

BFF Banking Group announces a strong set of consolidated financial results for 1H 2022 and the approval of an interim dividend

The Board of Directors of BFF Bank S.p.A. approved today the Consolidated Financial Report for the first half 2022

- **€68.5m Adjusted Net Profit +47% YoY, with strong performance of *Factoring & Lending*, growth in *Securities Services* and *Payments*, and positive contribution of synergies in the *Corporate Center*. €56.6m Reported Net Profit**
- **Strong growth in the loan portfolio at €4.5bn¹, +35% YoY at historical highs**
- **Distribution of €68.5m of interim dividend on 24-Aug-22 (c. €0.37 per share)**
- **Excellent asset quality with 0.2% Net NPLs/Loans ratio excluding Italian municipalities in conservatorship. Annualized Cost of Risk on loans at 10.7bps, due to generic provisions driven by more conservative macro assumptions, and to private exposure provisions**
- **Strong capital position: CET1 ratio at 15.1% and TCR at 21.2% excluding 1H22 net profit, and 17.4% and 23.5% including 1H22 net profit**
- **Well positioned in a raising interest rate environment**
- **No exposure to Ukrainian and Russian markets**

Milan, 4th August 2022 – Today, the Board of Directors of BFF Bank S.p.A. (“BFF” or the “Bank”) approved the First Half 2022 Consolidated Financial Report as of 30th June 2022², the second semi-annual consolidated financial accounts after the acquisition and merger by incorporation of DEPObank – Banca Depositaria Italiana S.p.A. (“DEPObank”) into BFF.

¹ Loan book portfolio includes fiscal receivables “Ecobonus” for €213m, which are accounted in “Other Asset” in the Consolidated Financial Report

² 1H22 consolidated reported P&L includes DEPObank for the whole semester, unlike 1H21 reported P&L, which includes DEPObank from March to June 21. 1H22 and 1H21 adjusted P&Ls include DEPObank for the whole semester.

Massimiliano Belingheri, CEO of **BFF Banking Group**, commented: "The results of the first half of the year, marked by a strong growth of earnings and loan portfolio at historical highs, are a reason to be very pleased, and allow us to confirm the distribution of an interim dividend.

Although in a macroeconomic environment of uncertainty, we report a solid performance in Factoring & Lending, and growth in Securities Services and Payments, while maintaining a strong capital position. The Group has no exposure to the Ukrainian and Russian markets and remains well positioned, continuing on the path of growth outlined in the business plan."

CONSOLIDATED PROFIT AND LOSS DATA³

1H22 **Adjusted Net Revenues** were €182.3m, of which €81.6m coming from *Factoring, Lending & Credit Management*, €28.5m from *Securities Services*, €30.5m from *Payments*, and €41.7m from *Corporate Center* (including synergies). Total Adjusted operating expenditures, including D&A, were -€79.5m, and Adjusted LLPs and provisions for risks and charges were -€5.3m.

The resulting **Adjusted Profit before Tax** was €97.4m and **Adjusted Net Profit** was €68.5m (+47% YoY), while 1H22 **Reported Net Profit** was €56.6m (for details on adjustments see footnote n°2).

Regarding the business units' KPIs and adjusted Profit & Loss data, as of 30th June 2022, please refer to the "1H 2022 Results" presentation published in the [Investors > Results > Financial results](#) section of BFF Group's website. Please note that the *Corporate Center* comprises all the revenues and costs not directly allocated to the three core business units, including the synergies from the acquisition of DEPObank (*Factoring, Lending & Credit Management, Securities Services and Payments*).

CONSOLIDATED BALANCE SHEET DATA

As of 30th June 2022, the consolidated **Balance Sheet** amounted to **€12.4bn** up by €1.4bn, +13% vs. 30th June 2021. With respect to **Total Assets**, at the end of June 2022 the **Loan Book** was at €4,529m, at historical highs, up by €1.2bn YoY (+35% YoY, at €3,359m as of 30th June 2021), with Italy one of the best performing countries, up by +61% YoY.

