28.83	53,811,095.00	1,551,373,868.85

Source: Bloomberg, closing price (PX-LAST)

The increase in capitalisation reflects the changes observed in the trends of Banca IFIS's securities and such changes are directly due to the results achieved and the future outlook of the company. There were no resulting assessments on the prerogatives intended to protect minorities, which the chairman of the Board of Statutory Auditors and a director may express and that exercise social rights on the basis of the wide set of information made available to investors and market operators.

17. Further corporate governance practices (as per Art. 123-bis, para. 2, letter a), CFA)

No further committees have been appointed other than those described in the previous sections. Adoption of the Organisational Model pursuant to Legislative Decree no. 231/2001 is discussed in the third paragraph of Section 11.

18. Changes since the end of the financial year

Since FY2015 year-end up to the date of approval of this report there have been no changes in the corporate governance structure.

Tables

TABLE 1: INFORMATION ON THE SHAREHOLDING STRUCTURE TABLE

STRUCTURE OF SHARE CAPITAL	No. of shares	% of share capital	Listed (market) / unlisted	Rights and obligations
Ordinary shares	53,811,095	100%	Listed (on MTA Milan electronic equity market)	Each ordinary share attributes the right to one vote

Declarant	Direct Shareholder		% of ordinary share capital	% of voting capital
FÜRSTENBERG SEBASTIEN EGON	La Scogliera S.p.A.:	50.114%	50.127	50.127
	Fürstenberg Sebastien Egon:	0.013%		
SALAMON MARINA	Alchimia S.p.A.	2.000%	2.000	2.000
PREVE RICCARDO	Preve Costruzioni S.p.A.	2.156%	2.323	2.323
	Preve Riccardo	0.168%		
BOSSI GIOVANNI	Bossi Giovanni	3.429%	3.429	3.429

TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

		Board of Directors											Risk Management and Internal Control Committee		Appointments Committee		Committee Remunerations		
Role	Members	Year of birth	Date of first appointment ^{t*}	In office since	In office until	List (M/m)**	Exec.	Non exec.	Indep. as per Code	Indep. as per CFA	Number of official posts held****	(*)	(**)	(*)	(**)	(*)	(**)	(*)	
Chairman	Furstenberg Sebastien Egon	1950	05/08/1983	2013	2015	M		X			-	no. 13/19					M*	no. 1/3	
Deputy Chairman	Csillaghy de Pacser Alessandro	1966	09/05/1995°	2013	2015	M	X				-	no. 17/19							
C.E.O.	Bossi Giovanni	1960	09/05/1995	2013	2015	M	X				-	no. 19/19							
Director (LEAD)	Benini Giuseppe	1954	30/04/2013	2013	2015	M		X	X	X	7	no. 19/19	P	no. 27/27	M	no. 2/3			
Director	Maderna Francesca	1963	29/04/2010	2013	2015	M		X	X	X	-	no. 18/19	M	no. 24/27			P	no. 9/10	
Director	Martin Andrea	1950	28/04/2004	2013	2015	M		X			-	no. 19/19	M	no. 25/27			M*	no. 6/7	
Director	Preve Riccardo	1951	10/10/2005	2013	2015	M		X			-	no. 19/19			M	no. 3/3			
Director	Salamon Marina	1958	10/10/2005	2013	2015	M		X			1	no. 17/19							
Director	Santosuosso Daniele	1964	30/04/2013	2013	2015	m		X	X	X	1	no. 19/19	M	no. 26/27	P	no. 2/3	M	no. 8/10	
DIRECTORS WHO LEFT DURING THE YEAR 2015																			
--																			
Quorum required for the presentation of lists during last appointment: 1%																			
No. of meetings held during the year of reference:						BoD: 19	Risk Mgt. and Int. 27	CN:3	CR:10										

NOTES

* Date of first appointment means the date in which the Director was nominated to the Bank's Board of Directors for the very first time;

** This column indicates the list from which each director was taken ("M": majority list; "m": minority list; "CdA": the list submitted by the Board of Directors).

*** This column shows the number of posts held by the Director or Statutory Auditor in other listed companies on regulated markets, even foreign, in financial companies, banks, insurance companies or very large companies. In the second paragraph of Section 4 the list of these companies for each Director is shown.

(*). (*). This column shows the participation of the Directors in the Board of Directors Meetings and the Committee Meetings respectively (shows number of meetings attended over total number of meetings held; e.g. 6/8; 8/8 etc.).

(**). (**). This column shows the role of the Director in the Committee: "P": chairman; "M": member.

°Mr. Alessandro Csillaghy de Pacser has been the Deputy Chairman of the Bank since 1996.

M* Mr. Martin was appointed a member of the Remuneration Committee by Board resolution of 3 February 2015; he was therefore a member of the Committee for 7 meetings. Chairman Furstenberg was a member of the Remuneration Committee until the Board meeting of 3 February 2015 during which he resigned from his position as member of the Committee.

TABLE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Role	Members	Year of birth	Date of first appointment*	In office since	In office until	List **	Independence as per the Code	***	Number of official posts held****
Chairman	Giacomo Bugna	1953	30/04/2013	2013	2015	m	X	no. 33/33	-
Standing auditor	Mauro Rovida ¹	1949	05/08/1983	2013	2015	M	X	no. 31/33	12
Standing auditor	Giovanna Ciriotta	1961	30/04/2013	2013	2015	M	X	no. 33/33	3
Alternate auditor	Giacometti Luca	1968	28/04/2004	2013	2015	M	X	-	N/D
Alternate auditor	Sonia Ferrero	1971	30/04/2013	2013	2015	m	X	-	N/D
STATUTORY AUDITORS WHO LEFT DURING THE YEAR 2015									
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No. of meetings held during the year of reference: 33 meetings									
Quorum required for the presentation of lists by the minority for the election of one or more Members (as per art. 148 TUF): 1%									

NOTES

* Date of first appointment means the date in which the Auditor was nominated to the Bank's Board of Statutory Auditors for the very first time;

** This column shows the list from which each auditor was taken ("M": majority list; "m": minority list). The current composition of the Board of Statutory Auditors was decided upon by the AGM of 30 April 2013 for the 3 years 2013/2015 using list voting.

This column lists the participation of auditors at meetings of the Board of Statutory Auditors. (Shows the number of meetings attended out of the total number of meetings that could have been attended; e.g. 6/8; 8/8 etc.).

**** This column shows the number of posts held by the Director or Statutory Auditor as per Art. 148bis CFA. This list of posts is published by Consob on its internet site as per Art. 144 quinquiesdecies of Consob's Issuers' Regulations. Those Directors or Statutory Auditors with a controlling role in only one company are excluded from this disclosure obligation.

1. To ascertain independence of the Standing Auditor Mauro Rovida (Auditor in the Bank since 30 April 2002 with a short interruption before Banca IFIS became a Bank), please refer to Section 14 of this report.