

PRESS RELEASE

**BFF BANKING GROUP AND DEPOBANK TO CREATE THE LEADING
INDEPENDENT SPECIALTY FINANCE PLAYER IN THE ITALIAN MARKET**

SIGNED A BINDING AGREEMENT FOR THE ACQUISITION OF DEPOBANK

The transaction offers significant value creation opportunities stemming from: (i) business model diversification in markets with appealing growth profiles, (ii) access to a large funding base, which will allow BFF to operate with a structurally lower financing cost, and (iii) significant funding and cost synergies

Milan, May 13, 2020 – Banca Farmafactoring S.p.A. (“**BFF**” or the “**Group**”) – the leading financial services provider to suppliers of the National Healthcare System and Public Administration sectors in Europe – announces that it has signed a binding agreement with Equinova UK HoldCo Limited (“**Equinova**”) for the acquisition of DEPObank - Banca Depositaria Italiana S.p.A. (“**DEPObank**” or the “**Target**”) and the subsequent merger by incorporation into BFF (the “**Transaction**”).

The Transaction will (i) create the leading independent player in the Italian specialty finance space, (ii) boost DEPObank’s business, and (iii) strengthen the funding and capital resources available to serve BFF’s customers.

The agreement envisages (i) the payment, in cash, of the excess capital in DEPObank’s banking group above the 15% CET1 ratio, (ii) the issuance to Equinova, as an effect of the merger, of new BFF shares equal to c. 7.6% of the share capital of BFF post increase, and (iii) the payment - subject to conditions - of potential earn-outs post-closing. The Equinova shares will be subject to up to a one year lock-up period from closing.

The Transaction represents a pre-synergies multiple of $3.2x^1$ P/E *Adjusted* 2019 and $0.5x^2$ P/TBV, which excludes the excess capital above the 15% CET1 ratio in DEPOBank – or, including its excess capital, equivalent to a pre-synergies multiple of 13.2x and 0.7x respectively – for a business with high liquidity, strong synergy potential and a low risk profile given that the balance sheet of the Target is almost entirely invested in Italian government bonds and European Central Bank (“**ECB**”) deposits.

DEPObank is the leading Italian player in the securities services and bank payments sectors with

¹ Net income calculated considering only the components relating to the businesses included in the perimeter of the Transaction.

² Calculated on tangible shareholder’s equity (“**TBV**”) as of 31 December 2019, excluding the excess capital above 15% *Common Equity Tier 1* ratio.

a customer base of more than 400 clients (including mutual funds, banks, payment institutions, large corporate and public administrations), and with Euro 71 billion of off-balance sheet assets related to depositary bank activities (“**Assets under Depositary**”), Euro 143 billion of off-balance sheet assets related to the custody and securities administration services (“**AuC**”) and n. 619 million of intermediated payment transactions. As of December 2019, DEPObank had 363 employees and total assets (on balance sheet) of Euro 9.1 billion, which includes Euro 4.4 billion of Italian government bonds classified as Held to Collect (“**HTC**”) and Euro 2.3 billion of ECB accounts. Customer deposits were equal to Euro 7.5 billion. The Bank had Euro 0.4 billion of tangible shareholders’ equity and a CET1 ratio of 39.6%.

Strategic Rationale

The acquisition of DEPObank strengthens BFF’s strategic positioning as an independent leader in specialty finance, thus becoming the largest player in Italy, by expanding its business in niches where DEPObank is a leader, while also expanding its funding base and enabling significant value creation for the stakeholders. The Transaction will further increase BFF’s ability to serve and support its customers, especially since the Covid-19 emergency has created more customer demand for BFF’s non-recourse factoring products. DEPObank will in turn benefit from being part of a listed and solid Group with a long history of profitability, low credit risk (given its exposure is almost entirely towards the European public sector), high operating efficiency, and a leader in niche sectors underserved by traditional banks (and already clients of DEPObank).

BFF and DEPObank have strong and complementary business models, which will continue to be developed. In this context, BFF has signed a binding agreement with Nexi Group (“**Nexi**”) – effective only upon the date of closing of the Transaction – which intends the extension of the current commercial partnership between DEPObank and Nexi in relation to (i) the settlement services of both the acquiring and issuing activities, and (ii) the supply of ICT services from Nexi.

