



PRESS RELEASE

Finalised the re-organisation in consumer credit business: further step in the strengthening of the product factories

Positive impact of about 80 bps on the CET1 ratio fully loaded

**Significant boost to the de-risking plan:
BoD gave mandate to negotiate the disposal of bad loans up to € 7.8bn (so-called ACE Project), in addition to a potential € 800 million leasing portfolio**

Sound capital adequacy levels confirmed

Milan, 30 November 2018 - In a meeting held on 29/11, the Board of Directors of Banco BPM examined two important deals that fit into the reorganization and derisking journey Banco BPM Group has implemented since its creation, as part of the actions set out in the Strategic Plan and in the following additions to the derisking plan already communicated to the market.

The two deals entail (i) the consumer credit reorganization: a binding Memorandum of Understanding ("MoU") was signed in the last hours with Crédit Agricole aimed at strengthening our consumer credit partnership in Italy, with a concurrent positive effect of about 80bps on the Group's capital ratios; (ii) derisking: ongoing negotiation to complete an important NPL disposal which, based on the bids submitted by the bidding consortia selected as prospective investors, will allow the Group to speed up the process by increasing the derisking plan for a nominal amount up to € 7.8 billion, well above the targeted amount of euro 3.5 billion previously envisaged in the plan and with a capital impact in any case lower than the benefit coming from the reorganization in consumer credit.

Reorganisation in Consumer Credit

With reference to the reorganization in Consumer Credit, Banco BPM and Crédit Agricole signed today a binding Memorandum of Understanding aimed at strengthening their partnership in the consumer finance sector in Italy. The transaction will strengthen significantly the subsidiary Agos Ducato S.p.A. ("Agos")'s leading position and market share in the sector.

As part of this agreement, Agos shall acquire, for a total consideration of € 310 million, ProFamily S.p.A., upon its non-banking distributed business being carved-out in a separate entity which will remain a fully owned subsidiary of Banco BPM.

ProFamily, as part of Agos, will distribute its products through the entire branches' network of Banco BPM Group on an exclusive basis with a 15-year contract starting on the closing of the transaction.

With reference to the transaction, Banco BPM will maintain its current shareholding of 39% in Agos (61% Crédit Agricole). The transaction envisages the signing between Banco BPM, Crédit Agricole and Crédit Agricole Consumer Finance of certain agreements including Shareholders' Agreement, Distribution Agreement and Funding Agreement which will reinstate the present partnership for the next 15 years.

In the context of the renewal of their partnership, Banco BPM and Crédit Agricole have also agreed to explore the feasibility of an IPO of Agos over the next 2 years. Such Transaction provides additional flexibility to both shareholders while preserving their respective strong commitment for the future development of the company.

As part of the IPO, Banco BPM shall have the option but no obligation to reduce its current shareholding in Agos. In this respect, Banco BPM has obtained from Crédit Agricole a put option with a guarantee on a 10% shareholding in Agos, at a price of €150 million, exercisable in June 2021. Such guarantee, considering that it brings about a reduction in the risk related to the capital invested by Banco BPM in the Agos shareholding, shall entail a consequent increase in Banco BPM's CET1 ratio. This option is in any case unlikely to be exercised, given the wide gap between its strike price of € 150 million and the intrinsic value of Agos, which is set to increase further as a result of the extension of the partnership which is to include the Pro Family captive business.

The overall effect on Banco BPM's pro-forma CET1 fully loaded ratio, coming both from the capital gain booked when the disposal of ProFamily becomes effective and from the minor CET1 capital deductions linked to the stake held in Agos, is estimated at c. 80 bps¹. These benefits will allow the Bank to face the overall effects on capital related to the ACE transaction, leaving the CET1 ratio fully loaded, calculated pro-forma as at 30 September 2018, substantially unchanged, even in case of an NPL disposal for an amount at the top of the range.

Nomura International acted as sole financial advisor for Banco BPM while Studio Gatti Pavesi Bianchi acted as legal advisor to the Deal.

For Banco BPM, the disposal of ProFamily, once its non-banking distributed business will be carved-out in a separate entity, qualifies as a transaction with related parties pursuant to Consob Regulation n. 17221/10 (the "Consob RPT Regulation") and to the related corporate rules adopted by the Bank (the "Banco BPM Procedure"), available on the internet website www.bancobpm.it, section Corporate Governance / Corporate Documents), since Agos was considered, under the above-mentioned regulation, a company under significant influence by Banco BPM.

In this respect, it is noted that – under the above-mentioned corporate and regulatory rules and procedures – the disposal qualifies as "of minor importance". As this refers, however, to a transaction with a "related company" and since no other Banco BPM related parties have significant interest in Agos, this constitutes the requisite to apply the exemptions of the Consob RPT Regulation and of the Banco BPM Procedure, notwithstanding the obligation to disclose information as to the deal according to the applicable regulatory framework.

¹ Pro-forma impact expected from the completion of the agreement calculated, all other conditions being equal, assuming as reference basis the CET1 ratio fully loaded as at 30 of September 2018 (11.2%).

Project “ACE”

Further to the notices to the market dated 19 June 2018, 3 August 2018 and 7 November 2018 concerning the disposal project of a portfolio of bad loans (project “ACE”), the Bank’s Board of Directors reviewed the offers received from the consortia previously selected as potential investors (i.e. (A) Credito Fondiario and Elliot (B) DoBank, Fortress and Spaxs, and (C) Prelios and Christofferson Robb & Company).

The offers, in addition to the purchase of a bad loan portfolio of Euro 3.5 billion of GBV – as initially contemplated by the Bank – also provide for additional options for the Bank to dispose of a larger portfolio of bad loans and to create, in partnership between Banco BPM and the relevant investor, a servicing platform.

The binding offers received, which for the time being exclude the € 800 million leasing portfolio under due diligence, can allow the Bank as from now, to complete a transaction wider than initially envisaged, reasonably for a nominal amount up to Euro 7.8 billion, which may leverage on the possibility of using the State guarantee on the securitization of non-performing loans pursuant to the Law Decree no. 18/2016 (GACS).

The Board of Directors of Banco BPM hence delegated the CEO to continue the negotiation with the three potential investors at the best terms and conditions for a transaction consisting jointly of the disposal of a portfolio of bad loans, up to the total amount mentioned above, and the creation of a servicing platform in partnership with the chosen investor. At the end of the negotiation, a Board of Directors will be called to approve the transaction.

The terms of the transactions shall be presented to the financial community during a conference call to be held on Monday 3 December at 8.30 am CET (7.30 am UK time). The documentation supporting the conference call shall be available on the website of the authorized central storage mechanism (www.emarketstorage.com), as well as on the Bank’s website (www.bancobpm.it), where all the instructions to connect to the event shall also be available.

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