



**BFF** BANKING  
GROUP

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*Extraordinary and ordinary Shareholders' Meeting called  
on 28<sup>th</sup> January 2021*

January 2021

*A Bank Like No Other®*

bffgroup.com

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# Next corporate events

*Appointment of the new Board of Directors on 25-Mar-21*



**No later than  
20<sup>th</sup> January**

Publication of qualitative and quantitative composition of BFF Board of Directors

**28<sup>th</sup> January**

Extraordinary and ordinary Shareholders' Meeting to approve (i) the merger by incorporation of DEPObank into BFF, and (ii) the allocation of FY 2019 net income

**10<sup>th</sup> February**

Board of Directors' meeting approving the separate and consolidated financial accounts as of 31<sup>st</sup> December 2020, and earnings call about the consolidated results

**17<sup>th</sup> February**

Board of Directors' meeting approving the Parent Company's draft and the Consolidated Annual Reports as of 31<sup>st</sup> December 2020

**No later than  
23<sup>th</sup> February**

Publication of BFF Board members' slate

**25<sup>th</sup> March**

Annual General Meeting with renewal of BFF Board in the agenda

# Executive summary

Extraordinary and ordinary Shareholders' Meeting called on 28-Jan-21



## Items on the agenda

## Key considerations

### DEPObank acquisition

#### Extraordinary session

*Approval of the merger by incorporation of DEPObank S.p.A. into Banca Farmafactoring S.p.A. project, pursuant to and for the purposes of article 2501-ter of the Italian Civil Code, related resolutions: change of the company name from Banca Farmafactoring S.p.A. to BFF Bank S.p.A. and amendments to articles 1, 4 and 5 of the Articles of Association, with consequent approval of the new Articles of Association, with effect from the effective date of the merger.*

- Rationale:
  - business diversification
  - higher liquidity and cheaper funding
  - higher return on capital
  - stable and constant flow of commission revenues, with significant synergies
- Bank of Italy and ECB clearance in December 2020
- Integration progressed: €7.4m of transaction and integration costs as of 30-Sep-2020
- Same BFF core banking provider selected for the combined entity, locking in most of the cost synergies

### 2019 Dividend

#### Ordinary session

*Allocation of the net income of the fiscal year 2019. Related resolutions.*

- Following December 2020 BCE and Bol\* recommendations, proposed resolution to distribute 2019 Dividend<sup>(1)</sup>
- Possibility of revoking the proposed resolution, should Bol indications still pending, be in contrast with the proposed distribution<sup>(2)</sup>

# Key pillars of DEPObank acquisition

## Key benefits of the Transaction

- ✓ Addition of fee-based income → 30% of combined entity's revenues from securities services and payments business Slide n° 7
- ✓ Access to a significant and low-cost funding base → c. €7.5bn currently invested in low/negative yield assets Slide n° 6
- ✓ Capital accretive → positive impact of c. 1% on Tier 1 ratio Slide n° 9
- ✓ Significant funding & SG&A cost synergies → in the range of €25-35m total pre-taxes, annual, run-rate synergies Slide n° 8
- ✓ No changes in credit risk profile → DEPObank assets composed mainly of Italian Government bonds and ECB accounts Slide n° 6
- ✓ Attractive financial terms → at announcement 3.2x P/E adjusted 2019 pre-synergies and 0.5x P/TBV excluding €229m

excess capital

3.2x = €63m / €19.8m (DEPObank FY19 adjusted net profit)

0.5x = €63m / [€364m (DEPObank 2019 TBV) - €229m (2019 Excess capital vs. 15% CET1 ratio)]

