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Press Release

Intrum and Intesa Sanpaolo enter into a long term strategic partnership, creating a market leading servicer of non-performing loans in Italy

As communicated yesterday Intrum has submitted a binding offer to Intesa Sanpaolo regarding the establishment of a servicer of non-performing loans (NPLs) in Italy.

Intesa Sanpaolo has accepted the offer. Below is a summary of the agreed transaction. The information below is in all material respects the same as presented in the press release yesterday. The co-investor in the SPV is, however, presented with a name - CarVal Investors.

Highlights

- Intrum and Intesa Sanpaolo have agreed to establish a market leading servicer of non-performing loans (NPLs) in the Italian market, involving the two transactions outlined below:
 1. Merger of Intesa Sanpaolo's NPL recovery operations and all of Intrum's current Italian operations¹ into a leading servicer of NPLs in Italy (Joint Venture Servicer)
 - Intrum will own 51% of the Joint Venture Servicer.
 - The Joint Venture Servicer enters into a 10-year exclusive servicing agreement with Intesa Sanpaolo for the vast majority of the bank's new NPL inflow during this period.
 - Intrum will consolidate the Joint Venture Servicer in the financial reporting.
 2. Intrum, together with CarVal Investors, will acquire a 51% participation of a NPL portfolio with a Gross Book Value (GBV) of EUR 10.8 billion to be deconsolidated from Intesa Sanpaolo. The portfolio will be held by a securitization Special Purpose Vehicle (SPV).
 - Intrum will own 80% of the 51% of the holding in the SPV.

¹ Apart from Cross Factor S.p.A. and the holding company Lindorff Italy S.r.l.

- CarVal Investors on behalf of its managed and advised funds including Fondaco SGR S.p.A have committed to co-invest for an amount corresponding to the remaining 20% of the 51% holding in the SPV.
 - The SPV will be financed by non-recourse senior asset backed notes.
 - Intrum will not consolidate the SPV in the financial reporting.
- The aforementioned transactions reflect an overall valuation of around Euro 3.6 billion for the Joint Venture Servicer and the NPL portfolio.
 - Intrum's estimated total net cash investment for its holding in the servicing platform and its interests in the SPV is EUR 670 million. The net investment envisages no further syndication.
 - Intrum will make an initial payment of EUR 156 M at the end of April 2018. The remainder of the purchase price will be paid at closing, which is expected at year-end 2018.
 - The transactions represents a significant reinvestment of proceeds from the remedy units divested in March 2018 and hence a significant contribution to Intrum's planned M&A and portfolio investments in 2018, in turn supporting Intrum's ambitions for profitable growth.
 - The transactions are subject to authorizations being received from the relevant authorities.
 - Italy is one of the largest markets for NPLs in Europe which highlights the importance of this long term strategic partnership.

"This innovative transaction is a milestone for Intrum and provides us with long-term access to the large Italian Credit Management Services market. Together with Intesa Sanpaolo we are building a Credit Management Services provider in one of the largest European markets that will draw on our mutual strengths. The joint venture sets a new standard in the market where two experienced industrial players join forces to create a market leader servicer in Italy," says Mikael Ericson, President and CEO of Intrum.

Joint Venture Servicer

Intrum and Intesa Sanpaolo will set up a Joint Venture Servicer into which the bank contributes its NPL servicing platform and Intrum will contribute all its current Italian operations (apart from Cross Factor S.p.A. and the holding company Lindorff Italy S.r.l.). Intrum will own a majority interest of 51% in the joint venture. Intrum will appoint the majority of the board members as well as the CEO. The new company will operate under the Intrum brand and Intrum will consolidate it in the financial reporting.

The Intesa Sanpaolo NPL servicing platform currently has around 600 employees and services a portfolio of non-performing loans of approximately EUR 30 billion. The Joint Venture Servicer will continue to service these volumes and also benefit from a 10-year exclusive servicing agreement with Intesa Sanpaolo in relation to the vast majority of Intesa Sanpaolo's new inflows.

The Joint Venture Servicer will offer leading specialist servicing capabilities to banks and other creditors as well as portfolio sale services that will allow banks to de-risk their balance sheets through long term established relationships with one of the market leaders.

