Information on Material Related Party Transactions

(Pursuant to Article 5 of Consob Regulation no. 17221 of 12 March 2010 as amended)

TRANSFER OF BUSINESS UNIT TO THE SUBSIDIARY IFIS NPL S.P.A.

June 2018

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1. Introduction

This information document (hereinafter, the **'Document')** has been prepared by Banca IFIS S.p.A. (hereinafter, **'Banca IFIS'** or the **'Issuer'**) pursuant to Article 5 of Consob Regulation no. 17221 of 12 March 2010 as amended, which lays down provisions relating to transactions with related parties (hereinafter, the **'RPT Consob Regulation'),** as well as to Banca IFIS's Procedure Governing Transactions with Related Parties, whose most recent update was approved by the Board of Directors on 10 November 2016.
Specifically, this Document has been prepared as per the resolution adopted on 21 June 2018 by Banca IFIS's Board of Directors and concerns the approval of the transfer (hereinafter, the '**Transaction**) by the sole owner Banca IFIS S.p.A., of its Non-Performing Loans Business Unit to IFIS NPL S.p.A. (hereinafter, '**IFIS NPL**'), a wholly-owned subsidiary of Banca IFIS. This approval was subject to the favourable outcome of the review conducted by the Bank of Italy for the registration of IFIS NPL in the Register of Financial Intermediaries pursuant to Article 106 of the Consolidated Law on Banking. Banca IFIS received clearance from the Supervisory Authority on 22 June 2018.
This Document and the attached opinions provided by the Risk Management and Control Committee and the independent expert as per Article 2343 of the Italian Civil Code are available to the public at the registered office and on Banca IFIS's website (www.bancaifis.it). The aforesaid documents are also submitted to Consob at the same time through the authorized storage mechanism pursuant to Article 65 septies, paragraph 3, of the Issuers' Regulations.

2. Risks of potential conflicts of interest arising as a result of the Transaction

The Transaction does not expose the Bank to any particular risks in view of its characteristics, as illustrated in the following section of this Document.

3. Transaction details

3.1 Description of the characteristics, formalities, terms and conditions of the Transaction

The Transaction entailed, first and foremost, setting up (on 5 December 2017) an independent legal entity, fully owned by Banca IFIS S.p.A. (IFIS NPL). It was requested that this entity be authorised to carry out lending activities as well as registered in the Register of Financial Intermediaries pursuant to Article 106 of the Consolidated Law on Banking. Having obtained this authorization from the Bank of Italy, it is now Banca IFIS's intention to carry out a capital increase by transferring its Non-Performing Loans Business Unit as an in-kind contribution. The relevant statement of assets and liabilities is summarized in a subsequent paragraph of this Document. The Transaction also involves the transfer of just over 300 employees and the 'CrediFamiglia' brand to the transferee.
At the meeting of 21 June 2017, Banca IFIS's Board of Directors resolved to approve the transfer by Banca IFIS S.p.A. of the BU dealing with the purchase and management of distressed loan portfolios, and their disposal within the limits of the business model, to IFIS NPL S.p.A. as well as to increase IFIS NPL's share capital. The execution of this resolution was also subject to obtaining the necessary authorizations from the Supervisory Authority.
On 22 June 2018, the Bank of Italy sent Banca IFIS its authorization (dated 21 June 2018) to carry out the Transaction in question.
IFIS NPL's Extraordinary General Meeting for the approval of the capital increase through the transfer of the NPL BU as an in-kind contribution and simultaneous execution of the transfer itself was convened in first call for 25 June 18 and will take place, as per the second call, on 29 June

2018. IFIS NPL's Board of Directors has been convened for the same date, and will, amongst other things, check that there are no significant facts affecting the values defined in the appraisal report pursuant to Article 2343-ter of the Italian Civil Code. This will entail:

• ascertaining that there are no significant new facts that may substantially affect the value of the assets transferred at the date the company is registered in the Business Register;

• ensuring that the expert who carried out the appraisal referred to in Article 2343-ter of the Italian Civil Code meets the necessary requirements of professionalism and independence.

The in-kind contribution and the capital increase will be effective as from 1 July 2018.

On 21 June 2018, Banca IFIS's Board of Directors, based on the favourable opinion issued by the Risk Management and Control Committee, which confirmed that it would be in the Issuer's interest to complete the Transaction as well as that the relevant terms and conditions are substantially fair, granted a mandate to the Chief Executive Officer and the General Manager to draw up and publish this Document, including separately.