# DEPObank business units

A specialized player in Securities Services and Payments businesses



Total revenues

€139m

Employees

#363

Gross operating margin

€42m

Adjusted Net Profit

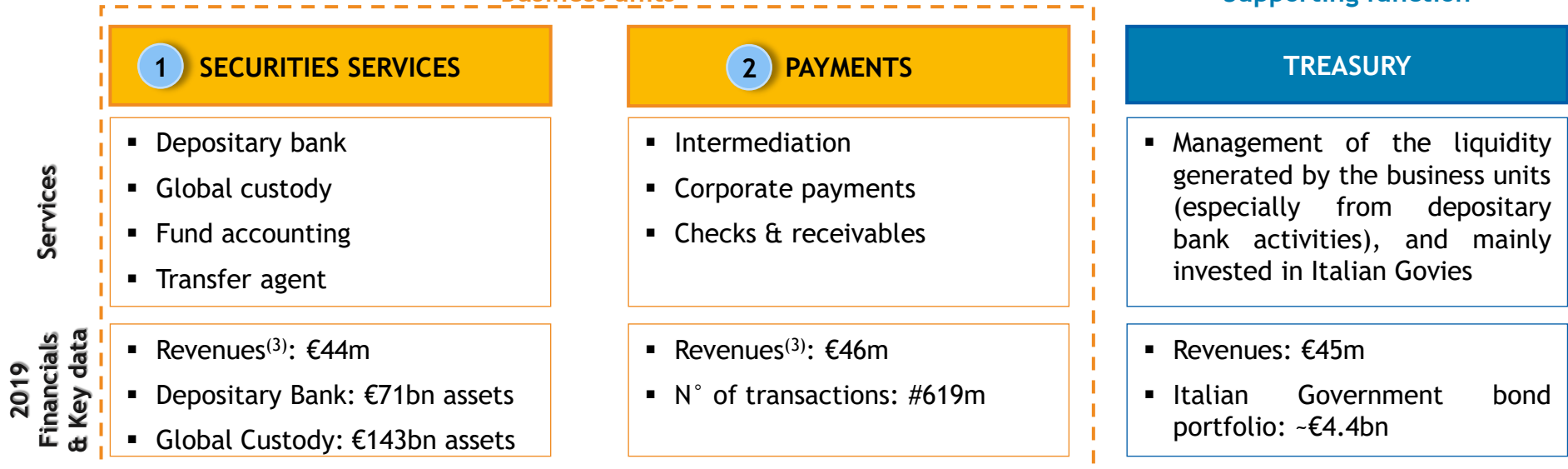
€20m<sup>(2)</sup>

Customer deposits

€7.5bn

## Business units

## Supporting function



**Stable historical growth trends**  
**Negative impact of in 2020 due to COVID-19, but expected bounce back in 2021**  
**Current trading in line BFF estimates**

Notes: (1) Full year 2019 results reported. (2) Adjusted for non-core operations: €19.8m = -€29.2m (DEPObank's 2019 reported net profit) + €45.9m (impairment of goodwill related to the Securities Services unit) + €3.1m (post taxes start-up SME). (3) Only fees and commission, while the net interest margin is allocated entirely to the Treasury Division.