At the end of June 2022, the **Government bond portfolio** was classified entirely as *Held to Collect* or "HTC" and amounted to €6.0bn, vs. €5.1bn at the end of 1H21 (+€0.9bn YoY, out of which

³ Reported Net Profit includes:

- the **negative impact** of adjustments accounted on the following items:
 - -€2.1m post tax, -€2.9m pre tax, related to Stock Options & Stock Grant plans
 - -€4.7m post tax, -€6.8m pre tax, of M&A Costs
 - -€5.0m which includes taxes on one-off dividend distribution from subsidiaries (c. -€2.7m) and the write off of a DTA il Poland (c. -€2.2m)
 - -€0.9m post tax, -€1.4m pre tax, related to Customer contract amortizations,
- the **positive impact** of the adjustment accounted in the item Gains on Trading, +€0.8m post tax, +€1.2m pre tax.

€2.8bn was fixed rate, with a duration of 27 months and a yield of 0.21%, and the remaining €3.2bn floating rate, with a duration of 48 months and a spread +0.77% vs. 6-months Euribor).

Cash and Cash Balances were €0.4bn as of 30th June 2022, down by €0.4bn (-50.8%) YoY.

On the **Liabilities** side, deposits from *Transaction Services* were €7.8bn at the end of June 2022, down by €0.6bn (-8%) YoY. Passive Repos (refinancing operations related to Italian Government Portfolio) amounted to €0.3bn at the end of June 2022, while they were not present in the balance sheet at the end of 1H21.

Other main changes of BFF's funding sources vs. 1H21 are the following:

- BFF bonds outstanding decreased to €39m, vs. €182m at 1H21 (-79% YoY), due to the maturity of €42m Senior Bonds in June 2022 and to the repayment of the Tier II in March 2022, following the exercise of the call option;
- a €150m perpetual NC 5 AT1 Bond was issued in January 2022, with a fixed rate annual coupon of 5.875% to be paid on a semi-annual basis, allowing for higher capital flexibility, large exposure limit and leverage ratio;
- on-line retail deposits at the end of 1H22 amounted to €307m vs. €724m at the 1H21, down by €417m (-58%) YoY. On-line retail deposits in Euro decreased to €139m (-78%) YoY, due to the optimization of the funding in Euro following the acquisition of DEPOBank, while on-line retail deposits in Polish Zloty increased to €168m, (+114% YoY), to take advantage from the mark down of deposits vs. WIBOR (Warsaw Interbank Offered Rate), - with a spread of PLN funding deriving from Lokata Facto, the Polish deposit, on 1-month Wibor, equal to c. -211bps as of 30th June 2022.

The Euro cost of funding was +13bps over 1-month Euribor in 2Q22, vs. +23bps over 1-month Euribor in 1Q22. BFF does not have European Central Bank "ECB" funding to be refinanced, nor ordinary (OMA) neither extraordinary (ie. PELTRO, TLTRO, etc...).

The Group maintained a strong liquidity position, with **Liquidity Coverage Ratio (LCR)** at 220.1% as of 30th June 2022. The **Net Stable Funding Ratio (NSFR)** and the **Leverage Ratio**, at the same date, were equal to 162.4% and to 4.1% respectively, the latter positively impacted by the TIER1 Issuance.

Asset quality

The Group continues to benefit from a very low exposures towards the private sector. **Net non-performing loans ("NPLs")**, excluding **Italian Municipalities in conservatorship** ("*in dissesto*"), were €7.3m, at 0.2% of net loans (1.8% including Italian Municipalities in conservatorship), with a 68% **Coverage ratio**, up by €1.1m vs. 1H21 when they were at €6.2m, 0.2% of net loans (2.1% including Italian Municipalities in conservatorship).

The excellent asset quality is confirmed, with an annualized **Cost of Risk** on loans of 10.7 basis

points in 1H22, with an increase vs. the previous periods due to generic provisions, driven by more conservative macro assumptions in the IFRS 9 model, and to provisions on private exposures. Cost of risk was equal to zero as at YE21 and 1H21 due to a release of provisions.

