

**Credito
Valtellinese**



**Ordinary and Extraordinary Shareholders' Meeting
24 April 2020**

**REPORT ON THE PROPOSALS CONCERNING THE ITEMS ON THE
AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING**

AGENDA

Ordinary Session

1. Financial year ended as at 31 December 2019:
 - 1.A Presentation of the consolidated financial statements and approval of the financial statements of the Parent Company.
 - 1.B Allocation of profit for the year.
2. Appointment of the external auditor for the years 2021-2029 and determination of the consideration.
3. Remuneration:
 - 3.A Raising of the incidence of the variable remuneration on fixed remuneration up to a maximum of 2:1 for the benefit of the risk takers of the Credito Valtellinese banking Group.
 - 3.B 2020 MBO short-term incentive plan, based on the allocation of Phantom shares and allocated to representatives of the management of Credito Valtellinese S.p.A. and its subsidiaries pursuant to Article 2359 of the Italian Civil Code. Related resolutions.
 - 3.C First section of the Report on Remuneration and compensation paid pursuant to Article 123-ter of Italian Legislative Decree no. 58/1998.
 - 3.D Second section of the Report on Remuneration and compensation paid pursuant to Article 123-ter of Italian Legislative Decree no. 58/1998.
4. Proposal for a liability claim pursuant to articles 2392, 2393, 2407, and 2396 of the Italian Civil Code against certain former company representatives; related and consequential resolutions.

ITEM 1 ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

Financial year ended as at 31 December 2019:

Presentation of the consolidated financial statements and approval of the financial statements of the Parent Company.

Allocation of profit for the year.

Dear Shareholders,

In compliance with the regulations in force, the file containing the 2019 draft financial statements and the 2019 consolidated financial statements with the reports of the Directors, of the Board of Statutory Auditors and of the Audit company KPMG S.p.A., the certification set forth in Article 154-bis, paragraph 5, Italian Legislative Decree no. 58 of 24 February 1998, as well as the consolidated non-financial statement, prepared pursuant to Article 4 of Italian Legislative Decree no. 254 of 30 December 2016, together with the certification prepared by the independent auditors pursuant to Article 3, paragraph 10, of Italian Legislative Decree no. 254 of 30 December 2016, are made available to the public at the registered offices, on the Company's website and with other methods envisaged by the Regulation adopted by Consob with resolution no. 11971 of 14 May 1999 as amended and supplemented no later than 2 April 2020.

The proposed resolutions of the Board of Directors on this item on the agenda, regarding the approval of the financial statements (resolution 1.A) and the allocation of the relevant profits (resolution 1.B), will be presented as part of the financial statements referred to above and published together with them no later than 2 April 2020.

ITEM 2 ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

Appointment of the external auditor for the years 2021-2029 and determination of the consideration.

Dear Shareholders,

the approval of the financial statements as at 31 December 2020 marks the expiry of the audit engagement assigned to KPMG S.p.A. by the shareholders' meeting of 28 April 2012, for the years 2012-2020.

Based on the legislation in force applicable to Public Interest Entities (category into which the Bank also falls), the engagement to the independent auditors KPMG S.p.A. cannot be renewed, nor assigned again, unless at least four years have passed from the termination of the previous one.

Furthermore, the new independent audit engagement must be assigned through a resolution of the shareholders' meeting, based on a recommendation prepared by the Internal Control and Audit Committee which, in the case of the Bank, is identified as the Board of Statutory Auditors.

In compliance with the provisions of Article 16 of Regulation EU no. 537/2014, this recommendation contains at least two possible alternatives for the award and expresses a duly justified preference for one of the two. The recommendation is prepared by the Internal Control and Audit Committee following a selection procedure carried out on the basis of transparent and non-discriminatory criteria.

In order to guarantee an adequate handover period between the current and future independent auditor and respect for the independence requirements, the Internal Control and Audit Committee, in accordance with the Bank, deemed it appropriate to launch, in 2019, the selection procedure for the assignment of the independent audit engagement for the 2021-2029 nine-year period, in order to allow the shareholders' meeting of 24 April 2020 to resolve on the matter.

For the sake of completeness, it should be noted that the object of the selection procedure includes, in addition to the engagement for the audit of the financial statements and the interim reports of the Bank, also the limited review of the consolidated non-financial statement of the Group as at 31 December.

In light of all of the above, we report below the recommendation prepared by the Internal Control and Audit Committee as a result of the selection procedure, in which the control body recommends that the shareholders' meeting assign the audit of the financial statements of the Bank for the 2021-2029 nine-year period to EY S.p.A. or to Deloitte S.p.A., expressing its preference for EY S.p.A..

Annex 1 to the Recommendation of the Internal Control and Audit Committee also includes a summary of the conditions, in terms of professional effort and fees, proposed by EY S.p.A. and Deloitte S.p.A., in their respective offers.

* * *

Recommendation of the Board of Statutory Auditors of Credito Valtellinese SpA for the award

of the audit engagement - pursuant to article 13, paragraph 1, and 17, paragraph 1, of Italian Legislative Decree no. 39 of 27 January 2010, as amended, respectively, by articles 16 and 18 of Italian Legislative Decree no. 135 of 17 July 2016, article 16 of Regulation (EU) no. 537/2014 of the European Parliament and Council of 16 April 2014 - for the 2021-2029 period and approval of the associated compensation

1. Introduction

The approval of the financial statements for the year ended as at 31 December 2020 marks the expiry of the audit engagement assigned for the 2012-2020 nine-year period by Credito Valtellinese SpA (hereinafter also “Creval”, “Bank” or “Company”) to the independent auditors KPMG SpA (hereinafter also “KPMG” or “Outgoing Auditor”). Therefore, Creval launched the procedure for selecting the new independent auditors to whom to assign the engagement for the years 2021-2029 (hereinafter also “Procedure” or “Tender”), in compliance with the applicable legislation and described in more detail below.

The Board of Statutory Auditors, in its role as the Internal Control and Audit Committee, prepared the following recommendation to the Board of Directors (hereinafter also the “Recommendation”) according to the provisions of the applicable legislation and in compliance with the provisions of the company Articles of Association.

2. Regulatory framework

EU legislation on auditing was modified by two separate acts:

- Directive 2006/43/EC, as amended by Directive 2014/56/EU (hereinafter also “Directive”), relating to the audit of the annual and consolidated accounts, acknowledged by Italian Legislative Decree no. 39 of 27 January 2010, as recently amended by Italian Legislative Decree no. 135 of 17 July 2016 (hereinafter also “Decree”);
- the European Regulation 537/2014 (hereinafter also “Regulation”), relating to public interest entities and auditing of public interest entities, applicable from 17 June 2016.

The purpose of the new legislation is to further harmonise the regulations originally introduced by Directive 2006/43/EC at European Union level to allow greater transparency and predictability of the obligations that apply to entities that carry out auditing and increase their independence and objectivity in fulfilling their tasks, also in order to raise public confidence in the financial statements and consolidated financial statements of the aforementioned entities.

As an instrument for improving the quality of the audit, the Regulation strengthened the role of the Internal Control and Audit Committee, identified, in companies that use a traditional administration system, as the Board of Statutory Auditors (article 19 of the Decree), attributing it the task of presenting the administration body (i.e. the Board of Directors in companies that use the traditional administration system) with a justified recommendation to allow the shareholders’ meeting to take an adequately considered decision.

The recommendation was prepared following an appropriate selection procedure carried out by the company and which the Board of Statutory Auditors is responsible for correctly carrying out,

pursuant to article 16, paragraph 3 of the Regulation.