The Transaction is consistent with the objectives outlined in the BFF 2023 Strategy, which envisaged, among others, the expansion - via M&A - into new niche markets not covered by traditional banks and with significant potential for funding and operational synergies.

Furthermore, the Transaction will allow the Group to:

- Increase its diversification and scale, while maintaining the underlying credit risk profile unchanged, as a result of the:
 - penetration into sectors indirectly exposed to asset management (i.e. securities services) and retail payments sectors - both with stable growth rates and representing c. 30% of the combined entity revenues;
 - improvement of the revenue mix with a higher contribution from fee and commission income, representing c. 30% of the combined group revenues;
 - exposure to a portfolio of customer loans consisting mainly of short-term

commercial receivables towards the public sector, of which 37% outside Italy;

- increase to over Euro 120 million of the combined entity pre-synergy adjusted net income 2019.
- Access a sizable and low-cost funding base, with c. Euro 7.5 billion of customer deposits, currently invested in Italian government bonds and ECB accounts (at negative interest rates), which can be readily used to finance BFF's business growth, particularly in the context of the Covid-19 emergency (which is expected to generate an increase in customer demand and a lengthening of the payment time from the Public Administration) and to support the increase in volume in Italy (c. +20%) generated by the expiry of the VAT Split Payment mechanism, which should occur in July 2020.
- Have a neutral impact on the Total Capital Ratio (stable at 15%) and a positive impact of c. 100bps on the Tier 1 Ratio, with a limited dilution for BFF's shareholders given that:
 - the capital absorption will be offset by the goodwill generated by the Transaction and by the capital increase for the merger, with BFF's Tier 1 ratio and CET 1 Ratio at YE2019 equal to 12.0% pro forma vs. 10.9% reported stand-alone (>100bps positive impact)³;
 - the BFF shares (equivalent to Euro 63 million⁴ and 7.6% of the capital) to be issued to Equinova – in the context of the merger – represent a multiple of 0.5x⁵ P/TBV and 3.2x P/E *adjusted* 2019 pre-synergies for a business with a CET1 ratio of 15%.
- Ample opportunities to create value for shareholders, with significant synergy potential:
 - Euro 15-25 million pre-tax funding synergies run-rate through the deployment of liquidity generated by DEPObank's core businesses to finance BFF's activity;
 - Euro 10 million pre-tax SG&A cost synergies stemming from the integration of the businesses, equivalent to 5% of the combined cost base;
 - Significantly accretive Transaction, with an increase of more than 10% of both Earning per Share ("EPS") and Dividend per share ("DPS") as early as from 2021;

The Transaction, through the merger with BFF, allows DEPObank to complete its strategic aim. More specifically, DEPObank's excess liquidity will be efficiently deployed in activities envisaged in BFF's Strategic Plan 2023, therefore interrupting DEPObank's development of their SME Specialized Lending initiative.

Transaction and integration costs are estimated to be Euro 25 million pre tax, out of which Euro 2.8 million have already been expensed before end of 1Q2020.

³ In the case of the issuance of the AT1 instruments for the Risk Sharing Mechanism described below there will be a substitution of CET1 for Tier 1, leaving the Tier 1 constant.

⁴ Amount calculated for the #14,043,704 shares to be issued to Equinova at closing and based on BFF share price as of 7th May 2020 (€4.52 per share) immediately before BFF's announcement of the submission of a binding offer to Equinova for the acquisition of DEPObank. The final amount in Euro of the capital increase will be established at closing of the Transaction.

⁵ Calculated on tangible shareholder's equity ("TBV") as of 31 December 2019, excluding the excess capital versus 15% *Common Equity Tier 1* ratio.

The completion of the Transaction is expected to take place at the end of this year and is subject to the authorization of the relevant authorities and other conditions precedent.

On governance, BFF has assumed a best effort commitment to appoint an independent director indicated by Equinova if a director is co-opted in the twelve months following the closing or if a list of candidates is submitted by BFF's Board of Directors at the first renewal of the Board.

Upon the completion of the Transaction, DEPObank's business activities will remain a separate business unit within BFF, with direct reporting to the Chief Executive Officer of BFF Banking Group.