# DEPObank balance sheet

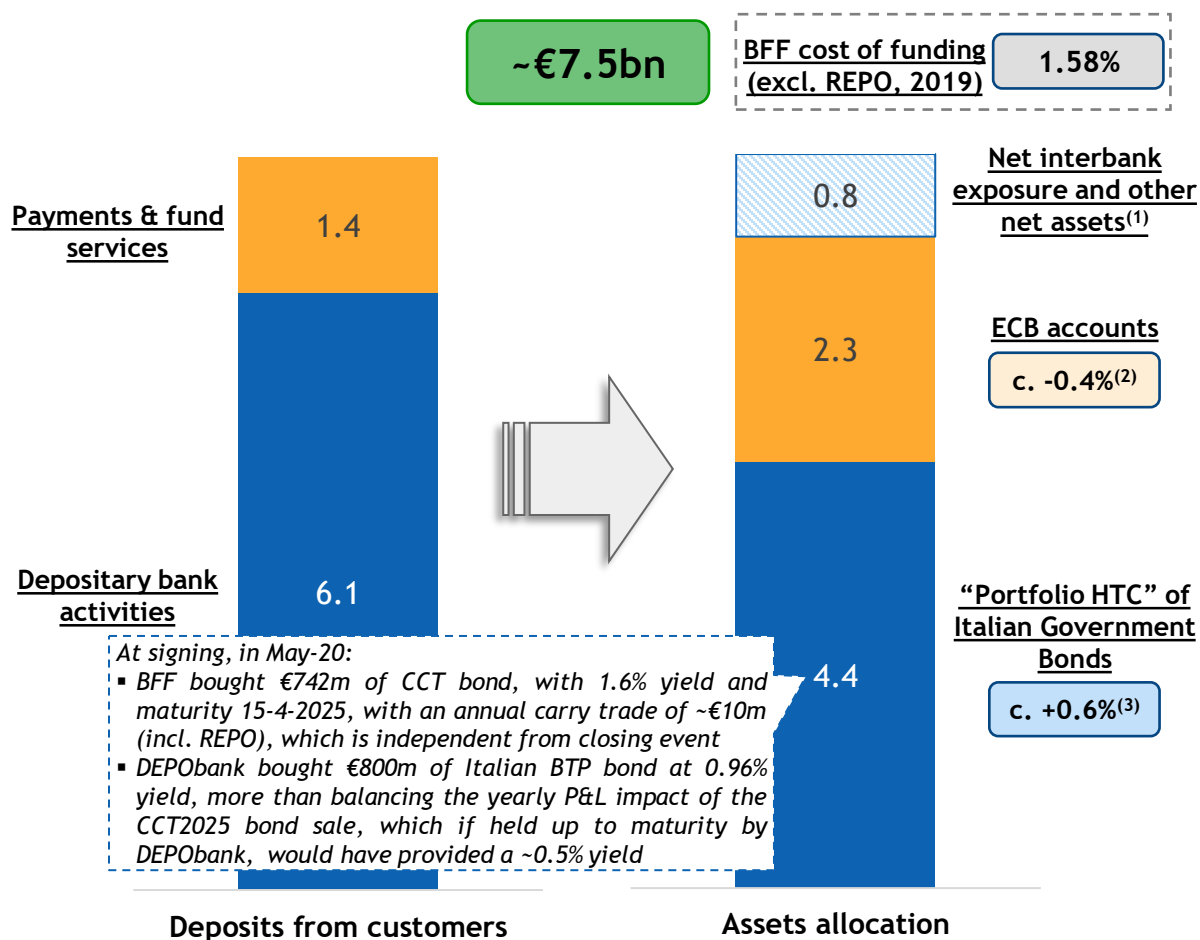
~€7.5bn of liquidity available to fund BFF's low risk and short-term credit business



## Key considerations

- DEPObank's liabilities mainly consist of customer deposits for €7.5bn. Such liquidity is attributable to its two business units:
  - Depository bank activities for €6.1bn, equal to 8.6% of the Assets under Depository at YE19 (€71bn)
  - Payments and other fund services for €1.4bn, mainly linked to corporate payments services and checks & receivables
- Liquidity mainly invested in Italian Government Bonds (€4.4bn, classified as Held-to-Collect) and in ECB accounts (€2.3bn), with yields significantly lower than BFF's cost of funding
- Post Transaction, balance sheet of the depository bank will be invested in shorter duration assets than currently, with better credit risk (i.e. commercial receivables towards public sector compared to unsecured bonds towards Government)

