

**MOTIVATED PROPOSAL FOR THE ASSIGNMENT FOR THE STATUTORY AUDIT OF THE ACCOUNTS PURSUANT TO SECTION 13, PAR. 1 OF LEGISLATIVE DECREE 39 DATED 27 JANUARY 2010**

To: The Shareholders' Meeting of Banca Sistema S.p.A.

**Re: Motivated proposal for the assignment for the statutory audit of the accounts pursuant to section 13, par. 1 of Legislative Decree dated 27 January 2010.**

Whereas:

- the Shareholders' Meeting for the approval of the Financial Statements for the period ended 31/12/2018 scheduled for 18/04/2019 the appointment of an independent auditor pursuant to section 2409-bis of the Italian Civil Code and section 13 and subsequent sections of Legislative Decree 39 dated 27 January 2010, will come to a natural end;
- section 13, par. 1, of Legislative Decree 39 dated 27 January 2010 states that "*... the Shareholders' Meeting, on the motivated recommendation of the control body, appoints an independent auditor and establishes the fee for the independent auditor or auditing firm for the entire period of the appointment and the criteria for reviewing the fee during the period of the appointment*";
- for public-interest entities section 17, par. 1 of Legislative Decree 39 dated 27 January 2010, states that "*the assignment for the statutory audit is for nine financial periods for an auditing firm and seven financial periods for an independent auditor*";

and whereas:

- via the Board of Directors, the Board of Statutory Auditors has received two different offers for the statutory audit of the company accounts for the period from 01/01/2019 to 31/12/2027 until the Shareholders' Meeting to approve the Financial Statements for the last period of the appointment;
- the above-mentioned offers were received *respectively from*: i) Pricewaterhousecoopers S.p.A (hereafter for the sake of brevity PWC) and ii) BDO Italia S.p.A. (hereafter for the sake of brevity BDO) both in the Register pursuant to section 7 of Legislative Decree 39 dated 27 January 2010;
- Deloitte & Touche s.p.a, and Reconta Ernst&Young s.p.a. have stated they are unable to respond to the invitation to offer because they are or may be in a position of incompatibility due to conflicting appointments;
- the offers analysed include a specific undertaking by the offerors to verify the occurrence of situations governed by sections 10 ("*Independence and objectivity*") and 17 ("*Independence*") of Legislative Decree 39 dated 27 January 2010, and, if necessary, on the basis of the definitions set out in section 149-bis of the Issuers' Regulation and sections 149-*quater* to 149-*undecies* of that Regulation;

- in order to verify and constantly monitor the non-existence of causes of incompatibility which could compromise the appointment of the independent auditing firm, each candidate has:
- submitted a list of the names of its partners/associates and members of the administrative body and of the entities in its network;
- asked the company making the appointment to promptly notify any change in its shareholder base and that of its subsidiaries or companies subject to joint control;
- made the commitment to confirm annually in writing to the Internal Control and Statutory Auditing Committee its independence and to communicate to the Committee any services other than auditing provided by its network and to discuss with the Committee risks to its independence and suitable preventive measures;
- for the financial years included in the assignment, the offers set out the following activities:
  - statutory audit pursuant to sections 14 and 16 of Legislative Decree 39 dated 27 January 2010, and section 155 and subsequent sections of Legislative Decree 58 dated 24 February 1998, of the separate Financial Statements and consolidated Financial Statements of the Banca Sistema group;
  - verification pursuant to section 14, par. 1, subsection b) of Legislative Decree 39 dated 27 January 2010, of proper corporate accounting and the proper recording of events in the course of the management of the company in the accounts; verification of the coherence of the Management Report pursuant to section 14, par. 2, subsection e), of Legislative Decree 39 dated 27 January 2010, regarding "*Report on corporate governance and the ownership structures*" restricted to the information set out in section 123-bis, par. 1, subsections c), d), f), l), m), and par. 2, subsection b), of Legislative Decree 58 dated 24 February 1998, with the Financial Statements and the *consolidated Financial Statements*;
  - limited review of the condensed interim financial statements drawn up on the basis of the applicable international accounting standard on interim financial reporting (IAS 34) endorsed by the European Union pursuant to section 154-ter, par. 2, of Legislative Decree 58 dated 24 February 1998, and Consob Resolution 10867 dated 31 July 1997;
  - issue of certificates relating to the auditing carried out in order to include the profits under formation at the end of the first 6-month period and the period-end profits before adopting a formal decision confirming the final result for the period, via calculation of Common Equity Tier 1 capital pursuant to section 26, par. 2 subsection a) of EU Regulation 575/2013 dated 26 June 2013;
  - the limited review of the interim financial statement schemes as at 31 March and 30 September, for the issue of certificates to include the interim result in the calculation of Common Equity Tier 1 capital pursuant to section 26, par. 2 subsection a) of EU Regulation 575/2013 dated 26 June 2013;
  - preliminary activities prior to the signature of tax returns pursuant to section 1, par. 5, of Presidential Decree 322 dated 22 July 1998;
  - the statutory auditing of the following investees: Largo Augusto Servizi e Sviluppo S.r.l.