*"The transaction - stated **Paolo Tadini, Chairman of DEPObank** - represents a particularly interesting opportunity for the Bank to continue the growth and development path that has been underway for years, thanks to which it has achieved leadership positions in Securities Services and Banking Payments. Within the Italian banking system - concludes Paolo Tadini - today a new player is being established that is able to express economic, financial and equity "fundamentals" of absolute excellence, with obvious benefits for all stakeholders".*

*"The acquisition and merger with DEPObank is a milestone in the development of both banks - stated **Massimiliano Belingheri, CEO of BFF Banking Group**. - We combine two leaders in our respective niches. Together, we will be stronger. In the uncertain times we live, this deal allows to strengthen our customer offering, the stability of our franchises, and the opportunities for our employees. We will have more funding, more capital, more diversification. We thank the shareholders and the board of DEPObank for having entrusted us with their business and look forward to continuing building together "a bank like no other"*

DEPObank

DEPObank, formerly known as the Central Institute of Italian Popular Banks ("ICBPI") was created in 1939. The bank assumed the current configuration and denomination from 1 July 2018 as a result of the reorganization of Nexi Banking Group, which left within DEPObank all the banking activities.

DEPObank is the Italian specialised bank in the securities services and bank payments businesses, a leader in its domestic market and a reference point for the entire Italian financial system. Headquartered in Milan, DEPObank employs 363 people and operates through two core business units:

- Securities Services: (c. Euro 44⁶ million in revenues) providing a wide range of services to asset managers among which are (i) *Fund Services* (Euro 35 million in revenues, of which Euro 15 million are related to depositary bank services, Euro 11 million and Euro 9 million respectively are related to fund administration and transfer agent services) and (ii) global custody for mutual funds, SGR, SIM and banks with Euro 10 million in revenues. In the last year, DEPObank has offered depositary bank services on c. Euro 71 billion of assets (Asset under Depositary). In addition, DEPObank has managed c. 2.3 million of subscribers in relation to the transfer agent services, provided fund administration services on c. Euro 48 billion of assets, and provided custody and securities administration services on more than Euro 143 billion of assets;
- Payments services: (c. Euro 46 million⁷ in revenues) consisting of three main activities (i) intermediation services (c. #510 million operations per year - relating to SEPA and domestic payments and collections transactions, and to national and international payment card settlements - and Euro 32 million in revenues), (ii) corporate payments, both corporate and public institutions (c. #58 million operations per year and Euro 8 million in revenues), and (iii) checks and receivables (c. #51 million operations per year and Euro 6 million in revenues). The business, in partnership with Nexi, has significant opportunities for future development given that the penetration of digital payment services in Italy is among the lowest in Europe, with a strong market growth and one of the most developed payment infrastructures;
- In addition, c. Euro 45⁸ million in revenues are generated by the Treasury department which provides all the supporting functions to the core business units, with the aim to optimize the deployment of the liquidity (c. Euro 7.5 billion of customer deposits as of December 2019). Such liquidity is mainly invested in Italian government bonds and ECB accounts.

As of 31st December 2019, the adjusted net income of DEPObank was Euro 20⁹ million and equivalent to a 14%¹⁰ RoTE.

The total assets amounted to Euro 9.1 billion, composed of liquidity deposited in ECB accounts of Euro 2.3 billion and Italian government bonds of Euro 4.4 billion classified as HTC.

On the liabilities side, DEPObank had Euro 7.5 billion of customer deposits which included Euro 6.1 billion of current accounts deposited by the investment funds for which DEPObank performs depositary bank services. As of 31st December 2019, such liquidity is equal to 8.6% of the Assets under Depositary and down compared to December 2018 (14.2%).

⁶ Fee related revenues, excluding net interest margin components.

⁷ Fee related revenues, excluding net interest margin components.

⁸ Net interest margin

⁹ Net income calculated considering only the components relating to the businesses included in the perimeter of the Transaction.

¹⁰ Calculated on the tangible book value excluding the excess capital above 15% CET1.

Equinova

Equinova UK HoldCo Limited - a holding company of Advent International Corporation, Bain Private Equity Europe LLP and Clessidra SGR S.p.A. - hold a stake of 91% of DEPObank's share capital while the remaining shares are held by other Italian banks ("**Minority Shareholders**")¹¹.

