

**PRESS RELEASE**

**The largest independent specialty finance player in Italy is born**

*Effectiveness of the merger by incorporation of DEPObank into BFF from 5<sup>th</sup> March 2021*

*Milan, 1<sup>st</sup> March 2021.*

Banca Farmafactoring S.p.A. ("**BFF**") and DEPObank – Banca Depositaria Italiana S.p.A. ("**DEPObank**") inform that today BFF has finalised the *closing* of the acquisition and subsequent merger by incorporation of DEPObank.

Therefore, the largest independent specialty finance player in Italy is born, with a specific focus in the *securities services, payments, and factoring and credit management services of receivables towards the Public Administration.*

BFF, starting from today, 1<sup>st</sup> March 2021, will consolidate DEPObank at 100% as a consequence of

- (i) the completion of the purchase of approximately 76% of DEPObank's share capital from its current shareholders, including the majority shareholder Equinova UK HoldCo Limited ("**Equinova**")<sup>1</sup>, and
- (ii) the signing of the related merger deed with DEPOBank, through which the merger by incorporation of DEPObank into BFF will be finalised, with effect from 5<sup>th</sup> March (resulting in the exchange of the remaining approximately 24% of DEPObank's share capital with BFF shares, and the related BFF's share capital increase). Following this capital increase, Equinova will hold 7.6% of the new "combined entity" share capital.

With this transaction, BFF strengthens its strategic positioning, expanding both its business segments in market niches where DEPObank is a leader, and its funding and capital base to serve its traditional customers. DEPObank becomes part of an international, listed, solid, profitable group, with high standards of execution and operational efficiency.

To ensure full continuity and efficiency, as well as the high quality of service that distinguishes both companies' history, DEPObank's businesses will be integrated into an autonomous division within BFF.

The Group has more than 850 employees, and is active in Italy, Spain, Portugal, Poland, Slovakia, Czech Republic, Greece, Croatia, and France.

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<sup>1</sup> Equinova is the main shareholder of DEPObank; it's the *holding company* di Advent International Corporation, Bain Capital Private Equity Europe LLP e Clessidra SGR S.p.A., which to date holds a 91.6% stake in DEPObank's share capital, while the remaining shares are held by other Italian banks.

**Paolo Testi**, DEPObank CEO, has commented as follows: *“Since its establishment, DEPObank has been a reference point for the financial system of our country, holding, in particular since 2018, a leadership position in security services and banking payment services. This role allowed DEPObank, even in an extremely complex year such as 2020, to meet the targets we had set ourselves, demonstrating great solidity and creating the best conditions to consolidate its position and continue its growth path thanks to the merger into BFF”*.

*“With this transaction we are combining the strengths of two leaders in their respective market niches. We are creating one of the most profitable and best-capitalised banks in Europe, as well as the largest specialty finance group in Italy, which will immediately invest to guarantee the best possible service to all its customers, with products that are always at the cutting-edge and in accordance with the best international standards.”* – stated **Massimiliano Belingheri**, BFF Banking Group CEO. *“It is thanks to the work of an extremely professional and skilled management team on both sides, and their respective teams, that we are now able to celebrate an integration, carried out in a complex time such as the one we are living. Our thanks go to them”*.

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## **DEPObank**<sup>2</sup>

DEPObank is the leading independent bank in Italy in the securities services and banking payment services businesses, serving more than 400 clients including investment funds, banks, payment and e-money institutions, large corporates and Public Administrations. Headquartered in Milan, DEPObank employs 365 people and operates through three business units:

- 1) Securities Services – c. Euro 43 million revenues.** It includes services of:
  - (i) Depository bank, with c. Euro 76 billion of assets under depositary;
  - (ii) Custody and securities administration of c. Euro 145 billion AuC of funds, SGR, SIM, and banks;
  - (iii) *fund administration/accounting* for c. Euro 48 billion of assets;
  - (iv) *transfer agent*, with more than 2.1 million di subscribers.
- 2) Banking payment services– c. Euro 46 million revenues.** It includes services of:
  - (i) intermediation services (SEPA and domestic payments and collections, and domestic and international payment card settlements), with more than 470 million of payments processed;
  - (ii) payments and collections from customers, both corporate and public administrations, with more than 56 million operations per year;