3. The selection procedure

3.1. Foreword

It should be noted that the engagement in question cannot be assigned to the Outgoing Auditor, with the end of 2020 marking the completion of the nine-year period set forth in article 17 of the Decree which, in the amended version, sets forth that the audit engagement has a duration of nine years and cannot be renewed or assigned again unless at least four years have passed since the date of termination of the previous engagement.

In addition, it should be noted that, for the purposes of the selection procedure, the Board of Statutory Auditors availed itself of the operational support of the Manager in charge of financial reporting, as well as the other company departments, with particular reference to the Legal Department, the Procurement Department, the Internal Audit Department and the Acting Deputy General Manager.

3.2. The offer request

The company, in concert with the Board of Statutory Auditors, first conducted an evaluation to identify the audit companies to which to send an invitation to participate in the selection procedure, defining specific non-discriminatory identification criteria. And more specifically that:

- the company is listed in the Register of Auditors and independent audit firms, established at the Ministry of Economy and Finance pursuant to article 6 of Italian Legislative Decree 39/2010;
- presents the legal form of a joint-stock company and belongs to a network that fully covers the geographical areas of Group operations;
- is in the process of carrying out or has carried out in the last 3 years from the date of the Offer Request, audit engagements with companies with shares listed on an Italian or EU regulated market, which have a comparable size and structure to those of the Group;
- has specific professional experience in the banking and financial sectors in which the Group operates;
- is, based on the information available, able to observe the limits set forth in article 4, paragraph 2, Regulation (EU) 537/2014.

Account was taken, in the evaluation, of the provisions introduced by the reform, which were contained in new article 10-quinquies of Italian Legislative Decree no. 39 of 27 January 2010, which clarify that:

“In the case of the audit of the consolidated financial statements of a group of companies, the group auditor assumes full responsibility for the audit report pursuant to article 14 or, where applicable, for the audit report pursuant to article 10 of the European regulation and for the additional report intended for the internal control and audit committee pursuant to article 11 of the European regulation”.

These provisions confirm the stance already adopted in our legal system, for which the group auditor is generally responsible for the professional judgment on the entire consolidated financial statements, also in the presence of companies belonging to the group audited separately by another auditor.

Therefore, for the purposes of more efficiency and cost-effectiveness, the offer request was extended to all subsidiaries of Creval, with Bidders required to present, in the offer requests, separate evidence of the activities relating to each Group company.

It should also be noted that, Creval's Board of Statutory Auditors has carried out and will perform the necessary coordination with the control bodies of the subsidiaries, by constantly keeping said bodies informed of the progress status of the tender and the associated results.

The precise application of the aforementioned criteria allowed the company to identify 5 independent audit firms entitled to participate in the tender.

In view of the above, on 13 September 2019, the company sent to BDO Italia SpA (hereinafter also "BDO"), Deloitte & Touche SpA (hereinafter also "Deloitte"), EY SpA (hereinafter also "EY"), Mazars Italia SpA (hereinafter also "Mazars") and PricewaterhouseCoopers SpA (hereinafter also "PwC") a letter of invitation (hereinafter also "Letter of Invitation"), to firstly gauge interest in selection and to present, following the transmission by the company of an appropriate offer request, an offer (hereinafter also "Offer" and, jointly, "Offers") for the performance in favour of the company of the services detailed in the Offer Request for the 2021-2029 nine-year period. More specifically:

- the independent audit activities as specified in paragraph 5.1 of the Procedure;
- the voluntary audit activities as specified in paragraph 5.2 of the Procedure;
- the other activities strictly related to the independent audit as specified in paragraph 5.3 of the Procedure.

The Offer Request was prepared by indicating:

- the necessary details for understanding the company's operations and the type of activity required;
- the criteria for the selection of the evaluation of the Offers, based on transparency and non-discrimination criteria, according to the provisions of article 16, paragraph 3, of the Regulation; and
- the additional provisions and terms of the selection procedure.

3.3. Components of the Offers for the purposes of application of the selection criteria

Before launching the selection process, through the identification of the information requested for the purposes of presenting Offers, the company, in agreement with the Board of Statutory Auditors, has identified clear and objective selection criteria to ensure the procedure is characterised by transparency and traceability of the activities carried out and the decisions taken.

In particular, in defining the selection criteria, the company aimed to enhance:

A. qualitative elements, such as:

- (i) the general characteristics of the company's structure (i.e. the IT tools in support of audit

- activities, the internal quality control procedures, personnel training policies);
- (ii) the company's independence;
 - (iii) the professional quality of the team responsible for the activities for Creval Group companies;
 - (iv) the audit experience in the banking sector and with listed companies;
 - (v) the operational approach to the engagement;
- B. quantitative elements, such as:
- (i) the audit hours, including the total hours dedicated to the handover and the acceptance of the activity;
 - (ii) the professional mix;
 - (iii) the fees for the services offered.

The evaluation of the Offers and the relative weightings were, nonetheless, carried out according to the selection criteria defined beforehand in the Procedure based on the information envisaged in the Offer Request, summarised into a total 37 items of information, of which 32 structured into five sections, composed of "Organisational and Independence Information" and "Technical-Professional Information" and 5 relating to "Economic Information".

The nature of the three sections of information requested from Bidding Companies are specified below.

3.3.1. Organisational and Independence Information

Useful information on the evaluation and verification of the necessary conditions for fulfilment of the engagement and any situations of incompatibility with respect to the assignment of the engagement, including:

- list of the main audit engagements of listed companies in Italy in progress or assigned as at 30 June 2019 and list of the main audit engagements with companies operating in the Italian banking sector over the last 3 years, in progress or assigned as at 30 June 2019, with specific reference to commercial banks that operate in several regions;
- list of advisory/professional services engagements (other than audit) in the process of being executed and future ones already agreed, expiring after 2019, in favour of Creval or each of its subsidiaries by the Bidder or entities belonging to the network, with an indication of the associated fees; justified declaration regarding (i) respect for the limits pursuant to articles 4 and 5 of Regulation (EU) no. 537/2014 and (ii) non-existence of causes of incompatibility between the engagements in question and the audit activities pursuant to the legislation in force;
- indication of any other situation of incompatibility or threat to independence pursuant to the legislation applicable to Public Interest Entities and description of the approach the Bidder intends to adopt to address these situations or reduce the threats in question to an acceptable level;
- declaration by the Bidder regarding respect for the provisions contained in articles 10, 10bis, 10 ter, 10 quinquies and 26 bis of Italian Legislative Decree 39/2010.

3.3.2. Technical-Professional Information

Information relating to the audit process, useful for the evaluation of the level of technicality, automation and the guiding strategy, as well as the information relating to the team in charge of the engagement, directly or in a support role, needed to evaluate its level of professionalism, seniority and reliability such as:

- the hours planned for the performance of the audit for the 2021-2029 nine-year period, broken down by each professional category envisaged in the mix offered;
- composition of the teams proposed for fulfilment of the engagement, with particular reference to key figures (partners, managers, specialists), and associated professional skills, with specific reference to the banking sector;
- degree of knowledge of Creval and its subsidiaries by partners and managers who will be committed to the audit activities;
- the operational approach to the engagement, with regard to:
 - the method used for understanding the company and its subsidiaries with a description of the legislation and external factors which could influence the activities of the Creval Group companies, basing this description on the knowledge of the sectors in which the Group operates;
 - the audit strategy/plan, the method of presentation of the plan, with particular reference to the areas considered critical in Creval's consolidated financial statements;
 - the management of the handover process with the outgoing auditor and launch of audit activities, including the involvement of the Bank's internal functions;
 - the process of analysis and identification of the audit risk and of definition of the audit plans;
 - the method of definition of the materiality thresholds;
 - the areas of involvement of the specialist departments/practices of the audit company or of the network;
 - the IT tools and applications used in support of the audit process, including the methods of archiving of working papers;
 - process of interaction with the company and/or control functions (contact methods for discussions of relevant themes, processes of communication with the departments, frequency and type of meetings with the Board of Statutory Auditors).