## DEPObank liquidity composition as of 31/12/2019 (€bn)



# Combined entity revenues

Increased diversification in niche business with market leadership

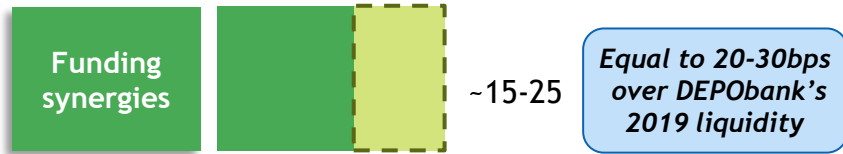


		FY19 revenues	Positioning	Overview of the main products and services
BFF	Non-recourse factoring	€156m	Leader in Europe	<ul style="list-style-type: none"> <li>Management and collection of receivables towards the PA and the NHS</li> <li>Presence: </li> </ul>
	On-line deposits Credit Management	€6m	Leader in Italy	<ul style="list-style-type: none"> <li>Credit management solutions for receivables due from PA and NHS through the monitoring of the entire credit life cycle</li> <li>Presence: </li> </ul>
	Lending in CEE	€43m	Largest independent player	<ul style="list-style-type: none"> <li>Specialized lending products following the acquisition of Magellan (now BFF Polska)</li> <li>Presence: </li> </ul>
DEPObank	Securities Services <sup>(1)</sup>	€44m	Leader in Italy	<ul style="list-style-type: none"> <li>Depository bank: €15m revenues, €71bn Assets Under Depository</li> <li>Fund accounting: €11m revenues with services provided on more than €48bn assets</li> <li>Global custody: €10m revenues with custody services on more than €143bn assets</li> <li>Transfer agent: €9m revenues, #2.3m subscriptions</li> </ul>
	Payments <sup>(1)</sup>	€46m	Leader in Italy	<ul style="list-style-type: none"> <li>Intermediation: €32m revenues</li> <li>Corporate Payments: €8m revenues</li> <li>Check and receivables: €6m revenues</li> </ul> <div style="border: 1px solid black; border-radius: 10px; padding: 5px; display: inline-block;">#619m total transactions</div>
	Treasury	€45m	n.a.	<ul style="list-style-type: none"> <li>Liquidity management: currently invested in Italian Government Bonds and ECB accounts at negative yields</li> </ul>

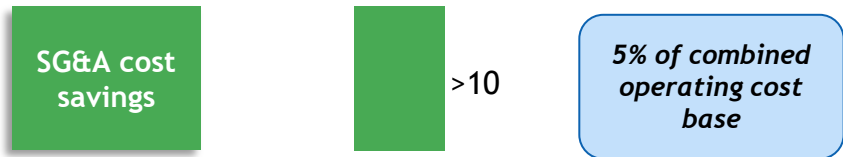


# Total synergies announced on 13-May-2020

~€25-35m total pre-taxes, annual, run-rate synergies and savings



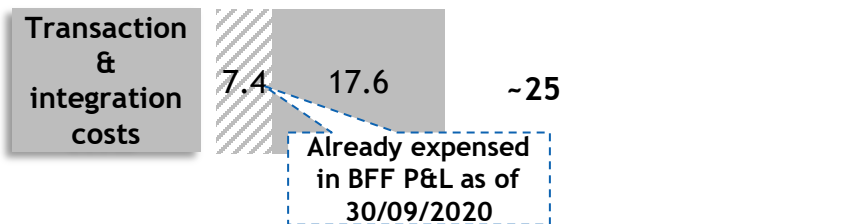
- Starting from the closing date, BFF's funding will be partially replaced (in order to maintain a diversified funding base and a balanced A&L profile)
- Amount depends on the level of DEPObank's liquidity (€7.5bn at YE19): the lower range (~€15m) assumes a normalisation of liquidity at 5% of AuM
- DEPObank's liquidity will fund BFF's Euro core business
- **Potential incremental funding synergies through better re-pricing on BFF on-line deposits**



- ~90% will be already achieved automatically at closing: savings from the closure/disposal of non-core operations<sup>(1)</sup> before closing, integration of corporate bodies (i.e., BoD), IT systems, audit fee and other professional services duplications
- Same BFF core banking provider selected for the combined entity, locking in a majority of the cost synergies