Transaction Structure

In accordance with the agreement signed today between BFF, Equinova and DEPObank (the "**Agreement**"):

- (i) BFF will acquire n. 10.785.337 of DEPObank shares equal to 76% of the share capital (the "**Acquisition**"), for a cash consideration (the "**Cash Consideration**") equal to the excess capital above 15% CET1 ratio of DEPObank banking group as of the closing date;
- (ii) the Target will be merged by incorporation into BFF soon after the closing of the Acquisition (the "**Merger**"). Post Merger, Equinova will have a stake of 7.6% in the combined entity.

In such case that Equinova acquires the Minority Shareholders' stakes prior to closing, the shares of the Minority Shareholders will be transferred from Equinova to BFF in the context of the Acquisition. It is understood that the aforementioned Minority Shareholders' stakes, if not previously acquired by Equinova, will be acquired by BFF at closing by virtue of the majority shareholder's drag along right provided under DEPObank's by-laws.

The Cash Consideration will be determined on the closing date and calculated as the sum of:

- (i) the excess capital of the Target above the amount of capital needed to maintain a Common Equity Tier 1 ratio of 15% at closing - excluding the net income of the period between 1st July 2019 and closing - up to a maximum amount of Euro 198 million and subject to adjustments on the basis of parameters defined in the Agreement, and
- (ii) the Target's net income for the period between 1st July 2019 and the closing date, subject to adjustments on the basis of parameters defined in the Agreement. Cost of closure/disposal of non-core operation (excluded from the Transaction's perimeter) to be expensed before closing.

In addition, the Agreement envisages potential future earn-out payments by BFF. These are linked to (i) extraordinary positive components arising from the release of specific provisions already accounted for in DEPObank's financial statements for a total amount of Euro 11 million, and thus if paid will not have an impact on BFF shareholder's equity post Transaction, and (ii) potential savings following the renegotiation of certain IT contracts for a maximum amount of

¹¹ The remaining stakes are held by Banco BPM (2.5%), Credito Valtellinese (2.0%), Banca Popolare di Sondrio (2.0%), UBI Banca (1.0%), and other Italian banks.

Euro 10 million. BFF will use currently available credit lines to pay the Cash Consideration, and the disbursement will have no impact on the Group's capital.

Upon closing, the portfolio of government bonds classified as Held to Collect ("**Portfolio HTC**") of DEPObank shall be consolidated by BFF on its consolidated accounts at fair value at such date. The Agreement aims at enhancing the execution certainty of the Transaction while minimising the potential capital impact for BFF – generated by the application of the accounting rules on the Portfolio HTC – through:

- the purchase (completed today) by BFF of a portion of the Portfolio HTC at the current market value equal to Euro 742 million - with a yield (as of today) of 1.6% and a residual duration of 5 years, financed through REPO at market conditions - with the proceeds of such disposal for DEPObank deposited at the ECB;
- at closing, the application of a **Risk Sharing Mechanism** with the seller of the potential capital absorption related to the Portfolio HTC in the case that the fair market value at such date is lower than the carrying value on DEPObank's balance sheet. In such case, the Risk Sharing Mechanism envisages the possible issuance of an Additional Tier 1 instrument ("**AT1**") by BFF in favour of Equinova - or a third party designated by Equinova - for a maximum nominal amount of up to Euro 70 million and a fixed interest rate equal to 7% per annum.

More specifically, this Risk Sharing Mechanism allows (i) to absorb the potential capital impact for BFF in the event that the market value of the Portfolio HCT is lower than its accounting value reported on DEPObank's financial statements (accounted by following the amortised cost accounting principle given that it is classified as Held to Collect), and (ii) to increase, at the same time, the financial return of the Transaction for BFF with no additional risk, since the lower market value of the Portfolio HTC compared to the accounting value would represent a higher future profit for an equivalent amount, which then translates into a potential return on the absorbed capital of up to 4.0x over approximately 4 years. Should this Risk Sharing Mechanism be applied, it will imply a capital absorption for BFF, at closing, of up to a maximum amount of Euro 29 million.