3.3.3. Economic information

Information regarding the professional standard and use of personnel and resources, such as:

- hourly rates applied for each professional category envisaged in the mix offered;
- total fees requested, in aggregate form and per individual professional category, separately for Creval and its subsidiaries, in relation to each of the activities forming the object of the tender;

- methods and terms of reimbursement of the expenses incurred for the fulfilment of the engagement and strictly connected with the latter, such as expenses for stays away from the office and transfers;
- any annual adjustments to the fees requested;
- methods to be applied for any changes to the considerations offered in the event of the expansion or reduction in the activities forming the object of the tender or resulting from legislative adjustments or amendments which may have an impact, over a certain percentage, in terms of greater commitment for the performance of the activities forming the object of the tender.

3.3.4. Performance of the selection

On 13 September 2019, the company sent to the BDO, Deloitte, EY, Mazars and PwC the Offer Request for the provision, in favour of the company, of the services detailed herein for the 2021-2029 nine-year period.

Expressions of interest from the Bidding Companies were received by the company within the deadline set forth in the Offer Request (i.e. 19 September 2019). On 2 and 3 October 2019, “clarification meetings” were held at which the Bank, in the presence of the Board of Statutory Auditors, welcomed the independent audit firms which - having expressed their interest in participating in the Tender - then requested the meeting as per the procedure. The clarification meetings were held through the appropriate sessions lasting a maximum of 1 hour and 15 minutes each, targeted at providing responses to the questions formulated in accordance with the methods and times indicated in the procedure.

Offers were received from BDO, Deloitte, EY, Mazars and PwC within the deadline set forth in the Offer Request (i.e. 21 October 2019), supplemented by the information kit and required documents.

On 22 October 2019, in the presence of the Chairman of the Board of Statutory Auditors, the company opened the packets containing the Bids, delivered to the Sondrio office, as requested, all in sealed envelopes. At that juncture, a formal check was carried out on the contents of the packets which included everything, as required by the procedure: a) the Bid in both paper and digital format, b) structured into three sub-sections pursuant to paragraphs 3.2.A (Organisational and Independence Information), 3.2.B (Technical-Professional Information) and 3.2.C (Economic information) of the Offer Request, c) supported by the attachments required in paragraph 3.3 of the Offer Request.

In the days after the opening of the packets, the offices of the company designated in the Procedure (Administration and Financial Statements Department, Legal Department, Procurement Department, Auditing Department and Acting Deputy General Manager) held various dedicated joint sessions and jointly shared the preliminary in-depth analyses of the individual Bids through an analysis, for each evaluation criterion, of the individual distinctive and qualifying aspects of each of them.

An additional meeting was held on 7 November 2019 between the Bank, represented by the Manager in charge of financial reporting, Ms. Orietti and Mr. Gerola from the Legal Department,

and the Board of Statutory Auditors, aimed at agreeing and evaluating the economic terms and conditions proposed by the Bidding Companies with the goal of concluding a comparative analysis of the Bids.

In particular, in performing the selection:

- in-depth analyses and checks were carried out regarding the declarations provided by the Bidding Companies and on the satisfaction of the independence requirements;
- the ratings assignment rationale was analysed, in order to ensure their parameters were correctly set, also with regard to the qualitative and quantitative aspects of the contractual relations established with the Bidding Companies.

The analyses conducted also took account of the provisions and/or guidelines of the supervisory authorities regarding audits.

The analyses performed on the Bids highlighted, among other things, that:

- (i) the methods of performance of the audit outlined in the Bids, also considering the hours and professional resources envisaged for the purpose, are adequate in relation to the scope and complexity of the engagement, with particular reference to the first two companies classified;
- (ii) all the Bids contain a specific and justified declaration concerning the commitment to prove satisfaction of the independence requirements set forth in the legislation in force;
- (iii) all bidding audit companies possess, despite different characterisations and levels, an adequate organisation and technical-professional skills suited to the dimensions and complexity of the engagement, pursuant to articles 10-*bis*, 10-*ter*, 10-*quater* and 10-*quinquies* of the Decree, as well as meet the requirements set out in the Regulation.

The outcome of the analyses conducted was sent to the Board of Statutory Auditors on 19 November 2019, in an appropriate letter prepared by the Manager in charge of financial reporting, supported by the spreadsheets containing the scores assigned and the outcomes of the Tender.

4. Evaluation criteria

As indicated and, consequently also reported in the Offer Request, for the purposes of this Recommendation, the company aimed to enhance both the qualitative and quantitative elements, giving priority to purely technical aspects. To this end, the Procedure made provision for a pre-selection phase based exclusively on “Organisational and Independence Information” and “Technical-Professional Information”, which determined a weighted interim judgment based on which the companies that obtained the highest scores were selected. The three companies in question, therefore, gained access to the next phase, consisting of the overall evaluation, also including the economic aspects, not considered before.

More specifically, in evaluating the information provided as a result of the Offer Request and the presentation of Bids, summarised below are the maximum scores, which can be awarded and indicated in the Offer Request in relation to each parameter that can be evaluated:

- A. Organisational and Independence Information: up to a maximum of 100 points, weighted for the purposes of an overall judgment at 30%, broken down as follows:

- (i) Organisation (12 *items*): 70 points;
 - (ii) Independence (4 *items*): 30 points;
- B. Technical-Professional Information: up to a maximum of 100 points, weighted for the purposes of an overall judgment at 60%, broken down as follows:
- (i) Professionalism (6 *items*): 40 points;
 - (ii) Technicality (6 *items*): 40 points;
 - (iii) Commitment (4 *items*): 20 points;
- C. Economic information (5 *items*): up to a maximum of 100 points, weighted for the purposes of an overall judgment at 10%.

More specifically, the evaluation procedure is carried out by firstly assigning each of the Bidding Companies, per individual item identified in the two qualitative macro-categories (Organisational and Independence Information and Technical-Professional Information), a score according to the parameters and criteria indicated in the Offer Request, determining an interim weighted judgment.

The three companies with the highest interim judgment are subject to a general evaluation, adding the interim judgment to that deriving from the assignment of the score to the items identified in the Economic information macro-category. The overall judgment obtained determined the final classification.

With regards to the quantitative criteria (i.e. audit hours, professional mix, hourly rates, and components of the economic value), it should be noted that the associated scores were attributed to each Bidding Company, according to the indications of the Offer Request, based on a proportional criterion.

The Board of Statutory Auditors intended to endorse such an evaluation procedure, conscious of the important role it plays in the process of appointing the independent auditor, so as to be able to analyse and evaluate, on an individual basis, every single relevant aspect and, later, trace and appraise it also within a general context. Therefore, an attempt was made to weigh up all the various factors involved in the evaluation process so that the final scores truthfully reflect the specific needs identified by the company.

5. Evaluation of Offers

Considering all of the above, the Board of Statutory Auditors evaluated the Offers.

First of all, the documents received confirmation that the Bidding Companies share the fact that they have made provision for teams with expertise and experience in the sector. However, said companies are characterised by different levels of quality and professionalism of the services offered, a circumstance then reflected, at the time of the evaluation, with the attribution of the high scores assigned to the top three companies classified (where the first two, however, show minor differences) and lower scores attributed to the other two companies.

