

PRESS RELEASE

BFF BANKING GROUP ANNOUNCES THE ACQUISITION OF IOS FINANCE

The transaction further strengthens the international growth of the Group and reinforces its leadership in Spain

Milan, March 27th, 2019 – 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 Deutsche Bank Aktiengesellschaft (“**Deutsche Bank AG**”) and certain minority shareholders for the acquisition of up to 100% of IOS Finance (the “**Transaction**”).

IOS Finance, E.F.C., S.A. (“**IOS Finance**” or the “**Target**”) provides credit management and non-recourse factoring services towards suppliers of the National Healthcare System (“**NHS**”) and other Public Administration (“**PA**”) entities in Spain. Mainly focused on the NHS segment, IOS Finance operates with debtors across all the autonomous *Comunidades* (i.e. Regions) in Spain, where it covers more than 710 hospitals (public and private), 70 PA entities, and offers its clients both tailor-made credit management and non-recourse factoring solutions (c. €273m of volumes managed and €366m of volumes purchased in 2018 respectively).

The Transaction further strengthens BFF’s leadership position in Europe and allows the Group to:

- Reinforce its leadership in the Iberian market, with a total new business volume of over €1.3bn¹ in Spain (of which c. €1.1bn¹ of purchased non-recourse receivables).
- Gear-up the growth in Spain, an underpenetrated market for NHS and PA factoring, where the current political environment could result in the lengthening of the DSO (Days of Sales Outstanding).
- Increase the geographical diversification with 36%¹ of total customer loans outside Italy.
- Expand the credit management offering to Spain, with €273m of existing trade receivables managed by the Target on behalf of its clients.
- Integrate an experienced team with over 15 years of activity within the sector into BFF’s growing Spanish business.
- Create value for the shareholders thanks to important potential synergies stemming

¹ 2018 data pro-forma for the Transaction.

from the integration of IOS Finance with the BFF's Spanish business.

With a €25.0m² total all-cash consideration, the Transaction represents a multiple pre-synergies of 8.3x³ P/E 2018 and 1.6x⁴ P/TBV for a business with high RoTE (c. 19%^{3,4}), low risk, low capital absorption and strong potential synergies.

The Transaction is subject to non-opposition of Bank of Spain and notification to Bank of Italy. Closing is expected in Q3 2019.

“This acquisition is an additional boost to the development of our business in Spain. It contributes to expand the product base to the customers and put together two talented teams to ensure timely execution and completion to our clients across the whole Group.” – **Javier Molinero, General Manager of BFF Banking Group in Spain.**

“We have known IOS and its team since we entered the Spanish market in 2010. This acquisition positions us to capture more of the growth we expect from the Spanish market and to complement our offering. We expect this to deliver positive returns to our shareholders, consistent with our strategy to growth.” – **Massimiliano Belingheri, CEO of BFF Banking Group.**

About IOS Finance

IOS Finance, established in 2007, is one of the leading providers of factoring for trade receivables towards the public sector in Spain, with offices in Barcelona and Madrid, and with a team of 23 employees. Its offering includes both non-recourse factoring and credit management solutions for trade receivables towards public hospitals and other PA entities in Spain. In 2018 IOS Finance bought (without recourse) €366m of receivables and managed an additional €273m on behalf of its clients. Over the same period, IOS Finance had revenues of €7.1m⁵, operating costs of €2.6m and an adjusted net profit of €3.2m³. Net customer loans and tangible shareholders' equity (before a pre-closing dividend of up to €27m) at YE2018 are €98m and €43m respectively⁶.

IOS Finance is an *Establecimiento Financiero de Crédito* (“EFC”), a financial entity supervised by the Bank of Spain. Deutsche Bank AG owns the majority of the share capital (55.3%), while the remaining 44.7% is owned by the three founders.

² Subject to a price adjustment mechanism based on the Net Asset Value at closing, calculated excluding, if positive, the net result generated in 2019 which will accrue to the acquirer.

³ FY2018 managerial accounts according to IFRS standard. Net income adjusted to (i) exclude the cost of the credit guarantee provided by Deutsche Bank AG and terminated in January 2019 and (ii) include the additional interest expenses (assuming current Target's cost of funding) in relation to the pre-closing dividend.

⁴ FY2018 managerial accounts according to IFRS standard. TBV pro-forma to exclude a pre-closing dividend of up to €27m.