QuintoSistema SEC and Pronto Pegno S.p.A.;

- pursuant to sections 11 and 12 of Legislative Decree 39 dated 27 January 2010, the activities regarding statutory audit set out in the offers are to be carried out pursuant to the International Standards on Auditing (ISA Italia) adopted by Determination of the Accountant General of the Republic dated 23 December 2014;
- from examination of the offers the related fees for each financial period included in the mandate – in addition to expenses and/or related costs, social security payments (Pension Funds, Consob or other supervisory authorities), VAT and the review of the fees in line with the Istat cost of living index from 1/01/2020 in light of the number of hours for each candidate are as follows

#### Description of the service

Description of the service	PWC		BDO	
	Fee	No. of hours	Fee	No. of hours
Auditing of the separate Financial Statements and Consolidated Financial Statements	160,000	1,985	120,000	1,780
Limited review of interim Financial Statements	30,000	470	30,000	435
Quarterly review	30,000	385	30,000	435
<b>Total Banca Sistema</b>	<b>220,000</b>	<b>2,840</b>	<b>180,000</b>	<b>2,650</b>
Auditing of Largo Augusto Servizi e Sviluppo S.r.l.	13,500	180	13,000	188
Auditing of Quinto Sistema SEC. 2017	18,000	250	22,000	320
Auditing of Pronto Pegno SpA (at full regimen)	48,000	625	35,000	500
<b>Total for the Group</b>	<b>299,500</b>	<b>3,895</b>	<b>250,000</b>	<b>3,658</b>
<b>expenses</b>	<b>4,493</b>		<b>5,000</b>	
<b>Total for the Group, inclusive of VAT</b>	<b>370,871</b>		<b>311,000</b>	

Before starting the selection process consisting of making a request for offers, the Board of Statutory Auditors established transparent and objective selection criteria in order to ensure that the selection process and resulting decision would be transparent and traceable. In defining the selection principles, both the qualitative aspects (to which predominant importance was given) and the quantitative aspects, expressed as specific assessment profiles to which weighting coefficients were allocated (with scores indicated as percentages) were taken into account, allocating to each a score on a scale of values (conventionally decided as 1 to 5). The following assessment criteria and weightings were allocated to each:

a) Qualitative aspects (70%): knowledge of the Bank: 15%; assessment of the Independent Auditing Firm and its network: 15%; assessment of the methodological approach: 15%; assessment of the Auditing Team: 35%)

b) Quantitative aspects (30%): for the quantitative aspects, importance was given to the subdivision of the total number of hours by professional category (senior partner, specialist partner, specialist managing advisers and expert/senior auditors and assistants) (15%) and the total fee (15%).

- According to the documents received, and taking into account the selection criteria defined, the

Board of Statutory Auditors analysed the offers of the two auditing companies by identifying, for each indicator, the distinguishing and qualifying aspects of each company as indicated by the offers. The analysis also took into account the provisions and/or information of the Supervisory Authorities as regards statutory audit of accounts (for example in terms of independence, mandatory insurance coverage, professionalism of the members of the team) as well as the information and experience provided by the Manager in charge of financial reporting.

The analyses of the offers and the supplementary information received demonstrated, moreover, that: the methods used to perform the audit described by the offers, above all taking account the number of hours and professional resources envisaged, are on the whole adequate for the scope and complexity of the assignment and that although the offering auditing companies have different specialisations and qualitative characteristics, both have adequate professional expertise and organisation in terms of the dimensions and complexity of the assignment.

- according to the information obtained, there are no aspects that might impair the independence of the candidates nor grounds of incompatibility of the same;
- the subject matter of the assignment as defined in the offers examined for the statutory audit of accounts for the financial years 2019 to 2027, appears to be substantially consistent.

Given the above and taking into account, above all, the result of the weighting procedure of the qualitative and quantitative aspects described above, after the selection process as a whole, the Board of Statutory Auditors expressed its opinion for the assignment of statutory audit for the financial years 2019 to 2027, **proposing to the Shareholders' Meeting of Banca Sistema S.p.A.**, subject to acceptance of the fees for the entire term of office together with the principles for adjustment of the fees during the validity of the engagement, that **the Assignment** for the statutory audit of the accounts for the years 2019 to 2027, should **be entrusted to BDO Italia S.p.A.** in accordance with the offer formulated on 22 January 2019.

According to the process described above and given the information acquired during the cognitive process described, the Board of Statutory Auditors considered the aspects in favour of BDO Italia S.p.A. to be the following:

- i. the company's considerable experience as auditor of financial companies and banking groups having an organisation structure and management complexity comparable to those of Banca Sistema;
- ii. a work team consisting of resources with tried and tested skills and experience in the sector. Recognised professionalism of the senior partner and the partners in specialist areas (Financial Risk Management, Legal, Technical Accounting, Capital Markets & Accounting Advisory, tax legislation);
- iii. an audit approach that entails an initial investment of man/hours and a professional mix appropriate to the scope and complexity of the assignment;
- iv. membership to an international network that offers services in 160 countries;
- v. the offer was the most economically advantageous offer.

Should BDO Italia S.p.A. not accept the assignment, as an alternative, the Board of Statutory Auditors proposes that the assignment for the statutory audit for the years 2019-2017 be allocated to

Pricewaterhousecoopers S.p.A.

Milan, 19 March 2019

	Board of Statutory Auditors	
Mr. Massimo Conigliaro	Ms Lucia Abati	Mr. Biagio Verde
Chairman (Signature)	Standing Auditor (Signature)	Standing Auditor (Signature)