5.1. Interim weighted judgment

Organisation (70 points): within this area of the evaluation, attention was focussed on the capacity of the Bidding Companies to cater for a bank customer with listed shares, on the knowledge

acquired by the independent audit firm in the banking sector and at comparable companies, as well as the relations with the Bank of Italy and at bodies and international institutions in the sector. An analysis of the Offers highlighted major differences between the top three companies classified and the last two, more or less distributed over all items of the organisational section.

Independence (30 points): from said perspective, the weighted score does not show significant differences; all the Bidding Companies are equipped with internal procedures targeted at guaranteeing independence and anticipating causes of incompatibility and the organisational skills and capacities needed to carry out the activities forming the object of the Tender.

Professionalism (40 points): all the teams proposed by the Bidding Companies are composed of personnel with expertise and experience in the sector, despite there being a more marked difference between the first three companies classified and the last two, with reference to the knowledge acquired on the Creval Group, the professional expertise built up by key profiles (partners, managers and specialists) and the adequacy of the proposed mix with respect to the complexity of the engagement and the experience and length of service of the team members.

Technicality (40 points): as part of the methodological approach, some typical profiles were positively evaluated, such as the data analytics techniques and audit analytics processes, as well as the management of the handover with the outgoing auditor. In this context, it was verified that all Bidding Companies have developed and implemented, albeit with varying degrees of sophistication, systems and processes responsible for the acquisition and processing of large quantities of data and information, in order to identify and analyse audit risks and calibrate the specific approaches and audit and verification plans.

Commitment (20) points: the number of work hours for the completion of activities and for the management of the transition presents some differences between the Bidders. The number of hours was about 13-14% higher for EY than Deloitte and PwC. As regards the hours envisaged for the transition process with the outgoing auditor BDO, Mazars and PwC made provision for a very small budget, on average around 75% less than Deloitte and roughly 80% lower than EY.

Based on the activities carried out and described previously, the following scores were assigned (expressed in cents), and the following interim weighted judgment defined, on the basis of which Deloitte, EY and PwC were admitted to the overall evaluation:

Description	Scoring and weighting	BDO	Deloitte	EY	Mazars	PwC
<i>Organisation</i>	70	59.5	67.7	67.1	56.0	65.9
<i>Independence</i>	30	25.5	28.5	28.5	30.0	28.5
<i>Organisational and Independence Information</i>	30%	25.5	28.9	28.7	25.8	28.3
<i>Professionalism</i>	40	28.7	37.3	37.3	30.0	35.3
<i>Technicality</i>	40	28.0	35.3	36.0	26.7	34.0
<i>Commitment:</i>	20	14.0	17.0	19.0	14.0	13.5

<i>Technical-Professional Information</i>	<i>60%</i>	<i>42.4</i>	<i>53.8</i>	<i>55.4</i>	<i>42.4</i>	<i>49.7</i>
Interim weighted judgment		67.9	82.7	84.1	68.2	78.0

5.2. Economic value

With reference to the economic value, attention is paid to the absolute value, but also to the direct correlation with the proposed hours for fulfilment of the engagement. In that sense, a significant difference emerged in terms of hours between EY and the other two companies admitted to the overall evaluation (in EY's bid, over the nine-year period, roughly 9.9 thousand higher than Deloitte and around 10.6 thousand hours higher than PwC).

For the first two companies classified, aside from the difference in terms of the proposed hours (to the benefit of the first company), substantial alignment of the consideration requested also emerged (EUR 596,130 for EY and EUR 598,000 for Deloitte), which determined a difference in the average hourly rate, more than 18.5% higher for Deloitte with respect to that of EY.

6. Scores assigned

Based on the activities carried out and described previously, the following scores were assigned (expressed in cents):

Description	Scoring and weighting	Deloitte	EY	PwC
<i>Interim weighted judgment</i>	<i>90%</i>	<i>82.7</i>	<i>84.1</i>	<i>78.0</i>
<i>Economic information</i>		<i>80.0</i>	<i>80.0</i>	<i>84.0</i>
<i>Economic evaluation</i>	<i>10%</i>	<i>8.0</i>	<i>8.0</i>	<i>8.4</i>
Overall evaluation		90.7	92.1	86.4

7. Recommendation of the Board of Statutory Auditors

The Board of Statutory Auditors:

- based on the procedure carried out, the Bids, the evaluations performed and their outcomes,
- taking into account that Article 16, paragraph 2, of the Regulation sets forth that the justified recommendation of the Board of Statutory Auditors must contain at least two possible alternatives for the award for the purposes of allowing the right to choose, and
- considering that, the aforementioned Article 16, paragraph 2, of the Regulation requires the Board of Statutory Auditors to express a duly justified preference,

RECOMMENDS

that the Shareholders' Meeting assign the engagement for the audit of Credito Valtellinese SpA for the years 2021-2029 to EY SpA or to Deloitte SpA.

The economic conditions relating to the aforementioned audit firms are reported in Annex 1 (economic conditions) to this Recommendation.

Lastly,

IT EXPRESSES ITS PREFERENCE

for EY SpA as the company with the highest score following the Bid evaluation procedure carried out and, therefore, deemed more suited to fulfilling the engagement, as well as in line with the identified company's requirements.

8. Declaration

Pursuant to Article 16, paragraph 2 of the Regulation, the Board of Statutory Auditors declares that this Recommendation has not been influenced by third parties and that none of the clauses pursuant to the relevant paragraph 6 of the referenced Article 16 ⁽¹⁾ have been applied.

Milan, 29 November 2019

The Board of Statutory Auditors

⁽¹⁾ Paragraph 6 of Article 16 of Regulation no. 537/2014 sets forth that "Any clause of a contract stipulated between a public interest entity and a third party aimed at limiting the choice of the shareholders' meeting or the partners of the entity pursuant to Article 37 of Directive 2006/43/EC to given categories or lists of auditors or audit firms as regards assignment of the engagement to a particular auditor or audit firm for performance of the audit of the aforementioned entity is considered null and void".

Annex 1 - Economic conditions of the Bids from EY and Deloitte

Ernst & Young S.p.A.

Registered office in: Via Po, 32 – 00198 Rome

Tax Code and VAT no.: 00891231003

Register of Auditors no. 70945

Hours, hourly rates and fees	Hours	€/h	Fees
Credito Valtellinese SpA	61,200	72.2	4,417,380
Subsidiaries	13,860	68.4	947,790
<i>Estimated out-of-pocket expenses</i>			429,214
Total for the 2021/2029 nine-year period	75,060		5,365,170

* * *

Deloitte & Touche S.p.A.

Registered office in: Via Tortona, 25 – 20144 Milan Tax Code

and VAT no.: 03049560166

Register of Auditors no. 132587

Hours, hourly rates and fees	Hours	€/h	Fees
Credito Valtellinese SpA	50,760	83.3	4,230,000
Subsidiaries	14,400	80.0	1,152,000
<i>Estimated out-of-pocket expenses</i>			429,840
Total for the 2021/2029 nine-year period	65,160		5,382,000

Resolutions on the proposal to the ordinary shareholders' meeting

Dear Shareholders,

taking into account the Recommendation of the Internal Control and Audit Committee above, you are therefore invited to pass the following resolution.

