

**PRESS RELEASE**

**INTESA SANPAOLO AND PRELIOS REACH A STRATEGIC AGREEMENT IN RESPECT OF UNLIKELY-TO-PAY LOANS**

*Turin - Milan, 31 July 2019* – Following Intesa Sanpaolo’s Board of Directors’ approval of the offer that the Bank received from Prelios, Intesa Sanpaolo and Prelios today reached a binding agreement to form a strategic partnership in respect of loans classified as unlikely to pay (UTP).

The agreement reached with a leading player in the UTP segment, which adds to the strategic partnership with Intrum in respect of bad loans finalised in 2018, will enable the Intesa Sanpaolo Group to focus - also thanks to the redeployment of skilled employees, in the region of a few hundred people - on the proactive credit management of early delinquency loan portfolio (specifically, the Pulse initiative) using the best external platforms for the management of subsequent stages, and to further accelerate the achievement of the NPL reduction target set out in the 2018-2021 Business Plan.

The agreement consists of the two transactions outlined below.

- A 10-year contract for the servicing of UTP Corporate and SME loans of the Intesa Sanpaolo Group to be provided by Prelios initially covering a portfolio worth around €6.7 billion of gross book value, with terms and conditions in line with market standards and a fee structure mostly composed of a variable component specifically aimed at maximising the return of positions to performing status;
- the disposal and securitisation of a portfolio of UTP Corporate and SME loans of the Intesa Sanpaolo Group worth around €3 billion of gross book value, at a price of around €2 billion which is in line with the carrying value. Taking this disposal into consideration with reference to the figures as at the end of June 2019, the NPL to total loan ratio would be down from 8.4% to 7.7% gross, from 4.1% to 3.6% net, and the NPL reduction achieved in the first 18 months of the 2018-2021 Business Plan would be as much as around 80% of the target set for the entire four-year period, at no extraordinary cost to shareholders. The capital structure of the securitisation vehicle will be the following, in order to obtain full accounting and regulatory derecognition of the portfolio at the closing date (expected to be in November 2019):
  - a Senior Tranche equivalent to 70% of the portfolio price, to be underwritten by Intesa Sanpaolo;
  - Junior and Mezzanine Tranches equivalent to the remaining 30% of the portfolio price, to be underwritten to the tune of 5% by Intesa Sanpaolo and the remaining 95% by Prelios and third-party investors.

The finalisation of the transactions above is subject to authorisation being received from the competent authorities. The transactions are compliant with the Group’s income statement and balance sheet targets and forecasts which have already been disclosed to the market for the 2019 financial year and the 2018-2021 Business Plan. They do not affect the strategic partnership in place with Intrum.

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