



## PRESS RELEASE

# Banco BPM – BCC Iccrea Group – FSI: Italy's second largest pole in the Payments business is born

Significant synergies are expected for Banco BPM and BCC Iccrea Group shareholders

For Banco BPM the overall valuation of the deal is more than € 2 billion, between upfront and running

The agreement envisages the payment to Banco BPM of a total amount of up to € 600 million, in addition to the participation in profits from the investment, future commissions and the potential value accretion of the joint venture. A single technology platform with important economies of scale also in terms of investments is launched.

**Milan, 14 July 2023**

Banco BPM, Gruppo BCC Iccrea and FSI have today underwritten a binding agreement (the "Agreement") for creation of a strategic partnership aimed at developing a new and independent Italian reality in the digital payments sector, which will be a point of reference in the fintech landscape, with an approach oriented towards innovation as well as growth of digitalisation in our country.

The Agreement provides for the assignment into the joint venture of Banco BPM's payments activities, for a mixed consideration based on cash and shares issued by the vehicle Pay Holding, which in turn controls the entire capital of BCC Pay S.p.A. – which will soon be subject to a rebranding. Upon completion of the transaction, Pay Holding will be owned approximately 43% by FSI and approximately 28.6% each by Banco BPM and Iccrea Banca.



Following the assignment of Banco BPM's payments activities, the joint venture will be the second national operator with a market share of more than 10% in the payments business, with around 9 million payment cards, 400,000 POS and around € 110 billion in transacted business volumes.

The company will be able to count on the distribution capillarity and proximity to the territory of Banco BPM's network of more than 1,300 branches and those of 117 BCC cooperative banks with almost 2,500 branches of the BCC Iccrea Group, a network that as a whole represents almost 20% of the bank branches in Italy.

The Agreement envisages the signing of a multi-year distribution contract for the services of the Company also on the Banco BPM network.

The initiative will rely on a strong development in digital/fintech innovation of the range of offerings and customer service and envisages the expansion of the customer base to other banks and financial operators in the domestic market. The single technology platform will also generate important economies of scale on the investment side.

Banco BPM will exclusively distribute the joint venture's issuing and acquiring offer catalogue while retaining full control over the commercial policy and pricing with its customers.

The Agreement provides, as per practice, for some preparatory activities for the finalisation of the transaction, with the aim of reaching the closing by the first quarter of 2024 and envisages a lock-up of Banco BPM until 2026 as well as exit mechanisms customary for this type of transaction. The closing is subject, as usual, to the approval of the competent authorities.

Banco BPM is Italy's third largest banking group by total assets, listed on the Milan Stock Exchange with a market capitalisation of about € 6.7 billion. Its payments business today consists of more than 140,000 POS, over 4 million cards and a total annual transaction volume of more than € 30 billion (more than € 50 billion including also ATM withdrawals).



Under the terms of the Agreement, the Bank will be able to preserve the current commission margins generated by the payments business (over €140 million in net revenue in 2022, with an increase of 13% over 2021), while fully benefiting from their growth, in a sector with high development potential, as well as from the contribution of the profits expected from the joint venture as well as the potential accretion in the value of its equity investment.

As a result of the Transaction, Banco BPM will receive an immediate consideration of € 500 million for the contributed assets, with an upfront cash component of approximately € 200 million, to which the deferred price components will be added, for an additional maximum amount of € 100 million, which could lead to € 600 million in value.

At the moment of the closing, the transaction will have a positive impact on Banco BPM's fully loaded CET1 ratio that can be estimated at approximately 32 bps<sup>1</sup>, including the effect of the acquisition of the equity investment. Considering also the effect of any positive future price components, the effect on the fully loaded CET1 ratio can increase up to about 50 bps<sup>1</sup>.

Overall, for Banco BPM the transaction will generate a valuation benefit of more than € 2 billion in terms of NPV over the time horizon of the Agreement.

For the BCC Iccrea Group, the operation is part of the strategy launched in the payments sector with FSI, generating further synergies for the BCCs and their customers/members. The aim is to further grow the digital payments business, which today counts around 230,000 POS, over 4 million cards for a total transaction volume of around € 60 billion.

The operation will allow BCC Pay – which, as mentioned, will soon be subject to rebranding – and is led by Chairman Massimo Arrighetti and the CEO Fabio Pugini – to establish itself more and more as an innovative and independent Italian company with a distinctive approach to serving its customers.

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<sup>1</sup> The impact is calculated on Banco BPM's fully loaded stated CET 1 ratio as at 31/03/2023 and does not consider any effects arising from the PPA



The BCC Iccrea Group is the largest co-operative banking group, the fourth largest Italian banking group in terms of assets, the second largest in terms of number of branches in Italy distributed in more than 1,700 municipalities and the only national banking group with entirely Italian capital. The BCC Iccrea Group, with assets of € 171.5 billion as at 31 March 2023, now has more than 5 million customers and about 850,000 members.

FSI is one of the three largest European funds dedicated to a single country, the largest Italian corporate fund, with an investment formula focused on the transformational growth of the invested companies and consolidated experience in the fintech sector in which its team has invested around € 1 billion in the recent years.

In the transaction, BCC Pay and FSI were assisted by KPMG, Vitale&Co and Gianni & Origoni, while Banco BPM was assisted by Bain & Co, Legance – Avvocati Associati and Deloitte Financial Advisory in issuing a Fairness Opinion.

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