“The Shareholders’ meeting of Credito Valtellinese S.p.A. of 24 April 2020, having acknowledged that the approval of the financial statements as at 31 December 2020 will mark the expiry of the audit engagement assigned to KPMG S.p.A. for the years from 2012 to 2020, having examined the Recommendation of the Internal Control and Audit Committee,

resolves

- 1. to assign EY S.p.A. with the task of carrying out, for the years from 2021 – 2029, the activities indicated in the offer presented by the aforementioned audit company, under the conditions envisaged therein, as summarised in the Recommendation of the Internal Control and Audit Committee and associated Annex I;*
- 2. to attribute to the Board of Directors, with the power to sub-delegate, all the necessary powers for the practical execution of the resolutions passed and to handle the relevant and necessary formalities with the competent bodies and/or departments.”*

In the assumption in which, after the voting on above proposal, it is not approved, the Board of Directors, having examined the Recommendation of the Internal Control and Audit Committee, submits the following proposal to the shareholders' meeting:

“The Shareholders’ meeting of Credito Valtellinese S.p.A. of 24 April 2020, having acknowledged that the approval of the financial statements as at 31 December 2020 will mark the expiry of the audit engagement assigned to KPMG S.p.A. for the years from 2012 to 2020, having examined the Recommendation of the Internal Control and Audit Committee and taking into account the results of the voting relating to the first proposed resolution referred to above,

resolves

- 1. to assign Deloitte&Touche S.p.A. with the task of carrying out, for the years from 2021 – 2029, the activities indicated in the offer presented by the aforementioned audit company, under the conditions envisaged therein, as summarised in the Recommendation of the Internal Control and Audit Committee and associated Annex I;*
- 2. to attribute to the Board of Directors, with the power to sub-delegate, all the necessary powers for the practical execution of the resolutions passed and to handle the relevant and necessary formalities with the competent bodies and/or departments.”*

ITEM 3 ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

Remuneration:

Raising of the incidence of the variable remuneration on fixed remuneration up to a maximum of 2:1 for the benefit of the risk takers of the Credito Valtellinese banking Group.

2020 MBO short-term incentive plan, based on the allocation of Phantom shares and allocated to representatives of the management of Credito Valtellinese S.p.A. and its subsidiaries pursuant to Article 2359 of the Italian Civil Code. Related resolutions.

First section of the Report on Remuneration and compensation paid pursuant to Article 123-ter of Italian Legislative Decree no. 58/1998.

Second section of the Report on Remuneration and compensation paid pursuant to Article 123-ter of Italian Legislative Decree no. 58/1998.

Dear Shareholders,

the third item on the agenda of the ordinary and extraordinary shareholders' meeting of 24 April 2020 concerns, on the whole, the issue of remuneration in relation to which four different proposed resolutions will be presented to shareholders.

Therefore, the reports of the Board of Directors on each of the proposed resolutions will be illustrated separately below, without prejudice to the joint discussion of those relating to the Remuneration Report.

* * *

(i) - Proposed raising of the incidence of the variable remuneration on fixed remuneration up to a maximum of 2:1 for the benefit of the risk takers of the Credito Valtellinese banking Group

Dear Shareholders,

with reference to item 3.a) on the agenda of the ordinary shareholders' meeting, the Board of Directors has convened you to resolve, pursuant to Article 11 of the company Articles of Association and in compliance with Bank of Italy circular no. 285/2013 (the "Supervisory provisions") regarding remuneration, in relation to the proposed raising of the maximum incidence of the variable remuneration on fixed remuneration for all Risk Takers, with the exception of those belonging to the control functions and other functions for which the prudential legislation defines specific rules regarding the incidence of variable remuneration ("Risk Takers").

In this regard, note first of all that Directive 2013/36/EU of the European Parliament and Council of 26 June 2013 ("Directive CRD IV"), with reference to the remuneration policies and practices, introduced precise limits on the ratio between the variable and fixed components of the individual remuneration, making provision, as a general principle, for a limit of 1:1 for risk takers. Directive CRD IV then allows an increase in this ratio, up to a maximum of 2:1, in respect of given conditions, based on the prior binding approval, based on a qualified majority, of the Bank's shareholders' meeting.

1. Functions to which the persons concerned by the decision belong

In light of the above, Creval's Board of Directors therefore presents for your attention the proposal for the raising of the ratio between the variable and fixed components of the remuneration, nonetheless with the limit of 2:1 referred to, in relation, in principle, to all Risk Takers, identified up to now in the following functions:

- (i) Managing Director, members of General Management and Senior Management;*
- (ii) Other Managers of the Business or Support Functions.*

On the whole, the number of Risk Takers potentially concerned is a maximum limit of 60 individuals as of today.

It should be noted that the maximum actual level of the ratio between the variable and fixed remuneration per individual recipient may be established, from year to year, at levels below the maximum (2:1), consistently with the responsibilities of the role, its impact on the Group's strategic objectives, the maintenance of an adequate level of competitiveness of the remuneration structure and the gradual consolidation of the performances of the strategic plan.

The definition of the maximum actual level, if necessary for each member (or category) of the Risk Takers and without prejudice to the limit of the maximum incidence of 2:1, is carried out by the Board of Directors on the proposal of the Remuneration Committee and summarised in the remuneration and incentive policy approved annually by the shareholders' meeting.

In any case, the remuneration and incentive policies that will be presented from year to year for approval of the shareholders' meeting will highlight, from time to time, the actual number of Risk Takers concerned by the raising of the variable/fixed remuneration limit. For 2020, the number of entities regarding Risk Takers concerned by the raising of the maximum incidence of variable remuneration with respect to fixed remuneration of up to 2:1 is 15 individuals.

2. Reasons for the proposed increase

The key objective of the proposal in question is to employ a remuneration structure in which the variable component accounts for the predominant portion, in order to incentivise the top management to gradually achieve the challenging plan targets, nonetheless, within the framework (i) of prudent risk management in line with the RAF (Risk Appetite Framework) of the Banking Group, and (ii) a limitation of the impact on fixed costs.

The current proposal to limit the ratio of variable and fixed remuneration to 2:1 therefore also stems from the need to be able to influence the competitiveness of salary packages of the professionals considered strategic, giving the Group greater compensation leverage and ensuring a better retention of the Group's Risk Takers, and a greater ability to attract external personnel for helping to attain the company's objectives.

The acceptance of this proposal also makes it possible to affirm the connection between short- and long-term company performances and the compensation of the Risk Takers.

3. Considerations regarding the Group's ability to respect the capital requirements

The Creval Group adopted a ratio of 2:1 between variable and fixed remuneration so as not to impact its solidity or capital, nor its capacity to continue to respect all the applicable prudential rules.

The request for the adoption of a maximum ratio of 2:1 is actually linked to a Group remuneration and incentive policy that reflects and promotes sound and effective risk management and discourages the assumption of risks above the tolerance thresholds defined in the RAF (Risk Appetite Framework).

In particular, the highest levels of variable remuneration are only recognised on attainment of objectives consistent with the Group's strategic guidelines and are sustainable over the long-term in respect of the conditions defined in the RAF.

The close correlation between incentive systems and protection of the prudential requirements in terms of capital and liquidity is embodied by the provision for the activation of incentive plans only after verification of respect for the CET 1⁽²⁾ limits (defined by including the provisions deriving from the higher costs related to variable remuneration), NSFR⁽³⁾ and LCR⁴ at least equal to the levels consistent with the RAF for each reference year, in addition to further specific conditions for the individual incentive plans.

* * *

In light of all of the above, the Board of Directors of Credito Valtellinese invites the shareholders' meeting to approve the proposed setting of the ratio between variable and fixed remuneration at a maximum of 2:1 for all Risk Takers, with the exception of the control functions and other functions for which the prudential legislation defines specific rules regarding the variable remuneration.