- ~€25-35m of total pre-taxes, annual, run-rate synergies and costs savings are a prudent estimate



- ~€10m BFF transaction costs (advisors, other costs related to the acquisition - excl. DEPObank, whose costs reduce the excess capital)
- €5m IT capex
- ~€10m integration costs (IT platform and merger) will be expensed before closing

# Structure and consideration of the Transaction

## Capital accretive for BFF's CET1 ratio



**No impact on BFF's Total Capital ratio:** both the shares to be issued in the context of the merger (#14,043,704) and the badwill generated by the Transaction are expected to cover the capital absorption @ 15% TC ratio target.

**Positive impact on Tier 1 ratio of c. 1%<sup>(1)</sup>**

### Transaction structure overview

The transaction is structured as follows:

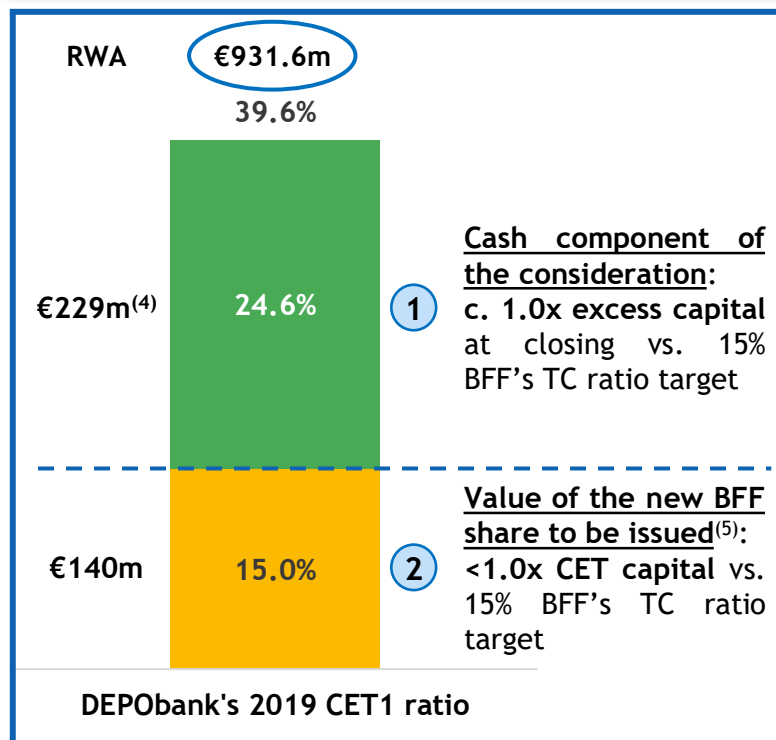
- Equinova<sup>(2)</sup>, the seller, acquires the minority shareholders' stakes before closing

① BFF acquires #10,785,337 DEPObank's shares, c. **76%** of share capital, for a **cash consideration** equal to the excess capital of DEPObank at closing (including the net income of the period) above the CET1 ratio of 15% (subject to adjustments defined in the Agreement);

② Soon after DEPObank is merged into BFF, Equinova receives **#14,043,704 newly issued BFF ordinary shares in exchange of the remaining 24% stake**. Equinova will hold a stake of 7.6% in the combined entity.

- Application of a Risk Sharing Mechanism (RSM) with the seller of the potential capital absorption related to DEPObank's Portfolio HTC
- The agreement envisages also potential future earn-out payments<sup>(3)</sup>

