

PRESS RELEASE**INTESA SANPAOLO AND INTRUM REACH A STRATEGIC AGREEMENT IN RESPECT OF NON-PERFORMING LOANS**

Turin - Milan, 17 April 2018 – Following approval by Intesa Sanpaolo’s Board of Directors of the offer that the Bank received from Intrum, Intesa Sanpaolo and Intrum today reached a binding agreement to form a strategic partnership in respect of non-performing loans (NPLs), involving the two transactions outlined below.

- The creation of a leading servicer in the Italian NPL market, through the integration of the Italian NPL platforms of Intesa Sanpaolo and Intrum, with the following features:
 - around Euro 40 billion serviced;
 - 51% of the new platform to be held by Intrum and 49% to be held by Intesa Sanpaolo;
 - a 10-year contract for the servicing of Intesa Sanpaolo bad-loan portfolios (“sofferenze”), with terms and conditions in line with market standards;
 - major commercial development plans of the new platform in the domestic market;
 - around 1,000 employees involved, including around 600 people from the Intesa Sanpaolo Group in respect of whom discussion will be held with the Trade Unions also with the aim of enabling the partnership to further enhance the human resources concerned.
- Disposal and securitisation of a sizeable bad-loan portfolio of the Intesa Sanpaolo Group – a landmark transaction for the Italian market – amounting to Euro 10.8 billion of gross book value at a price in line with the carrying value already reckoned for the portion of the Group’s bad loans which has disposability features, taking into account the sale scenario. The capital of the securitisation vehicle will be structured as follows, in order to obtain the full accounting and regulatory derecognition of the portfolio at the closing date (expected in November 2018):
 - a Senior Tranche equivalent to 60% of the portfolio price, to be underwritten by a pool of leading banks;
 - Junior and Mezzanine Tranches equivalent to the remaining 40% of the portfolio price, to be underwritten by a vehicle (51%) - to be participated by Intrum and one or more co-investors, but however to act as a single investor for governance purposes - and by Intesa Sanpaolo (49%).

The aforementioned transactions, which are subject to authorisations being received from the competent authorities, envisage a valuation of around Euro 0.5 billion for the servicing platform of Intesa Sanpaolo and around Euro 3.1 billion for the bad-loan portfolio to be securitised.

The agreement underpins the de-risking strategy envisaged by Intesa Sanpaolo in its 2018-2021 Business Plan and will result in:

- reduction in the gross NPL ratio to single digit (down to 9.6% from 11.9%, when considering 2017 year-end figures);
- proven ability of Intesa Sanpaolo to dispose of a sizeable amount of NPLs at no extraordinary cost to shareholders;
- a net capital gain of around Euro 400 million in the consolidated income statement;
- meeting the Supervisors’ expectations in respect of Italian banks’ NPL reduction;
- possible further improvement in the recovery on the bad-loan portfolio retained by Intesa Sanpaolo due to the partnership with a leading international player, benefitting from combined skills, capabilities and resources;
- potential future value creation through the development of a best-in-class platform in Italy, which is one of the largest European markets for NPL servicing.

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