3.2 Disclosure of the related parties with whom the Transaction is carried out, the nature of the relationship, and the extent of these parties' interests in the Transaction

The Transaction involves related parties, as Banca IFIS exercises direct control over IFIS NPL—of which it owns 100% of the share capital.

Furthermore, the table below shows the relationships between the representatives of the companies involved in the Transaction.

Company representative	Banca IFIS	IFIS NPL
Giovanni Bossi	Chief Executive Officer	Chief Executive Officer
Alberto Staccione	General Manager	Chairman of the Board of Directors
Giuseppe Benini	Director	Director
Antonella Malinconico	Director	Director

3.3 Disclosure of the economic rationale and benefits for the Bank behind the Transaction

The establishment of an independent intermediary specialized in the management of distressed loan portfolios aims to segregate the performance of this activity and the related operating-financial impact into a single independent legal entity, granting this entity more and more operational autonomy in order to support the development of this business in the near future. This initiative also aims to make the allocation of total consolidated capital more effective and efficient within the Group, guaranteeing the timely hedging of both current risks and those that this entity will take on in the future.

The creation of a new autonomous entity specialized in the purchase and management of NPL portfolios and their disposal within the limits of the business model, stems from the observation that the relevant collection operations—both in and out of court—can only be successfully carried out through the acquisition and consolidation of highly specialized skills. This objective, from Banca IFIS's point of view, can be better pursued if the activity in question is carried out by a single independent intermediary that is able to consolidate gradually increasing levels of specialization over time.

3.4 Method used to calculate the consideration for the Transaction and evaluate its fairness

The Transaction, as defined in the previous paragraphs, has the purpose of transferring the assets and liabilities deriving from the purchase and management of distressed loan portfolios to IFIS NPL. This Transaction therefore involves the transfer of assets in kind as regulated by Article 2343 et seq. of the Italian Civil Code, against a specific capital increase. Specifically, it should be noted that the transfer of the Business Unit will take place under the pooling of interest method, and therefore without the payment of a consideration.

As per Article 2343-ter of the Italian Civil Code, paragraph 2, letter b), the Company has appointed PricewaterhouseCoopers Advisory S.p.A. (hereinafter also PWC) to prepare an independent appraisal of the financial value of the Business Unit being transferred; PWC has issued its opinion, attached hereunder pursuant to Article 5 of the Issuers' Regulations. Below are the relevant conclusions:

"In light of the analyses carried out and taking into account the assumptions and limits of our assignment and the observations set out in this report, we believe that the financial value of Banca IFIS S.p.A.'s Business Unit under transfer, calculated as at 31 March 2018, pursuant to Article 2343-ter, paragraph 2, letter b) of the Italian Civil Code, is no less than the net book value of the same, corresponding to the expected capital increase, including the potential share premium, of the transferee, totalling 360.000.000 Euro".

As envisaged by Article 2343 ter, paragraph 2, letter b), the appraisal of the Business Unit must refer to a date no less than six months before the transfer itself. The following table shows the transfer statement of assets and liabilities provisionally calculated as at 31 March 2018. The actual transfer values may vary as they refer to the effective date of the transfer, scheduled for 1 July 2018.

Statement of Assets and Liabilities of the Transferred BU as at 31 March 2018			
Assets	**€k**	**Liabilities**	**€k**
Cash and cash equivalents	9,5	Due to banks	519.278,8
Due from banks	2.761,8	Due to customers	0,0
Loans to customers	835.688,3	Tax liabilities	0,0
Investments	0,0	Others	18.054,2
Property, plant and equipment	20.898,3	Post-employment benefits	169,5
Intangible assets	2.325,4	Provisions for risks and charges	94,0
Tax assets	25,8	**Total liabilities**	**537.596,5**
Others	35.887,5	**BU imbalance**	**360.000,0**
Total Assets	**897.596,5**	**Total Liabilities and Imbalance**	**897.596,5**

IFIS NPL's statement of assets and liabilities as at 31 March 2018 shows assets with a book value totalling €898 million Euro and liabilities with a book value totalling €538 million Euro (including 519 million Euro of funding lines that will be transferred by Banca IFIS S.p.A.). Therefore, this Business Unit's financial imbalance at that date was approximately €360 million Euro.

3.5 Disclosure of the Transaction's impact in terms of financial performance, financial position and cash flows. Disclosure of the applicable materiality ratios

At a consolidated level, the Transaction is not expected to have an impact in terms of financial performance, financial position, and cash flows, since it involves the simple transfer of a Business Unit that is already operational within Banca IFIS to one of its wholly-owned subsidiaries.