### FY19 DEPObank's CET1 ratio (= TC ratio)



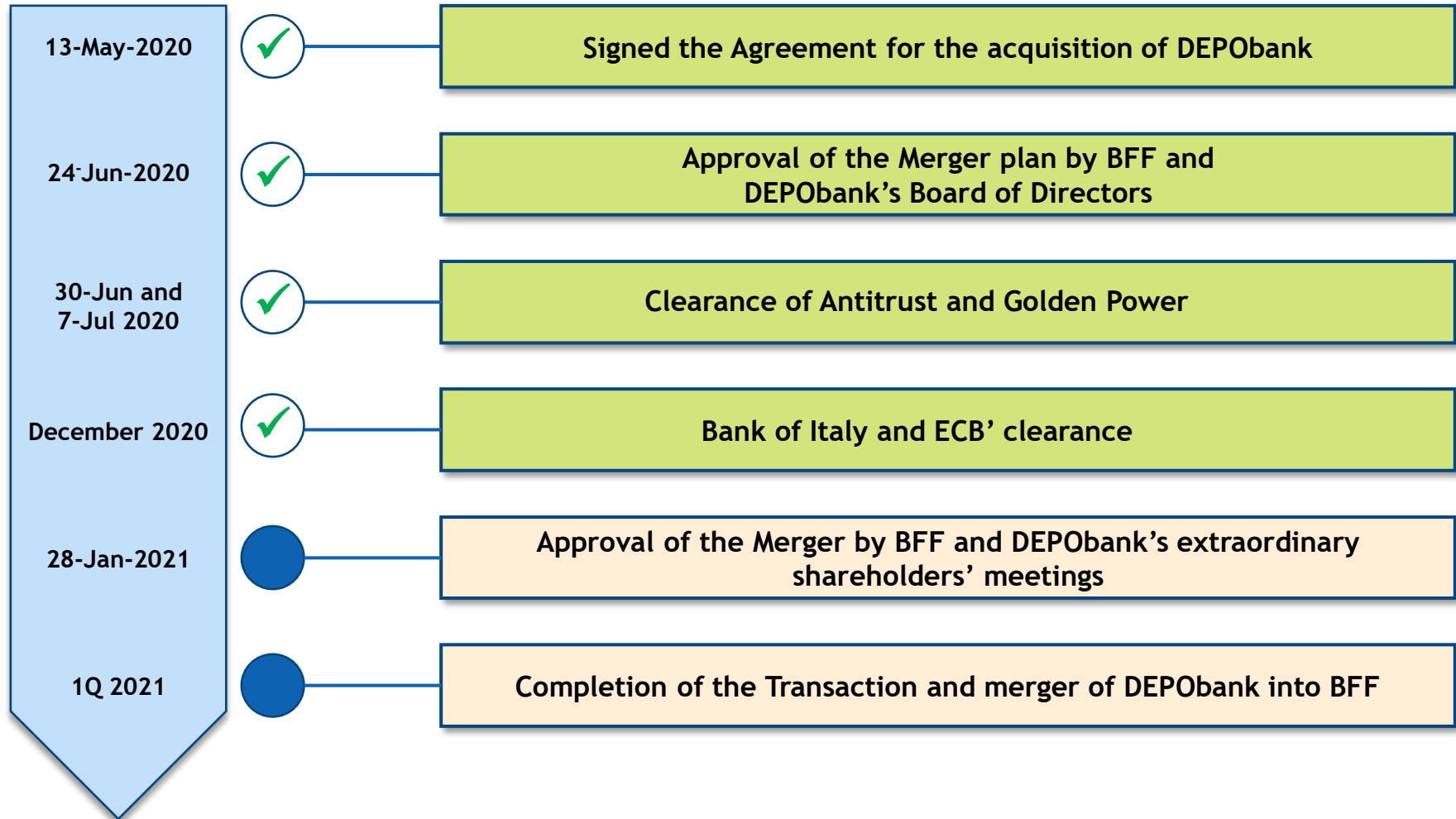
Notes: (1) Capital impact does not take into consideration the potential issuing of Tier 1 related to Risk Sharing Mechanism on DEPObank's Portfolio HTC. (2) Equinova UK HoldCo is a holding company of Advent International Corporation, Bain Private Equity Europe LLP and Clessidra SGR S.p.A., that holds a stake of 91% of DEPObank's share capita (30/6/20)l. (3) Earn outs: (i) up to €11m linked to the release of specific provisions already accounted for in DEPObank's accounts (no impact on BFF's capital if paid) and (ii) up to €10m linked to potential savings following the renegotiation of certain IT contracts with an impact on BFF's capital at closing, majority of which already contracted. (4) Outside of this transaction, it would be difficult for the seller to monetize the €229m excess capital. Dividends are constrained by: (i) probable tax leakage for dividends, (ii) constraints on leverage ratio. On a deal with a financial buyer, difficult to get 1x on excess capital which cannot be extracted easily. Any pre-closing dividends would mean a 1:1 reduction on the transaction Cash Consideration, (iii) ECB recommendations. (5) While the number of BFF newly issue shares is fixed, the final amount in Euro of the capital increase and badwill depends on BFF's share price at the closing.