In compliance with the provisions, in acknowledgement of Directive CRD IV and the Supervisory provisions, Article 13, paragraph 2, of the company Articles of Association, the proposal will be considered approved when:

(i) the shareholders' meeting consists at least of half of the share capital and the resolution is passed with the favourable vote of at least 2/3 of the share capital present at the meeting: or

(i) the resolution is passed with the favourable vote of at least 3/4 of the share capital present at the meeting, regardless of the share capital with which the shareholders' meeting is composed.

Pursuant to the provisions of Article 53, paragraph 4, of Italian Legislative Decree no. 385 ("Consolidated Law on Banking") of 1 September 1993, the Risk Takers who are bank shareholders must abstain, in any case, from the shareholders' meeting resolution for approval of an increase in the limit that concerns their remuneration.

* * *

Dear Shareholders,

⁽²⁾ "Common Equity Tier 1 capital": is, in substance, determined by the sum of the following elements, net of adjustments, deductions and exemptions provided by industry legislation: (a) equity instruments; (b) premium reserves relating to the instruments referred to in letter a); (c) retained earnings; (d) other components of comprehensive income; (e) other reserves; (f) provisions for general banking risks.

⁽³⁾ "Net Stable Funding Ratio": is the 12-month structural liquidity indicator introduced by the Council of Basel, expressing the ratio between the available amount of stable funding and the compulsory amount of stable funding.

⁽⁴⁾ "Liquidity Coverage Ratio": which is the short-term 30-day liquidity indicator corresponding to the ratio between the amount of high quality liquid assets and the total net cash outflows in the subsequent 30 calendar days.

in relation to the matters illustrated above, the Board of Directors therefore proposes that the ordinary shareholders' meeting pass the following resolution:

“The Shareholders' Meeting of Credito Valtellinese S.p.A.,

- having examined Bank of Italy circular no. 285/2013 regarding “Remuneration and incentive policies and practices”;

- having acknowledged the Board of Directors' proposal regarding the setting of the ratio between variable and fixed remuneration at a maximum of 2:1 for all Risk Takers, with the exception, nonetheless, of personnel in the control functions and other functions for which the prudential legislation defines specific rules regarding the incidence of variable remuneration;

- having acknowledged that the proposal does not prejudice observance of the prudential legislation and, in particular, the legislation regarding the requirements governing own funds

resolves

the right to increase the ratio between variable and fixed remuneration up to a maximum of 2:1 for all Risk Takers identified at Group level, with the exception of personnel in the control functions and other functions for which the prudential legislation defines specific rules regarding the incidence of variable remuneration, giving the mandate to the Board of Directors to indicate the actual use of said right in the remuneration policies presented to the shareholders' meeting for approval”.

(ii) -Short-term incentive plan MBO 2020, based on the allocation of Phantom shares and allocated to representatives of the management of Credito Valtellinese S.p.A. and its subsidiaries pursuant to Article 2359 of the Italian Civil Code.

Dear Shareholders,

You have been convened in ordinary session to discuss and resolve – as set out in Article 114-bis, paragraph 1, of Italian Legislative Decree no. 58 of 24 February 1998 – on the approval of an annual incentive plan called “2020 Bonus Pool” (“2020 Bonus Pool Plan”) based on the allocation of financial instruments known as Phantom Shares and intended for the Managing Director and General Manager as well as the remaining Risk Takers of Credito Valtellinese S.p.A. and its subsidiaries pursuant to Article 2359 of the Italian Civil Code, the format of which was defined by the Board of Directors, on the proposal of the Remuneration Committee.

In compliance with the provisions of Article 114-bis, paragraph 1, of Italian Legislative Decree No. 58 of 24 February 1998 and of Article 84-bis, paragraph 1, of Consob Resolution no. 11971 of 14 May 1999, the characteristics of the 2020 Bonus Pool Plan are described in a special information document made available, no later than 2 April 2020, at the registered offices, on the website of the authorised storage device “eMarket Storage” (www.emarketstorage.com) and on the Company’s website, at www.gruppocreval.com to which reference is made.

Proposed resolution to the Ordinary Shareholders’ Meeting

Dear Shareholders,

in the light of the above, we invite you to pass the following resolution:

“The Shareholders’ meeting of Credito Valtellinese S.p.A. of 24 April 2020,

resolves

1. to approve the annual incentive plan called “2020 Bonus Pool Plan”, based on the allocation of Phantom Shares and intended for the Chief Executive Officer and General Manager as well as the remaining Risk Takers of Credito Valtellinese S.p.A. and of companies controlled by it pursuant to Article 2359 of the Italian Civil Code, whose characteristics are described in the information document prepared pursuant to Article 114-bis, paragraph 1, of Italian Legislative Decree no. 58 of 24 February 1998, and of Article 84-bis, paragraph 1, of Consob Resolution no. 11971 of 14 May 1999, and made available to the public at the registered offices, on the authorised storage device “eMarket Storage” (www.emarketstorage.com) and on the Company’s website;

2. *to grant the Board of Directors, with the right to sub-delegate, all the powers required for actually implementing the “2020 Bonus Pool Plan”, to be exercised in accordance with the instructions of the relevant Information Document. To this end, the Board of Directors may assign, by way of example but not limited to, the rights to the beneficiaries, approve the implementing regulation of the plan and, where possible, pay the bonus”.*

(iii) -Report on Remuneration and compensation paid pursuant to Article 123-ter of Italian Legislative Decree no. 58/1998.

Dear Shareholders,

with reference to the proposed resolutions *sub* 3.C and 3.D on the agenda of the Ordinary Shareholders' Meeting, reference is made to the Report on Remuneration Policy and Compensation Paid, pursuant to Article 123-ter of Italian Legislative Decree no. 58 of 24 February 1998 and subsequent updates, which will be made available no later than 2 April 2020, at the registered offices, on the Company's website and with other methods envisaged by the Consob regulation.

The aforementioned document complies *(i)* with the provisions on remuneration and incentive policies and practices in banks and banking groups contained in Circular no. 285 of Bank of Italy of 17 December 2013, as subsequently amended and supplemented, as well as *(ii)* with Consob resolution, in the text in force as at today's date, no. 11971 of 14 May 1999.

The Report on Remuneration Policy and Compensation Paid is divided into two sections.

The first section (first section of the "Report on Remuneration Policy") illustrates:

- a) the policy of the company concerning the fee of the members of the boards of directors, of general managers and of executives with strategic responsibilities, of executives and middle managers who are part of the control functions, the risk takers and the personnel with reference to the following financial year;
- b) the systems and methods used for the adoption and implementation of this policy.

The first section also includes further information on short-term (2020 Bonus Pool Plan) and medium to long-term incentive systems (LTI 2019-2021).

The second section provides the quantitative information of the 2019 remuneration system, in the forms required by regulations, and, in particular, contains the most suitable representation of the items forming the remuneration, illustrating its consistency with the remuneration policy approved in 2019. This section also shows in detail the fees paid during the financial year of reference, individually or at aggregate level, based on the regulatory provisions (the "Second section of the "Report on Remuneration Policy and Compensation Paid").

Note that, therefore, the shareholders, pursuant to the combined provisions of Article 123-ter of Italian Legislative Decree no. 58 of 24 February 1998 (as amended by Italian Legislative Decree no. 49 of 10 May 2019) and of the above-mentioned provisions of the Bank of Italy, are required to express:

- the binding vote on the First Section of the Remuneration Report, pursuant to Article 123-ter, paragraph 3, of Italian Legislative Decree no. 58 of 24 February 1998 (as amended by Italian Legislative Decree no. 49 of 10 May 2019) and of the regulatory provisions of the Bank of Italy (resolution *sub* 3.C on the agenda); as well as

- a consultative vote on the Second Section of the Remuneration Report, pursuant to Article 123-ter, paragraph 6, of Italian Legislative Decree no. 58 of 24 February 1998 (as amended by Italian Legislative Decree no. 49 of 10 May 2019) (resolution sub 3.D on the agenda).