With specific reference to the impact on capital ratios, no changes affecting the financial soundness of the Bank itself, or the Group as a whole, are expected. Indeed, the ratios remain much higher than the minimum regulatory requirements. Specifically, it should be noted that the ratios might suffer a slight decrease at the consolidated level, mainly due to the method for calculating the minorities,

while at an individual level the same ratios might improve, given the decrease in Banca IFIS's risk assets following the transfer.
As regards the concentration of risks and the transformation of maturities, no changes are expected since, as already specified, the Transaction involves a Business Unit that is already operational within Banca IFIS.
The Transaction will become effective for legal, tax and accounting purposes from the effective date of the transfer. As regards the tax consequences, it should be noted that the transfer is a tax-neutral transaction pursuant to Article 176 of the TUIR (Italian Consolidated Law on Income Tax).
The Transaction in question can be classified as material, since the asset materiality index is equal to 9,43%, a value above the 5% threshold. This amount was calculated as the ratio between:

- the numerator, i.e. the sum of total assets upon the transfer, as at 31 March 2018, equal to 897,6 million Euro;
- the denominator, i.e. Banca IFIS's total consolidated assets as at 31 March 2018, equal to 9.520,8 million Euro.

It should be noted that, although the Transaction is material, the information document pursuant to Article 70 of the Issuers' Regulations will not be prepared, as, with Board of Directors' resolution of 21 January 2013, Banca IFIS has exercised the opt-out option[1] envisaged by Consob Resolution no. 18079 of 20 January 2012.

3.6 Impact on the compensation of the Board of Directors of Banca IFIS and/or its subsidiaries

The Transaction does not involve any significant change in the remuneration of the Issuer's Directors or those of its subsidiaries, as three out of five Directors of the transferee will not receive payment due to both their position with the Issuer and/or the remuneration policies approved by Banca IFIS S.p.A.'s Annual General Meeting. Meanwhile, the overall compensation due to the other two Directors and the Board of Statutory Auditors will be slightly over 100.000 Euro.

3.7 Corporate officers and key managers who conducted or participated in the negotiations

The company representatives who mainly conducted or participated in the negotiations are:
Mr. Giovanni Bossi, C.E.O. of Banca IFIS and the transferee;
Mr. Alberto Staccione, General Manager of Banca IFIS and Chairman of the transferee.
Consistently with the provisions of Banca IFIS's Procedure Governing Transactions with Related Parties, the Independent Directors sitting on the Risk Management and Control Committee also participated in the preparatory as well as negotiations stages. These are:
Mr. Giuseppe Benini, Chairman of the Risk Management and Control Committee;
Ms. Francesca Maderna;
Mr. Daniele Santosuosso;
Ms. Antonella Malinconico.

3.8 Approval of the Transaction

The Transaction involving the transfer of Banca IFIS's NPL Business Unit to IFIS NPL and the consequent increase in IFIS NPL's share capital was approved by Banca IFIS's Board of Directors on 21 June 2017, subject to the favourable opinion of the Risk Management and Control Committee (made up of Independent Directors only), with no dissenting votes. The Board of Directors and the Risk Management and Control Committee (made up of Independent Directors only) were provided with appropriate information on the Transaction well in advance.

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[1] Consob and the Market were notified of this decision the day after it was resolved by the Board.

The Risk Management and Control Committee was also involved in the negotiations and the preparatory stages, receiving complete and timely information flows and having the right to ask questions and make comments.
The opinion of the Risk Management and Control Committee is attached to this Document.

3.9 Determination of the Transaction materiality when considered cumulatively, as per Article 5, paragraph 2, of the ‘RPT Consob Regulation’

Not applicable.

4 ATTACHMENT: OPINION OF THE RISK MANAGEMENT AND CONTROL COMMITTEE

At Banca IFIS S.p.A.'s Risk Management and Control Committee Meeting held on 20 June 2018, the Chairman, Mr. Giuseppe Benini, and the Directors Mr. Daniele Santosuosso and Ms. Antonella Malinconico attended in person, whilst the Director Francesca Maderna took part via conference call.