For illustrative purposes, using today's market value of the Portfolio HTC, the application of the aforementioned Risk Sharing Mechanism would result in an AT1 issuance of Euro 24 million and a net capital absorption (i.e. not covered by the AT1 issuance) for BFF equal to Euro 10 million, with Euro 28 million of additional capital generated in the future.

Post closing, the Portfolio HCT is expected to gradually decrease since the liquidity deriving from the maturity of the securities will be deployed to support BFF's business growth. It should be noted that, given BFF's dividend policy, an increase of the CET1 ratio of the combined entity is expected as a result of the increase in the loans portfolio over total assets.

As a result of the Transaction, no impact on BFF Group's dividend policy is expected. Moreover, the Euro 71 million of BFF's 2019 Expected Cash Dividend (€0.415 per share) will be paid as soon as the regulators allow and expected to be before closing.

Pursuant to the Agreement, and in the context of the Merger, Equinova will receive 14,043,704 BFF shares in exchange for its remaining stake in the Target¹². The Merger's exchange ratio has been determined on the basis of the financial statements of BFF and DEPObank at 31st December 2019, and equal to 4.2233 BFF shares for each DEPObank share.

On the effective date of the Merger, Equinova will become the second largest shareholder of BFF with an expected stake equal to 7.6% of BFF's share capital post Merger. In the context of the Transaction, Equinova will be the only new shareholder of BFF.

The Merger, which will be submitted for approval, inter-alia, to BFF's extraordinary shareholders' meeting, will not give rise to a withdrawal right for BFF shareholders who will not contribute to the relevant resolution.

The BFF shares received in exchange for the Merger by Equinova will be subject to a lock-up period of 1 year. This lock-up will cease, among other things, if Equinova becomes the largest shareholder of BFF before the termination of the aforementioned lock-up period. BFF has also assumed a best effort commitment to ensure that, if a director is co-opted in the twelve months following the closing or if a list of candidates is submitted by BFF's Board of Directors at the first renewal of the same, an independent director indicated by Equinova will be appointed as a director of BFF or included in the BFF Board list. This best effort commitment will cease once Equinova's stake in BFF's share capital is lower than that at the closing of the Transaction.

The completion of the Transaction, expected for the fourth quarter of 2020, is subject to the approval of the Merger by the extraordinary shareholders' meeting of BFF, as well as to the obtainment of the required authorizations and/or clearances by the competent supervisory and antitrust authorities (as well as by the Italian government for the so-called "golden power").

Mediobanca Banca di Credito Finanziario S.p.A., through its investment bank division, acted as sole financial advisor to BFF Banking Group in connection with the Transaction. Legance – Avvocati Associati provided legal advice, PwC provided financial, accounting and regulatory due diligence services, Bain & Company provided business advisory services and Di Tanno & Associati provided tax advisory services.

J.P. Morgan acted as sole financial advisor to Equinova in connection with the Transaction. BonelliErede provided legal advice, Carbonetti e Associati provided regulatory advice, Boston Consulting Group provided business advisory services and Pirola Pennuto Zei & Associati provided tax advisory services.

Linklaters provided legal advice to DEPObank in connection with the Transaction. KPMG Corporate Finance has supported, acting as financial advisor, the BoD in the assessment of the exchange ratio.

¹² The amount in Euro of the capital increase will be established on the closing date of the Transaction.

Conference call

The Transaction will be presented on 13th May 2020 at 12:30 CEST (11:30 WEST) during a conference call, which can be followed either by dialling the numbers or by clicking on the audio link indicated in the invitation published in the *Investors > Key Figures* section of the Group website (investor.bffgroup.com/en/key-figures).

This press release is available on-line on BFF Group's website www.bffgroup.com within the section *Investors > Press Releases*.

BFF Banking Group

BFF Banking Group, listed on the Milan Stock Exchange since 2017, is the leading player specialised in the management and non-recourse factoring of trade receivables due from the Public Administrations in Europe. The Group operates in Italy, Croatia, Czech Republic, France, Greece, Poland, Portugal, Slovakia and Spain. It is also active in Germany, The Netherlands and Ireland with on-line term deposits, by serving a total of 12 Countries across Europe. In 2019 it reported a consolidated Adjusted Net Profit of € 98.8 million, with a 11.2% Group CET1 ratio at the end of March 2020. www.bffgroup.com

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