Resolutions on the proposal to the ordinary shareholders' meeting

(i) First section of the Report on Remuneration Policy and Compensation Paid (Resolution sub 3.C on the agenda)

Dear Shareholders,

in the light of the above, we invite you to pass the following resolution:

“The Shareholders’ meeting of Credito Valtellinese S.p.A. of 24 April 2020,

resolves

to approve the First Section of the Report on the Remuneration Policy and Compensation Paid, drafted in accordance with Article 123-ter, paragraph 3, of Italian Legislative Decree no. 58 of 24 February 1998 (as amended by Italian Legislative Decree no. 49 of 10 May 2019) and of the regulatory provisions of the Bank of Italy, document made available to the public in compliance with the applicable regulations”.

(ii) Second section of the Report on Remuneration Policy and Compensation Paid (Resolution sub 3.C on the agenda)

Dear Shareholders,

in the light of the above, we invite you to pass the following resolution:

“The Shareholders’ meeting of Credito Valtellinese S.p.A. of 24 April 2020,

expresses

a vote in favour of the Second Section of the Report on the Remuneration Policy and Compensation Paid, drafted in accordance with Article 123-ter, paragraph 3, of Italian Legislative Decree no. 58 of 24 February 1998 (as amended by Italian Legislative Decree no. 49 of 10 May 2019) and of the regulatory provisions of the Bank of Italy, document made available to the public in compliance with the applicable regulations”.

ITEM 4 ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

Proposal for a liability claim pursuant to articles 2392, 2393, 2407, and 2396 of the Italian Civil Code against certain former company representatives; related and consequential resolutions.

Dear Shareholders,

We have called an ordinary meeting among shareholders also to submit for your approval the proposed resolution set out in item 4 of the agenda.

The Board of Directors of Credito Valtellinese S.p.A., in its meeting on 24 March 2020, discussed the option of commencing a derivative liability claim pursuant to articles 2392, 2393, 2407, and 2396 of the Italian Civil Code against certain former Directors, Statutory Auditors and general managers of Credito Valtellinese S.p.A. in office in the 2008-2016 period, in relation to management facts and/or acts put in place in breach of the law or the by-laws, which have caused prejudice to Credito Valtellinese S.p.A.

The proposal on the agenda follows the discussions had during the last Ordinary Shareholders' Meeting and it has been prepared following a preliminary investigation phase performed by the bank's internal divisions and by the respective external consultants especially in relation to the following transaction, namely lending in breach of the principles of sound and prudent management to the companies Grattarola S.r.l. and MSV Holding S.r.l., ultimately owned by Mr. Valsecchi, who at the time was the representative of a number of companies in the Credito Valtellinese group.

A brief reconstruction of the facts that gave rise to the conduct at issue is necessary to examine carefully the proposed resolution in full detail.

Description of the transactions and analysis of the related potential liability

Summary of the facts

From 2008 through 2012, the Board of Directors of Credito Valtellinese approved loans to two newly-created limited liability companies (*i.e.*, Grattarola S.r.l. and MSV Holding S.r.l., hereinafter the "**Borrowers Companies**"), ultimately owned by Mr. Valsecchi, who at the time was the representative for a number of companies in the Credito Valtellinese group, and, as to Grattarola S.r.l., indirectly owned by Mr. Giovanni De Censi, who at the time was Chairman of the Board of Directors of Credito Valtellinese.

More in particular,

- a) With a resolution dated 16 September 2008, the Board of Directors of Credito Valtellinese approved granting two loans of €1,500,000 and €3,750,000 respectively to Grattarola S.r.l. and MSV Holding S.r.l., with both loans guaranteed by two personal guarantees from Mr. Valsecchi covering the full amount of each loan.

- b) With a resolution dated 17 March 2009, the Board of Directors of Credito Valtellinese granted to Grattarola new loans for an aggregate of €1,900,000.00 (*i.e.*, €1,700,000 as a guaranteed five-year term loan without backing of receivables (*senza effetto di smobilizzo*) and € 200,000 to increase a facility on the basis of receivables to be collected (*fido promiscuo*) already granted for € 800,000 increasing it to €1,000,000), which were only partially guaranteed. Indeed, the new guaranteed loan of € 1,700,000 was guaranteed by a guarantee from Confidi for only 20% of the disbursed amount and by a new guarantee from Mr. Valsecchi for € 850,000.
- c) With a resolution dated 14 July 2009, the Board of Directors of Credito Valtellinese approved granting a new facility on the basis of receivables to be collected (Denaro a Termine) for € 1,000,000 to Grattarola S.r.l. To guarantee it, personal guarantees were received *pro quota* from Valsecchi for € 850,000 (in addition to the guarantees already granted for €1,500,000 and for € 850,000, only for the benefit of Grattarola) and for €150,000 from the company Numer O Strategy S.r.l., owned for 50% by the then-Chairman of the Board of Directors of Credito Valtellinese and owner of 15% of the corporate capital of Grattarola S.r.l. This last guarantee was actually never issued and was later replaced by a pledge over bonds (ENEL 2007/2015 notes) with a nominal value of € 150,000 owned by Mr. Giovanni De Censi, then-Chairman of the Board of Directors with a resolution dated on 13 October 2009.
- d) With a resolution dated 19 September 2009, the Board of Directors of Credito Valtellinese approved to extend for an additional twelve months the term of the existing facility to MSV Holding S.r.l. (bank account overdraft of € 3,750,000) and concurrently to increase the facility already granted by €250,000. To guarantee the increase an additional personal guarantee was obtained from Mr. Valsecchi for €250,000 (in addition to those already granted for an aggregate of € 3,750,000 to guarantee the indebtedness of MSV Holding S.r.l. and for €1,500,000 and for € 850,000, to guarantee the indebtedness of Grattarola S.r.l.).
- e) With a resolution dated 9 December 2009, the Board of Directors of Credito Valtellinese approved the request for a moratorium on the outstanding amount of € 102,987.00, under the € 200,000 loan granted on 16 September 2008.
- f) With a resolution dated 13 April 2010, the Board of Directors approved granting a new facility on the basis of receivables to be collected (*fido promiscuo*) to Grattarola S.r.l. for € 1,000,000, secured by a pledge over securities owned by Mr. Giovanni De Censi (for 15%) and Mr. Valsecchi (for the remaining 85%). This facility was later revoked, and consequently the security was released, by a later resolution of the Board of Directors dated 12 October 2010.
- g) With a resolution dated 14 September 2010, the Board of Directors agreed to a further extension of two months of the existing facility (bank account overdraft of €4,000,000) to MSV Holding S.r.l.
- h) With a resolution dated 12 October 2010, the Board of Directors approved the increase of the pre-amortisation, for a further twelve months, of the €1,700,000 loan granted to Grattarola S.r.l. on

17 March 2009 guaranteed by Confidi, and thus effectively postponing by an additional twelve months the date when repayment of the loan would start. As to MSV Holding S.r.l., with the same resolution the Board of Directors approved amending the existing € 4,000,000 bank account overdraft facility from "to term" to "until revoked" and granted a new bank account overdraft facility for € 850,000 "until revoked", to be used exclusively to cover Grattarola's indebtedness of the corresponding amount (*i.e.* partial extinction of the €1,000,000 facility on the basis of receivables to be collected (*fido promiscuo*) granted to Grattarola with a resolution of 13 April 2010). The following were issued to secure the bank account overdraft facility for €850,000: a personal guarantee from Mr. Valsecchi for an equal amount, and two pledges created over securities with an aggregate value of €660,200 (shares for €532,000; notes for €128,200) also granted by Mr. Valsecchi as pledgor.