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<sup>2</sup> Figures as of 31<sup>st</sup> December 2020. The revenues of Securities Services and banking Payment services business units are calculated considering commissions only (excluding interest margin components), while the revenues of the Treasury segment include interest margin components.

(iii) checks and receivables, with more than 35 million operations per year.

The business is conducted in commercial partnership with the Nexi group (“**Nexi**”); already in 2020, BFF signed a binding agreement with Nexi that provides for the extension of this partnership in relation to (i) services supporting the settlement of credit cards’ acquiring and issuing activities, and (ii) the provision of ICT services by Nexi.

**3) Treasury – c. Euro 40 million revenues.** It provides all the supporting functions to the two core business units, with the aim to optimise the deployment of the liquidity generated (c. Euro 9,0 billion of customer deposits).

In 2020, DEPObank’s adjusted net income – calculated excluding the costs incurred by DEPObank to discontinue or sell non-core assets – amounted to Euro 19.0 million.

Total assets amount to Euro 10.7 billion (of which Euro 3.3 billion in Italian government bonds classified as Held-to-Collect, and Euro 4.9 billion in cash deposited with the ECB). On the liabilities side, DEPObank has customer deposits of Euro 9.0 billion, which mainly include Euro 6.9 billion in current accounts linked to investment funds for which it acts as custodian bank.

As of 31/12/2020 tangible equity is equal to Euro 334 million, and the Common Equity Tier 1 ratio is 41,6%.

### **Price and multiples of the transaction**

It is recalled that, under the Sale and Purchase and Merger Agreement (“**SPMA**”) signed on 13<sup>th</sup> May 2020<sup>3</sup>, the structure of the operation provides for:

- (i) the acquisition, which took place today, by BFF of 10,785,337 DEPObank shares, owned by Equinova and the current DEPObank’s minority shareholders, representing approximately 76% of the capital (the “**Acquisition**”), for a cash consideration (the “**Cash Consideration**”);
- (ii) the merger by incorporation of DEPObank into BFF, with effective date 5<sup>th</sup> March 2021 (the “**Merger**”).

For the Acquisition BFF paid to DEPObank’s shareholders of DEPObank Euro 217.6 million in relation to the Cash Consideration (including both DEPObank’s excess capital with respect to the 15% CET1 ratio as of to date and the net profit of the period), with an expected positive impact on CET1 and Tier 1 Capital of BFF Group. The Cash Consideration will be subject to a price adjustment mechanism, based on the SPMA requirements.

In addition, the SPMA provides for possible future earn-out payments by BFF, the latter linked to (i) extraordinary positive income components, deriving from the release of specific provisions already accounted for in the financial statements (for a maximum amount of Euro 11 million), and (ii) savings actually realised, following the renegotiation of certain IT contracts (“**IT Earn-Out**”), for a maximum amount of Euro 10 million. As of today, the payment of the IT Earn-Out is

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<sup>3</sup> For further details, please refer to the related press release dated [13<sup>th</sup> May 2020](#).

certain, and the related disbursement is expected over the next 10 years, when the savings will be effectively realised.

Finally, upon the effectiveness of the Merger, BFF will issue 14,043,704 new BFF ordinary shares, without express par value, assigned to Equinova on the basis of the exchange ratio (the “**Exchange Ratio**”) equal to 4.2233377 BFF shares for each DEPObank share (the “**Conversion Shares**”), for a total amount of Euro 76 million<sup>4</sup>.