BACKGROUND

The Risk Management and Control Committee, made up of Independent Directors only, has been called upon to express a binding prior opinion on the transfer (hereinafter, the 'Transaction') by the sole owner Banca IFIS S.p.A. of its Non-Performing Loans Business Unit to IFIS NPL S.p.A. (hereinafter, 'IFIS NPL'), a wholly-owned subsidiary of Banca IFIS.
Pursuant to Banca IFIS's Procedure Governing Transactions with Related Parties, the Transaction in question qualifies as material, as the asset materiality index exceeds the threshold established for transactions carried out between the Bank and one or more of its Related Parties.
Although the Transaction is material, the information document pursuant to Article 70 of the Issuers' Regulations has not been prepared, as Banca IFIS has exercised the opt-out option envisaged by Consob Resolution no. 18079 of 20 January 2012.

REVIEW

During its review, the Risk Management and Control Committee examined the appraisal report prepared by the independent expert PWC pursuant to Article 2343 ter, paragraph 2, lett. b) of the Italian Civil Code, as well as the documentation relating to correspondence exchanged between Banca IFIS S.p.A. and the Bank of Italy during the final stages of the procedure, initiated by the Supervisory Authority on 22 December 2017, to authorise IFIS NPL S.p.A. to grant loans, pursuant to Bank of Italy's Circular no. 288/2015 (Title I, Chapter 1, Section V), also for the purposes of its registration in the Register of Financial Intermediaries pursuant to Article 106 of the Consolidated Law on Banking.
Banca IFIS's Board of Directors involved the Risk Management and Control Committee in numerous negotiations prior to the Transaction by means of appropriate information flows.

OBSERVATIONS

Based on the analysis of the aforementioned documentation, the liaisons with Banca IFIS S.p.A.'s competent organizational units, and the numerous discussions about the Transaction held by Banca IFIS's corporate bodies, it is clear that this Transaction can be considered part of the activities the Banking Group envisaged in its Strategic Plan and has several benefits, as the management of distressed loan portfolios will be carried out by an independent intermediary who will gradually become more and more specialised over time.
This new autonomous entity will make the allocation of total consolidated capital more effective and efficient within the Group, guaranteeing the timely hedging of both current risks and those that this entity will take on in the future.

OPINION

Banca IFIS's Risk Management and Control Committee, made up of Independent Directors only, in the light of the above and within the scope of its responsibilities:

- noted, based on the analysis of the documentation examined, the investigations carried out, and the observations set out above, that the interests of both the subsidiary, IFIS NPL S.p.A., and Banca IFIS S.p.A. have been pursued and protected;

- noted that the Transaction involving IFIS NPL is in the Bank's interest;
- recognized the substantial fairness of the terms and conditions of the Transaction;
- ascertained that, at consolidated level, the Transaction is not expected to have any impact in terms of financial performance, financial position, and cash flows, since it involves the simple transfer of a Business Unit already operational within Banca IFIS to one of its wholly-owned subsidiaries;

EXPRESSES

ITS FAVOURABLE OPINION TO CARRY OUT THE TRANSACTION

On behalf of the Risk Management and Control Committee

Mr. Giuseppe Benini
Chairman

5 ATTACHMENT: OPINION OF THE INDEPENDENT EXPERT, PRICEWATERHOUSECOOPERS ADVISORY SPA, AS PER ARTICLE 2343 OF THE ITALIAN CIVIL CODE

Banca IFIS S.p.A.
Via Terraglio 63
Venice – Mestre

Milan, May 18th, 2018

THE ECONOMIC VALUE OF THE NPL GOING CONCERN OF BANCA IFIS S.P.A. TO BE CONTRIBUTED IN KIND TO IFIS NPL S.P.A., A COMPANY FULLY OWNED BY BANCA IFIS S.P.A.

As of March 15th 2018, Banca IFIS S.p.A. ("Banca IFIS", the "Bank" or the "Transferor") has engaged PricewaterhouseCoopers Advisory S.p.A. - Deals Division ("PwC") to determine the economic value of the Bank's Non Performing Loans Going Concern (hereinafter the "Going Concern"), which will be contributed in kind to IFIS NPL S.p.A. ("IFIS NPL" or the "Transferee"), pursuant to Article 2343-ter, paragraph 2, letter b) of the Italian Civil Code. The Transferee is a company fully owned by the Transferor.

The structure of the report ("Report") is described in the following pages.

Courtesy Translation
Please refer to the Italian version for the official Document. In case of discrepancy between the Italian version and this translation, the Italian version shall prevail.

CONTENTS

1. INTRODUCTION

1.1. Scope of work

We have been informed by the management of Banca IFIS (the “Management”) that a going concern made up by the NPL business of the Bank is being contributed in kind to IFIS NPL (hereinafter also the “Transaction”). The Transferee has been incorporated on December 5th 2017 and is fully owned by Banca IFIS.

