



PRESS RELEASE

PROJECT "ACE" – ACCEPTANCE OF THE BINDING OFFER SUBMITTED BY ELLIOTT AND CREDITO FONDIARIO

SIGNING OF A FRAMEWORK AGREEMENT FOR THE DISPOSAL OF A EUR 7.8 BILLION BAD LOANS PORTFOLIO

ESTABLISHMENT OF A DEDICATED NPL SERVICING PARTNERSHIP WITH A SPECIALIZED BANK

Milan/Verona, 10 December 2018 – Further to the last notice to the market dated 30 November 2018 concerning the final negotiations with the potential investors admitted to the last phase of the disposal process regarding a portfolio of bad loans (Project "ACE"), the Bank's Board of Directors held today approved the binding offer submitted by Elliott International, L.P. ("**Elliott**") and Credito Fondiario S.p.A. ("**CF**"), one of the consortia selected as potential investors.

The binding agreement reached today provides for:

- the sale of a portfolio of bad loans ("*sofferenze*") for a nominal amount of Euro 7.8 billion, in the context of a securitization transaction; Banco BPM will have the right to reduce the size of the portfolio to Euro 7 billion;
- the possibility (as preferred option) that the senior notes to be issued in the context of the securitization transaction may be structured in order to benefit of the State guarantee on the securitization of non-performing loans pursuant to the Law Decree no. 18/2016 ("*GACS*") and within the current expiration of the *GACS* scheme; as an alternative, at the option of Banco BPM, the transaction may be structured as a bilateral transaction in the context of which BBPM would subscribe the Senior Notes;
- Elliott (through a controlled company) subscribing the Junior and Mezzanine tranches that will be issued in the context of the securitization;
- the creation of a servicing platform in partnership with CF, a specialized servicer with banking license, with the following main features: (a) 70% of the new platform to be held by CF and 30% to be held by BBPM, (b) management of the portfolio sold in the context of the securitization transaction and (c) a 10-year agreement for the servicing of 80% of BBPM new flows of bad loan portfolios. Banco BPM will liaise with the Trade Unions in order to ensure the full respect of applicable legal and contractual provisions

The aforementioned transactions, which are subject to authorizations/regulatory approvals being received from the competent authorities and the obtainment of accounting derecognition and Significant Risk Transfer, envisage a valuation of approximately Eur 143 million for 100% of the servicing platform of the Bank.

The final price of the portfolio will be determined on the basis of 1) the final size of the portfolio, 2) the access to the *GACS* scheme and 3) the feedback which will be provided by the Rating Agencies in relation to the maximum amount of the senior notes which may benefit of an Investment Grade Rating; in this regard:

- a) the binding agreement provides for minimum ("backstop") prices which cover the different scenarios;
- b) Banco BPM, Elliott and CF will cooperate and perform any actions needed with the common objective to increase the level of the senior notes and, therefore, the disposal price;

The pro-forma CET1 expected capital impact of the combined transactions (portfolio disposal and partnership on the platform), also in the case of application of minimum prices, will in any case be lower than the capital benefit coming from the reorganization in consumer credit.

The final completion of the transactions is expected by the end of Q2 2019, in order to obtain the full accounting and regulatory derecognition of the bad loan portfolio at the closing date.

After the completion of the transactions, the gross NPE ratio as of Sep 30 2018 decreases from 15.9% to a pro forma of 10.6%/11.3%, depending on the size of the final portfolio; the gross bad loan ratio at the same date decreases from 8.6% to a pro forma of 3.0%/3.7%.

Deutsche Bank and Banca Akros acted as financial advisors for Banco BPM; Deloitte acted as industrial advisor while Chiomenti acted as legal advisor.

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