The transaction represents an adjusted 2020 P/E multiple<sup>5</sup> pre-synergies equal to 4.0x, and a 2020 P/TBV multiple<sup>6</sup> of 0.6x excluding DEPObank’s excess capital, namely equal to 15.5x and 0.9x including the excess capital.

Transaction and integration costs, estimated at approximately Euro 25 million pre-tax, have already been expensed by BFF for Euro 9.9 million as of 31/12/2020.

#### **Risk Sharing Mechanism**

As required by the SPMA, the portfolio of Italian government bonds held by DEPObank and classified as Held-to-Collect (the “**HTC Portfolio**”) has been consolidated by BFF at fair market value as of today. Since the fair market value of the HTC Portfolio is higher than the accounting value in DEPObank’s balance sheet, the Risk-Sharing Mechanism with Equinova on the potential capital absorption in relation to the HTC Portfolio has not been activated.

#### **Merger and change of the company name**

The Merger will become effective on 5<sup>th</sup> March 2021, and on that date the Conversion Shares will be issued, with regular dividend rights, freely transferable, fungible with BFF shares already listed on the Italian Stock Exchange and having the same ISIN code IT0005244402.

Please note that, with effect from the effective date of the Merger, the corporate name of BFF will be changed to “BFF Bank S.p.A.”, while the name of the related banking group will remain “BFF Banking Group”. There will be no change in the ticker of BFF shares, which will remain “BFF”.

It should be noted that the merger deed has been registered today at the competent Companies’ Registration List.

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<sup>4</sup> Amount calculated for the 14,043,704 new shares issued based on the closing price of BFF shares on Friday, 26<sup>th</sup> February 2021 (€5.44 per share).

<sup>5</sup> Calculated based on a 2020 net profit of €19.0 million, considering only the components attributable to the management of the businesses included in the perimeter.

<sup>6</sup> Calculated on tangible equity as of 31<sup>st</sup> December 2020, net of capital in excess vs. the 15% CET1 ratio.

### **Post-Merger shareholding**

Following the issuance of the Conversion Shares, Equinova will be the sole new shareholder of BFF Bank S.p.A. and will hold a stake corresponding to 7.6% of the share capital, with BFF management holding 5.7% and the free float (including treasury shares) at 86.7%. Pursuant to the provisions of the SPMA, and following the exit of BFF Luxembourg S.à r.l. from BFF's capital, the Conversion Shares will not be subject to lock-up.

### **Governance**

With regard to the governance of the combined entity, the list of candidates submitted by the BFF's current outgoing Board of Directors includes an independent director nominated by Equinova, Amélie Scaramozzino.

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### **Transaction's consultants**

Mediobanca Banca di Credito Finanziario S.p.A., through its investment banking division, acted as sole financial advisor to BFF Banking Group.

Legance – Avvocati Associati provided legal advice.

PwC carried out financial, accounting and regulatory due diligence advisory services.

Bain & Company provided business & regulatory advisory services, and Di Tanno & Associati carried out tax advisory services.

E&Y issued the fairness opinion on the Exchange Ratio.

J.P. Morgan acted as sole financial advisor to Equinova in connection with the transaction.

BonelliErede provided legal advice.

Carbonetti & Associati provided regulatory advisory services, and Pirola Pennuto Zei & Associati carried out tax advisory services.

Linklaters acted as legal advisor to DEPObank.

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### **"BFF - Investor Day 2021"**

The new combined entity will be presented to the financial community during an Investor Day on Monday, 15<sup>th</sup> March 2021, starting at 14:30 CET. The event, which will be completely virtual, can be followed by connecting as indicated in the invitation that will be published in the [Investors > Key Figures](#) section of BFF Group's website.

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This press release is available on-line on BFF Group's website [www.bffgroup.com](http://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 2020 it reported a consolidated Adjusted Net Profit of € 97.6 million, with a 15.5% Group CET1 ratio at the end of December 2020. [www.bffgroup.com](http://www.bffgroup.com)

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