On the basis of the information provided by the Management, assets and liabilities of the Going Concern will be contributed at their net book value.

In this context, the Management engaged us to provide an independent opinion about the economic value of the Going Concern, in accordance with the Article 2343-ter, paragraph 2, letter b) of the Civil Code (the "Services").

The conclusions included in this Report will be used by the Management as one of the supporting information within the context of the Transaction, for which the final decision remains under the responsibility of the Bank. The performance of the Services may not be considered as an involvement of PwC in the management and activity of the Bank, nor in the decision related to the convenience and feasibility of the above mentioned Transaction.

This Report could be used for purposes different from the ones described above. We do not accept or assume any liability or duty of care for any other purpose.

The term “Economic Value” or economic capital value means the value at which a business would be bought and sold between two unrelated parties, without regard to the terms of any contract that may be in effect. This value may therefore differ, sometimes significantly, from both the “subjective value” and the “price”, the former being determined considering how useful the acquisition could be to a party and the latter considering contingent events determined by forces of supply and demand within the business and factors deemed relevant by the parties involved.

In estimating the economic value, the Going Concern will be assumed to be ongoing and valued on the basis of reasonable expectations (no extraordinary or foreseeable future event will be taken into account).

1.2. Reference date

The reference date of the valuation exercise is March 31st, 2018 ("Reference Date"). No material events occurred from the Reference Date to the delivery date of our final Report have been brought to our attention.

1.3. Sources of information

For the purposes of the Report, the Management has made the following documents available:

- Internal note describing the Transaction;
- Extract of the document called "Programma di attività" included in the request for authorization sent to Bank of Italy and approved by the Board of Directors of Banca IFIS on December 20th 2017. This document includes the description of the Going Concern, the balance sheet and the income statement as of December 31st 2017 and the projections for the period 2018-2020 ("Prospective Information"), developed in two different scenarios ("Base Case Scenario" and "Worst Case Scenario");
- Balance sheet and income statement of the Going Concern as of March 31st 2018 drawn up in continuity with the document referred to in the previous point;
- Description of the assets and liabilities of the Going Concern as of March 31st, 2018;
- Database containing the details of the distressed loans portfolio that will be object of the Transaction as of March 31, 2018;
- Reconciliation tables and account statements as of March 31st 2018 for the bank and postal accounts that will be contributed;
- Management information related to the non performing loan portfolio that will be object of the Transaction, including accrued income, prepayments and suspended collections, as of March 31st, 2018;
- Property book of Banca IFIS as of March 31st, 2018;
- Details on the accounts of payables and invoices to be received, that will be contributed as of March 31st, 2018;
- Agenda of the meetings of the Board of Directors and of the Shareholders' Meeting of Banca IFIS from March 31st, 2018 to the date of this Report.

For the purpose of our analysis, we used additional information obtained through interviews with the Management. We also obtained information and received working papers from the auditor of Banca IFIS, EY S.p.A., regarding the audit activity carried out on the consolidated and individual financial statements as of December 31st 2017. This analysis has been carried out in order to ascertain that there were no significant aspects which could influence the application of the evaluation methodologies.

Furthermore, in order to perform the valuation analysis, we have also examined public documentation relating to the reference market of the Going Concern.

We have obtained a written confirmation that, according to the Management, no significant changes between the Reference Date and the date of this Report have been made to the data and information used for our analysis.

1.4. Assumptions and limitations

Our analysis has been developed on the basis of the assumptions and limitations set out below:

- by its very nature, valuation work cannot be represented by a pure application of methods and formulas, but it is the result of a complex process of analysis and estimation that in many cases will be subjective;
- the valuation analysis was carried out on a going concern basis;
- the Going Concern was examined under "normal" operating conditions (abstracting from extraordinary and non-recurring operating events), with reference to the current situation and to the development prospects known at the date of this Report;
- the analysis was based on financial and economic information and documents prepared by the Management. The Management is responsible for the quality and correctness of data and information provided to us. We have only reviewed this documentation to check that it was reasonable;
- the analysis was based on the assumption that the Going Concern will achieve the results of the Prospective Information according to the documentation supplied to us. Since the Prospective Information are based on assumption of future events and action, they are characterized by subjectivity and uncertainty and, in particular, by the risk that predicted events and action by which they are originated may not occur or occur in different measure and timing from those predicted. Therefore, the differences between predicted and actual results may be material;