⁵ FY2018 managerial accounts according to IFRS standard. Revenues equal to net interest income plus net commission income. Revenues adjusted to (i) exclude the cost of the credit guarantee provided by Deutsche Bank AG and terminated in January 2019 and (ii) include the additional interest expenses (assuming current Target's cost of risk) in relation to the pre-closing dividend.

⁶ All data based on FY2018 managerial accounts according to IFRS standard.

About the Transaction

BFF, Deutsche Bank AG and two minority shareholders of the Target (owning in aggregate 72.4% of the share capital) signed a binding agreement (the “**Agreement**”) pursuant to which BFF is expected to acquire up to 100% of IOS Finance for an all-cash consideration of €25.0m (subject to a price adjustment mechanism based on the Net Asset Value at closing).

Under the bylaws of IOS Finance, any transfer of shares is subject to a right of first refusal (“**ROFR**”) in favour of each of the non-transferring shareholders. The signing of the shares’ sale and purchase agreement (“**SPA**”), on the terms already agreed upon under the Agreement, remains subject to the expiry of a 30-day period under which such ROFR could be exercised by the third minority shareholder not participating to the Agreement and holding the residual 27.6% of IOS Finance’s share capital. Upon the expiry of the terms provided for the exercise and the following completion of the ROFR by the third minority shareholder, Deutsche Bank AG has undertaken towards BFF to exercise the drag along right provided for under the existing shareholders’ agreements vis-à-vis the third minority shareholder, whereby also such shareholder shall be required to transfer its shares to BFF under the same conditions provided for in the SPA.

A pre-closing dividend of up to €27m will be distributed to IOS Finance’s existing shareholders before completion, and therefore reducing the shareholders’ equity at closing by that equivalent amount. After completion, BFF plans to merge the Target into its Spanish business.

The Transaction will result in an expected capital absorption in 2019 of maximum c. €17m⁷, largely related to:

- €10m of goodwill;
- €5m of one-off negative impact (post tax) assuming the harmonization of IOS Finance’s LPI accounting standards to that of BFF’s. IOS Finance currently recognises LPI, on an accrual basis, assuming a 100% recovery rate vs. 45% assumed by BFF. Given that in Spain BFF collects 100% of the LPI due, such impact is expected to be fully offset in the following years by the LPI over-recoveries.

At closing BFF will reimburse the Target’s funding facility currently provided by Deutsche Bank AG (equal to €52m at YE2018⁸). Both the price and the reimbursement of Deutsche Bank AG’s financing facilities will be funded with BFF’s exiting funding.

Completion of the Transaction is subject to (i) non-opposition of Bank of Spain, (ii) notification to Bank of Italy, and is expected to take place in 3Q 2019.

The net income generated in 2019, if positive, is excluded from the price adjustment mechanism

⁷ Including the capital absorption related to the consolidation of IOS finance’s RWA based on the Total Capital Target of 15%. The capital impact at closing will ultimately depend on (i) the price effectively paid (which depends on the price adjustment mechanism) and (ii) the amount of LPI stock recognized in P&L at closing.

⁸ Before the pre-closing dividend.

and, therefore, it will accrue to BFF.

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. Uría Menéndez provided legal advice, PwC provided financial, accounting and tax advisory services, and Di Tanno e Associati provided structuring and tax advisory services.

Conference call

The Transaction will be presented on Thursday, March 28th at 10:30 a.m. CET (9:30 a.m. UK time) during a conference call, which can be followed by dialling one of the following numbers:

Italy: (+39) 0267688 or 800 914241 (toll free only from land line)

UK: 02030598171 (local connection)

USA: 8558205363 (toll free)

Other Countries: +39 0267688

*When prompted, dial *0 on your touch-tone phone to speak to our Conference Specialists.*

You will join the conference call after the registration of your details (First Name, Last Name and Company Name).

The presentation will be available before the start of the conference call on the BFF Group's website www.bffgroup.com within the section *Investor relations > Presentations*.

This press release is available online on BFF Group's website www.bffgroup.com within the section *Investor relations > 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, Poland, Czech Republic, Slovakia, Spain, Portugal, Greece and Croatia. In 2018 it reported a consolidated Adjusted Net Profit of € 91.8 million, with a 10.9% Group CET1 ratio at the end of December 2018. www.bffgroup.com

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