# Another step towards “BFF 2023”

- 1** Increase scale and diversification both in terms of products & services offered and revenue mix, while maintaining a negligible credit risk profile
- 2** Ample and stable low-cost liquidity flows generated by DEPObank’s core activities will support BFF’s business growth while allowing for significant funding synergies
- 3** Transaction resulting in a positive impact on the Group’s Tier 1 ratio and liquidity ratios
- 4** Significant value creation with EPS and DPS accretion as early as from 2021
- 5** Attractive financial terms for BFF shareholders

# Timeline of the transaction

*Closing expected in 1Q 2021*



# Post merger shareholding structure and governance

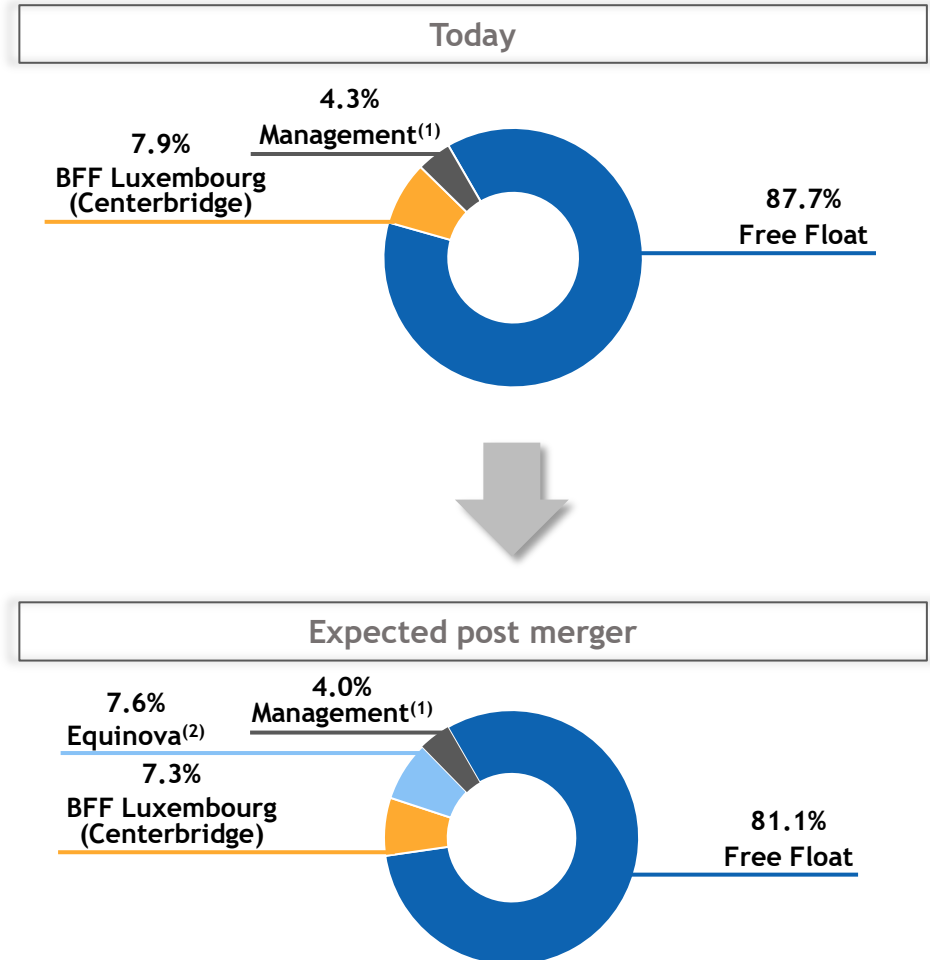
BFF is already one of the few Italian public companies, with the historical shareholder Centerbridge down from 56% at IPO in 2017 to 7.9% to date, post completion of 5 ABBs (of which 3 in 2020)