NPL portfolio

Furthermore, Intesa Sanpaolo will divest a portfolio of non-performing loans with a EUR 10.8 billion gross book value, of which the majority are secured loans. Intesa Sanpaolo will retain a 49% interest in the SPV. The SPV will be participated by Intrum, together with one or more co-investors. CarVal Investors, a leading global alternative investment fund manager with approximately USD 10 billion in assets under management, has provided a commitment to co-invest with Intrum for an amount corresponding to 20% of the 51%.

Intrum will make an initial payment of EUR 156 million at the end of April 2018. The remainder of the purchase price will be paid at closing.

The portfolio acquisition will be part-financed at closing through issuance of asset backed senior notes, the subscription of the notes is guaranteed by a bank consortium with the following key terms:

- Legal Maturity: 5.5 years, Senior LTV: 60%, Senior Interest Rate: EURIBOR 1m (floored at zero) + 325bps, Undrawn Interest Rate: 325bps and Upfront Fees: 100bps
- The commitments from the bank consortium are subject to conditions, including but not limited to, satisfactory documentation and regulatory approvals

“Italy is one of the largest markets for non-performing loans in Europe with over EUR 300 billion of non-performing loan exposures on banks’ balance sheets. Through this partnership we gain a larger access to the growth opportunities that the Italian market provides. We see that banks are increasingly looking to outsource parts of their receivables management to sophisticated specialist servicers that are able to recover outstanding debts in a professional and compliant manner, and restore bank’s customer’s credit worthiness in an efficient and respectful way,” says Mikael Ericson.

The transaction represents a significant contribution to the group’s planned M&A and portfolio investments in 2018 and will support Intrum’s ambitions for profitable growth.

Intrum remains committed to the long-term target of net debt/cash EBITDA of 2.5-3.5 and whilst immediately after the transaction the net debt/cash EBITDA ratio is estimated to approximately 4.5x for the Intrum Group this is a temporary effect and the net debt/cash EBITDA ratio will decrease in the first 12 months as the cash flow from the portfolio is gradually included in the calculation of leverage. Intrum’s expectation is to be in the middle of the target range by 2020. The transaction is expected to be earnings per share accretive in 2019.

The overall transaction is expected to close at year-end 2018. The Joint Venture Servicer will be consolidated into the accounts of the Intrum Group as per closing date. The NPL portfolio is to be transferred into the SPV in April 2018, with investors being exposed to the risks and rewards of the portfolios from January 1 2018. Net collections between January 1, 2018 and closing will be deducted from the gross purchase price.

The completion of both parts of the transaction is subject to authorizations being received from the relevant authorities.

Advisors

Mediobanca, financial
Goldman Sachs, financial
RCC Studio Legale Lex, legal

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About Intesa Sanpaolo

Intesa Sanpaolo is an Italian banking group which was formed by the merger of Banca Intesa and Sanpaolo IMI. Intesa Sanpaolo is among the top banking groups in the euro zone, with a market capitalisation of approximately 52 billion euro.

Intesa Sanpaolo is the leader in Italy in all business areas (retail, corporate, and wealth management). The Group offers its services to 12.3 million customers through a network of approximately 4,700 branches well distributed throughout the country with market shares no lower than 12% in most Italian regions. Intesa Sanpaolo also has a selected presence in Central Eastern Europe and Middle Eastern and North African areas with approximately 1,100 branches and 7.6 million customers belonging to the Group's subsidiaries operating in commercial banking in 12 countries.

Intrum is the industry-leading provider of Credit Management Services with a presence in 24 markets in Europe. Intrum helps companies prosper by offering solutions designed to improve cash flows and long-term profitability and by caring for their customers. To ensure that individuals and companies get the support they need to become free from debt is one important part of the company's mission. Intrum has more than 8,000 dedicated and empathetic professionals who serve around 80,000 companies across Europe. In 2017, the company generated pro-forma revenues amounted to SEK 12.2 billion. Intrum is headquartered in Stockholm, Sweden and the Intrum share is listed on the Nasdaq Stockholm exchange. For further information, please visit www.intrum.com.

This information was submitted for publication, through the agency of the contact person set out above, at 12.00 CET on 2018-04-17.