- i) With a resolution dated 10 May 2011, the Board of Directors approved disbursing to Grattarola a new loan of €1,000,000 with a term of four years (and thus with maturity on 31 May 2015) to close the DAT facility, and to extend by two additional years the maturity of the secured loan initially for €1,700,000 (and thus from 31 March 2014 to 31 March 2016). As security for the new loan, the pledge over securities (ENEL 2007/2015 bonds) of nominal €150,000 owned by Mr. Giovanni De Censi was extended.
- j) With a resolution dated 13 December 2011, the Board of Directors confirmed all the existing loans, for an aggregate of €4,400,000 to Grattarola S.r.l. and for €4,850,000 to MSV Holding S.r.l..
- k) With a resolution dated 13 March 2012, the Board of Directors granted, without setting out any reasons in support of its decision, the request for the revocation of the pledge with nominal value of € 150,000 of securities owned by Mr. De Censi, which had first been granted to secure the DAT promiscuous facility of €1,000,000 and since May 2011 guaranteeing the new guaranteed loan of €1,000,000, and the pledge was revoked without being replaced by any guarantee or security.
- l) With a resolution dated 26 June 2012, the Executive Committee approved the proposal for a technical renewal of the existing loans to Grattarola S.r.l., without including any comment or update. With the same resolution, the Executive Committee authorised the proposal to render non-interest bearing, for five years, bank account 23/49980 in use for the amount of € 4,910,618.

On 25 September 2013, or two months after Grattarola S.r.l. was declared bankrupt (by the Court of Lecco on 9 July 2013), the Credit Committee resolved to change the risk related to the position of Grattarola S.r.l. from "normal customer" to "litigation."

On 16 January 2014, the Credit Committee acknowledged that the secured claims of the Bank had been admitted for € 3,686,457.33 as claims in the insolvency estate of Grattarola S.r.l., which claims then became enforceable pursuant to an order of the Court of Lecco of 20 February 2014. On 16 January 2014, the Credit Committee approved to renew the existing facilities to MSV, notwithstanding the fact that

MSV had been put in liquidation in the meantime (more precisely on 25 October 2013). It was only on 19 February 2014 that the Credit Committee resolved to amend the position of MSV to "litigation", setting aside reserves of 92%. Finally, with a resolution of 1 July 2015, the Credit Committee of CreVal updated the position relating to the recovery of the outstanding receivables owed by MSV, for € 4,658,082.

The analysis performed by the Internal Auditing division of the Bank showed that the loans to Grattarola S.r.l. and MSV Holding S.r.l. had been granted notwithstanding: (i) background checks that were incomplete and did not include updated economic data; (ii) the lack of in-depth analysis on the actual ability of the Borrowers Companies to generate the flows necessary to meet the obligations undertaken, as well as the Borrowers Companies' prospects in terms of revenues and (current and future) ability to repay the loans; (iii) the inadequacy of the guarantees provided, which were not sufficient to cover the total exposure; and (iv) the fact that the main items of the financial statements were in the negative and the Borrowers Companies had a very negative rating (from BB as of March 2009 to CCC as from July 2009 and thereafter).

In June 2016, Credito Valtellinese S.p.A. was inspected by the Bank of Italy, which inspection involved, *inter alia*, the evaluation of the government, management and control of the credit risk, especially in relation to the correct classification of the exposure and the adequacy of the related reserves. The inspection ended without any fines being imposed, but with a partial unfavourable evaluation, because of the detected delays in classifying the positions and in rendering adequate the cover levels. More specifically, the inspection found lack of suitable organisational procedures and internal policies in the context of the granting of the loan, in relation to the process to monitor the progress and the process to evaluate deteriorated receivables and thus the Bank was asked to implement an adequate structure.

On 7 November 2019, the Bank acted to interrupt the tolling of the limitation period, by sending a default notice to the former directors, former members of the Board of Statutory Auditors and of the general management involved.

Liability of former directors, statutory auditors and members of the general management who held office between 2008 and 2016

The investigative work we referred to earlier indicated that there was a basis for bringing an action on behalf of the Bank, for liability under articles 2392, 2393, 2407 and 2396, Civil Code, against the following persons who held office between 2008 and 2016, in their roles as:

- a) directors: Giovanni De Censi, Gabriele Cogliati, Aldo Fumagalli Romario, Alberto Ribolla, Paolo De Santis, Michele Colombo and Paolo Scarallo;
- b) member of the board of statutory auditors: Angelo Garavaglia; and
- c) members of the general management: Miro Fiordi (who from 17 April 2010 to 23 April 2016 was also managing director), and Luciano Filippo Camagni.

With respect to the directors, they had resolved – under, moreover, the resolution procedure set forth in article 136, Consolidated Law of Banking, which, at that time, required unanimity from the members of the board of directors, and the vote in favour by all members of the board of statutory auditors – to provide finance to the Borrowers Companies, in breach of the principles of sound and prudent management and the rules on conflicts of interest and on related parties. They also failed to put in place appropriate organisational structures with respect to the grant, monitoring and review of that lending.

With respect to the statutory auditor, he expressly voted in favour of the above resolutions (his support being necessary for the resolution to pass under the procedure set forth in article 136, Consolidated Law of Banking); he breached his duties of oversight, because he failed to monitor the propriety of the management decisions that the directors reached; he did not carry out checks and reviews regarding the directors' compliance with the general duties of diligence and pursuit of the Bank's interest; and he failed to raise any objection regarding the anomalous lending operations.

With respect to the members of the general management, they failed to put in place effective structural measures regarding internal controls, specifically with reference to the various stages of the lending process, and failed to intervene to discourage or prevent the commission of prejudicial actions of which they became (or should have become) aware, and/or to remedy their consequences.

The losses suffered by Credito Valtellinese

The breaches by former directors, and former members of the board of statutory auditors and of the general management, in connection with the lending operations in breach of the principles of sound and prudent management, gave rise to losses that may currently be quantified (subject always to the widest possible reservations to revise these figures at a later date) of, in aggregate, € 8,390,979.33, of which € 3,686,457.33 has been admitted as claims in the insolvent company's bankruptcy, in the absence of any subsequent bankruptcy allotment, and €4,704,522.00 that has been recognised as impairment by the Bank.

Proposed Resolution

In light of the above, the Board of Directors submits for the shareholders' approval, the following proposed resolution:

“The shareholders' meeting of Credito Valtellinese S.p.A. in ordinary session, having examined the report prepared pursuant to article 125-ter, Legislative Decree 58 of 24 February 1998,

RESOLVES

- 1. upon bringing a derivative liability action, under articles 2392, 2393, 2407 and 2396 of the Italian Civil Code, above, against:*

- 1) *Giovanni De Censi;*
 - 2) *Gabriele Cogliati;*
 - 3) *Aldo Fumagalli Romario;*
 - 4) *Alberto Ribolla;*
 - 5) *Paolo De Santis;*
 - 6) *Michele Colombo;*
 - 7) *Paolo Scarallo;*
 - 8) *Angelo Garavaglia;*
 - 9) *Miro Fiordi;*
 - 10) *Luciano Filippo Camagni; and*
2. *to grant the Board of Directors full powers to undertake the legal action mentioned in the previous point, as well as any other appropriate and/or complementary legal action, whether for compensation or otherwise, and/or to take all such measures as may be appropriate, and/or more widely to take all such initiatives as may be most opportune, in any legal venue or elsewhere, in relation to other facts and transactions, anyhow related.”*