## Shareholding structure

- In the context of the merger of DEPObank, Equinova<sup>(2)</sup> will receive a stake equal to 7.6% of the combined entity. The expected free float post merger will be still >80%
- To date, Equinova will become BFF's largest shareholder post Merger, and the 1-year lock-up will not be applicable

## Governance

- BFF took a best effort commitment to appoint **one independent director designated by Equinova**, as long as its stake in BFF is not lower than the one at closing (7.6%)



# 2019 Dividend subject to Bank of Italy approval

## Allocation of FY 2019 net income



**BFF total 2019 Cash Dividend**, approved by the Board of Directors on 25-Feb-2020, but **not distributed yet<sup>(1)</sup>** and not included in the regulatory capital, **is €70.9m** (= €12.4m **1** + €58.5m **2**)<sup>(2)</sup>, equivalent to a 72% pay-out ratio and €0.415 DPS.

**1** Shareholders are called to resolve on the allocation of BFF's 2019 individual net profit, equal to €12.4m and corresponding to a cash distribution of a €0.0727 DPS (gross of withholdings), following

- (i) the recommendation issued by the European Central Bank ("ECB") on 15-Dec-2020 and addressed to the most significant banks;
- (ii) the similar recommendation issued by the Bank of Italy ("BoI") on 16-Dec-2020, which extended the effects of the ECB recommendation also to banks subject to the supervision of the national regulator (such as BFF), and
- (iii) BFF's statements in the press releases dated 31<sup>st</sup> March 2020 and 6<sup>th</sup> August 2020,

- The outcome of the discussions with the BoI, aimed at clarifying some aspects of its recommendation, are still pending. Therefore, it may be possible that the proposed resolution is revoked, should the indications from BoI be in contrast with the proposed distribution.

**2** As regards to the remaining amount up to €58.5m, BFF's Board of Directors may be called on the same Shareholders' Meeting date of 28<sup>th</sup> January 2021 to resolve on such distribution, in such a way that, subject to the Shareholders' Meeting resolution and interlocutions with BoI, it may proceed with a single distribution of the 2019 Cash Dividend starting from 3<sup>rd</sup> February 2021.

## Renewal of Board of Directors in March 2021

# Governance: BFF Board renewal procedure

On the basis of 2020 Board self-assessment, BFF Board of Directors shall draw-up guidelines on its qualitative and quantitative composition, with the support of the Nomination Committee and a blue-chip advisor<sup>(1)</sup>, and shall submit its own board members' slate, in line with public companies' best practices

No later than  
20-Jan-21

## Publication of qualitative and quantitative composition

BFF Board of Directors, with the support of the Nomination Committee and a leading independent advisor<sup>(1)</sup>, within the board review process, identifies its optimal qualitative and quantitative composition

No later than  
23-Feb-21

## Publication of BFF Board members' slate

BFF Board of Directors, with the same support of the Nomination Committee and leading independent advisor, prepares and publishes its own list of candidates for the election to the Board of Directors

25-Mar-21

## AGM with renewal of BFF Board in the agenda

Shareholders are called to vote, *inter alia*, on the appointment of new Board of Directors