- the definition of the assets and liabilities represented in the Reference Financial Statements was carried out by the Transferor. The process of defining the Transaction perimeter required a series of choices about the inclusion or exclusion of assets and / or legal relationships existing at March 31st, 2018 and attributable to the Going Concern, of which the Transferor remains the only responsible subject;
- the Transferor has provided us with a specific written statement according to which, in relation to the Going Concern, any difference between assets and liabilities included in the balance sheet as of March 31st, 2018 and those existing at the execution date of the Transaction will result in an equivalent adjustment of the interbank debt from the parent company that will be contributed, in a way that the net assets of the Going Concern at the execution date will be equal to the net assets as of March 31st, 2018;
- any change to the composition and / or the values of the elements to be contributed that may occur between March 31st, 2018 and the execution date of the Transaction, could have a significant impact on the results of our analysis. Therefore, PwC assumes no responsibility for the economic value of the Going Concern, if the assets, liabilities and other items actually contributed should differ significantly from those identified in the Financial Statements of the Going Concern as of March 31st, 2018;
- the reference date of the valuation exercise is March 31st, 2018 ("Reference Date"). No material events occurred from the Reference Date to the delivery date of our final Report have been brought to our attention;
- the Services will not include an audit conducted in accordance with generally accepted auditing standards, nor an examination of internal controls nor other reviews. Therefore PwC does not express any opinion or any other form of assurance on the financial statements of the Bank or on any other financial information (including, if any, prospective financial information), or on operating or internal controls of the Bank;
- our work does not include the provision of legal and tax advices and therefore PwC does not assume any liability concerning legal and tax issues or contractual interpretation.

PwC requested and obtained a representation letter, in which the legal representatives of Banca IFIS declare themselves aware of the assumptions and limitations on the basis of which the engagement was carried out and confirm the absence of elements which, if brought to the attention of PwC, could have significantly changed the conclusions reached.

1.5. Restrictions

The Report has been prepared in accordance with the terms shown in the paragraph 1.1 “Scope of work”. We do not accept or assume any liability or duty of care for any other purpose.

1.6. Main difficulties

Our conclusions must be read and interpreted according to the following difficulties encountered during our analysis:

- ***Complexity of the valuation analysis and subjectivity of the chosen parameters***: the analysis required the application of a complex evaluation process, which involved, in particular, the choice of a plurality of financial market parameters that, by their nature, are subject to fluctuations, that could be significant;
- ***Use of Prospective Information:*** the adopted evaluation methodologies are based on the Prospective Information, which contain, by their nature, elements of uncertainty and are subject to variations, that could be significant, in the case of changes in the market condition and in the macro-economic scenario.

2. BALANCE SHEET AS OF MARCH 31st 2018

The Balance Sheet of the Going Concern as of March 31st, 2018, prepared by the Management, is the following:

Going Concern Balance Sheet as of March 31st, 2018			
Assets	**€k**	**Liabilities**	**€k**
Cash and cash equivalents	9.5	Deposits from banks	519,278.8
Loans to banks	2,761.8	Deposits from customers	0.0
Loans to customers	835,688.3	Tax liabilities	0.0
Equity investments	0.0	Other liabilities	18,054.2
Property, plant and equipment	20,898.3	Provision for employee severance pay	169.5
Intangible assets	2,325.4	Provision for risk and charges	94.0
Tax assets	25.8	**Total liabilities**	**537,596.5**
Other assets	35,887.5	**Equity**	**360,000.0**
Total assets	**897,596.5**	**Total liabilities + Equity**	**897,596.5**

Source: Management Information

The Going Concern balance sheet as of March 31st, 2018 shows a total asset value equal to € 897.6m and a total liability value equal to € 537.6m. Its net asset value is therefore equal to € 360.0m.

A description of the main assets and liabilities included in the perimeter of the Transaction is shown below.

Loans to banks

Loans to banks show an amount of € 2.8m and are related to bank accounts whose liquidity is required to manage the contributed NPL portfolio.

Loans to customers

Loans to customers amount to € 835.7m and they represent receivables related to the purchase and management of the contributed NPL portfolio.

Property, plant and equipment

Contributed PPE amount to € 20.9m and are mainly related to the property located in Via Mercadante in Florence that will be used for the Going Concern business.

Intangible assets

The item refers entirely to the residual carrying value of the software dedicated to the management of the NPL portfolio.

Other assets

The item is mainly attributable to prepayments and accruals related to the distressed loans.

Deposits from banks

Deposits from banks amount to € 519.3m and they consist entirely of funding lines from the parent company (interbank debt).

Other liabilities

The item is mainly attributable to deferred income related to the distressed loans..

Provision for employee severance pay

It relates to the personnel headcount included in the Going Concern.

2.1. Description of the headcount included in the perimeter of the Going Concern

As of March 31st, 2018, the Going Concern personnel involved in the Transaction consists of 305 human resources, that are categorized as follows:

- resources of the NPL Business Units of Banca IFIS;
- resources that, within the support functions, carry out activities dedicated to the NPL Business.

The Going Concern human resources will maintain the current employment contract and their current workplace, therefore they will be mainly distributed between Mestre (about 30 human resources, equal to 10%), Milan (about 10 human resources, equal to 3%) and Florence (about 265 human resources, equal to 85%), which will be the main operational headquarters.

In line with the specific labor law provisions, in May 2018, the Bank started the negotiation with the labor union to present the Transaction and to reach the appropriate agreements.

The table below shows the classification of human resources per organizational unit:

Total human resources per organizational unit	
Legal	28
Operations	33
Transactions	20
Planning, Monitoring and Reporting	12
Collection	150
Portfolio Management	67
Total resources within the perimeter of the Transaction	**305**

Source: Management Information

3. DETERMINATION OF THE ECONOMIC VALUE OF THE GOING CONCERN

3.1. General aspects

The valuation approach to be adopted in in the context of a contribution in kind is represented by the normal market value of the contributed assets. The purpose of the valuation analysis is therefore to identify the value of the contributed assets as recognizable by the market (to protect creditors and minorities), under normal conditions.

The value of the contributed Going Concern is usually equal to the lowest between the intrinsic value (which assumes the perspective of the specific entity holding the asset) and the market value (which assumes the perspective of the maximum and best use of the activity by the market participant).

In particular:

- The "Intrinsic Value" (or "Fundamental Value") expresses the appreciation that any rational subject, operating in the market without constraints in an arm's length transaction, should express at the reference date, according to the economic benefits offered by the same asset and related risks;
- The "Economic Value" (or "Economic Capital Value") expresses the value at which a business would be bought and sold between two unrelated parties, without regards to the terms of any contract that may be in effect.

3.2. Valuation Methodologies

The valuation methodologies used to determine the economic value of a company can be summarized as follows:

- Methods based on the expected financial return of the investment, i.e. cash flows expected to be produced in the future, from the reference date until its final liquidation (Discounted Cash Flow Method);
- Methods based on the earnings the investment is expected to produce in the future (Earnings-Based Method);
- Methods based on the current "net asset value" (Assets-Based Method);
- Methods that combine the main elements of the Earnings and Assets-Based Methods (Combined Method and Economic Profit Method);
- Methods based on the analysis of comparable companies and comparable transactions (Multiples Method).

The best practice agrees that the choice of the evaluation criteria depends on the purpose of the transaction that requires the assessment, the nature of the company, the business sector in which it operates and the quantity and quality of the information available.

Taking into account the scope of our valuation exercise, the industry in which the Going Concern operates and the information provided to us, we have valued the Going Concern through the following methodologies:

- Dividend Discount Model in its Excess Capital version;
- Market Multiples Method.

It should be noted that the chosen methodologies represent the national and international best practices for the purpose of determining the economic value of financial companies or financial Going Concern subject to minimum capital requirements.

Here it follows a brief description of the adopted methodologies.

3.3. The *Dividend Discount Model* in its *Excess Capital* version

The Dividend Discount Model (hereinafter, "DDM") in the "Excess Capital" version assumes that the economic value of a business is equal to the sum of:

- The present value of future dividends potentially distributable to shareholders, for a predetermined time horizon, consistent with maintaining an adequate level of regulatory capital;
- The present value of the terminal value, calculated assuming a perpetual constant growth rate for dividend flows beyond the projected time horizon.

This method is summarized using the following equation:

$$W = DIVa + TVa$$

where:

- W: represents the economic value of the financial company;
- DIVa: represents the present value of dividends potentially distributable over the predetermined time horizon;
- TVa: represents the determination of the Business' terminal value.

In synthesis, the application of this method involves the following steps:

Phase 1. Identification of the dividend flows potentially distributable over the explicit forecast period

The 2018-2020 dividend flows were determined on the basis of the balance sheet as of March 31st, 2018 and the 2018-2020 Going Concern Prospective Information, which, as described above, is presented according to two alternative scenarios. The evaluation exercise was performed according to both of them.

Furthermore, in order to estimate the maximum distributable dividend for the 2018-2020 period, we estimated the minimum regulatory capital required to guarantee the feasibility of the Going Concern Business. The expected net income have been adjusted to reflect figurative distribution of dividend different from those presented in the Prospective Information. This adjustment was carried out on the basis of the evolution of the bearing interest liabilities reflected in the Prospective Information for each year of explicit planning. The result was then subject to taxation according to the figurative tax rate.

Phase 2. Determination of the discount rate and the growth rate "g"

The discount rate ("Cost of Capital" or "Ke") represents the expected return of the industry in which the company operates and it is calculated using the Capital Asset Pricing Model. The formula for the Ke calculation is:

$$Ke = Rf + \beta \times (Rm - Rf) + SCP$$

where:

- *Rf*: "*risk-free rate*"; it represents the 10 years Italian Government Bonds' yields;
- *ß*: it represents the correlation factor between the effective return of an equity share and the overall return of the reference equity market (measuring the volatility of the share with respect to the market portfolio). The ß factor was determined on the basis of historical data from a sample of listed companies operating in the banking and credit management sectors;
- *Rm - Rf*: it represents the "market premium", ie the premium for the risk of investing in shares compared to a "risk-free" investment. In this case, the risk premium applied was determined on the basis of the results of the survey conducted by Pablo Fernandez, Vitaly Pershin and Isabel F. Acin, published in the paper named *"Market Risk Premium and Risk-Free Rate used for 59 countries in 2018"*.
- *SCP*: it represents the Small Cap Premium, or the additional return requested by the rational investor who invests in small or unlisted companies, which are riskier. It was determined on the basis of the *Valuation Handbook* published by *Duff & Phelps* in 2017.

Phase 3. Determination of the Business' terminal value

The Terminal Value was calculated by applying the Gordon formula, assuming a growth rate equal to the long-term expected inflation rate for Italy according to the International Monetary Fund and the

Ke as mentioned above.

The economic value of the Going Concern was determined by adding the Terminal Value to the present value of the 2018-2020 distributable dividend. Finally, a sensitivity analysis was performed on the basis of the parameters underlying the model, assuming joint changes in the growth rate and in the Ke.

The application of the Dividend Discount Model to both the scenarios presented in the Prospective Information showed an economic value of the Going Concern that is not lower than its net asset value at the Reference Date of the valuation.

3.4. Market Multiples Method

The Market Multiples method is based on the analysis of the stock market performance of comparable listed companies and the subsequent application of the multiples deriving from this analysis to the corresponding financial figures of the company to be valued.

Multiples are calculated as ratios between the market capitalisation of the comparable listed companies and the relative earnings, asset and financial values deemed to be significant.

This method comprises the following steps:

Phase 1. Identification of comparable companies

The selection of an adequate sample of comparable companies represents one of the main steps of this method. The reasonableness of the results is strictly linked to the similarity of the companies. In selecting the comparable companies, different factors, such as reference sector, operating risk, company size, geographical diversification, profitability, financial data reliability and the relative trading volume on stock markets are usually considered.

Phase 2. Determination of the reference timeframe

An average value within a set timeframe is usually preferred to a precise value in order to neutralise extraordinary events, short-term fluctuations and speculative market tensions. At the same time, it has the purpose of reflecting information available to the market.

Phase 3. Identification of the most relevant multiples

There are several ratios that can be used for application according to the market multiples method. The choice of the most appropriate multiples is done on the basis of the characteristics of the industry and of the sample to be examined.

Phase 4. Application of multiples to the examined companies

The multiples obtained from the analysis of the sample of peers are applied to the corresponding earnings, assets or financial items of the company to be valued.

For the purposes of Market Multiples application, the same sample of companies used for the Beta estimate was used.

The Multiple used for the Going Concern valuation is the Price / Book Value ("P / BV"), calculated for each company as the ratio between market capitalization and Shareholders' Equity reported in the last available financial statements.

The average multiple inferred from the sample was subsequently applied to the Going Concern net asset value as of March 31st, 2018.

The application of the Market Multiples Method returns an economic value of the Going Concern that is not lower than its net asset value at the Reference Date.

4. CONCLUSIONS

As a result of the analyses shown in this Report, taking into account the assumptions and limitations described above, in accordance with the article 2343-ter, paragraph 2 letter b) of the Italian Civil Code, we state that the Economic Value of the Going Concern is at least equal to the amount of the expected capital increase reserved to the Transferor, equal to Euro 360.000.000, including the possible share premium reserve.

PricewaterhouseCoopers Advisory S.p.A.

Gian Luca Di Martino

(*Partner*)