Total **net NPLs amounted** to €80.7m in 1H22, increased by €8.5m vs. YE21 at €72.2m, and by €6.3m vs. 1H21 at €74.5m, driven mainly by new exposure of Italian Municipalities in conservatorship (which increased to €73.4m in 1H22 from €64.5m at YE21, and from €68.2m in 1H21). It is important noticing that Italian Municipalities in conservatorship are classified as NPLs by regulation, despite BFF is entitled to receive 100% of the principal and late payment interests at the end of the conservatorship process.

At the end of 1H22 **net Past Due** amounted to €33.9m, compared to €19.4m and €2.1m respectively at YE21 and 1H21, due to some legal enforcements towards the public sector which negatively impact the Past Due calculation, but help to maximize recovery timing.

Total **Net impaired assets** (non-performing, unlikely to pay, and past due) were €128.7m as of 1H22 (€104.1m at YE21, €90.9m at 1H21), 83% of which are towards public sector. Net impaired assets net of "dissesti" were €55.3m at the end of 1H22 (vs. €39.6m at YE21 and €22.7m at 1H21).

Capital Ratios

The Group maintains a strong capital position with a **Common Equity Tier 1 (CET1) ratio** of 15.1% (vs. 7.85% SREP), and a **Total Capital ratio (TCR)** of 21.2% (well above both the Bank's TCR target of 15.0%, and the 12.05% SREP), with **€152m of capital in excess of 15.0% TCR target. Both ratios exclude 1H22 profit.** Including 1H22 profit, CET1 ratio and TCR would be 17.4% and 23.5% respectively. The Total Capital and Tier 1 ratios benefited also from the issuance of the AT1.

BFF did not apply any of the ECB / EBA emergency measure or the European Commission's banking package for COVID-19.

Risk-Weighted Assets (RWAs) calculation is based on the Basel Standard Model. 1H22 RWAs were €2.5bn (vs. €2.2bn at YE21 and at 1H21), with a **density**⁴ of 40.6%, vs. 45.0% at YE21 and 43.3% at 1H21.

Payment of €68.5m of interim dividend

Today BFF Board of Directors has resolved to distribute an interim dividend based on the results as of 30th June 2022, in the gross amount of c. €0.37, for each of n° 185,521,548 of BFF outstanding ordinary shares. Such dividend takes into account the portion on dividends attributable to the treasury shares (n. 716,235 as of 3rd August 2022), which the Bank may hold at the record date, and it will be disclosed in its final value on Friday 19th August 2022. The payment, pursuant to art. 2.6.2 of the Regulations of Markets organized and managed by Borsa

⁴ Calculated as RWAs/Total assets excluding HTC bond portfolio and Cash and Cash Balances.

Italiana S.p.A., as well as art. IA.2.1.2 of the related Instructions, will take place from Wednesday 24th August 2022, with ex-dividend date of coupon n° 6 on Monday 22nd August 2022, and record date (i.e., date of entitlement to the dividend payment itself) on Tuesday 23rd August 2022.

The resolution is taken in accordance with BFF dividend distribution policies, and after a positive assessment on the possibility of distributing interim dividends during the year pursuant to Article 2433-bis of the Civil Code. The resolution follows BFF's Board of Directors' commitment, announced in the [press release published on 10th February 2022](#), to undertake all possible initiatives to pay dividends twice a year starting from 2022, in compliance with regulatory requirements. It is remembered that on 21st April 2022, and based on the results of YE21, BFF distributed a gross dividend per share corresponding to €0.6795.

Significant events after the end of the 1H22 reporting period

Clearance for MC3 Srl Acquisition

BFF has received by Bank of Italy the clearance for the MC3 Srl ("MC3") acquisition, a consulting company based in Brescia (www.mc3info.com). BFF has been working with MC3 for over ten years: MC3 has supported BFF in the initial implementation and evolution of the current core-factoring system of the Bank. The transaction, consistent with BFF acquisition strategy, allows the vertical integration of all MC3's development activities connected with the management and evolution of the information system into the Group.

Statement of the Financial Reporting Officer

The Financial Reporting Officer Claudio Rosi, declares, pursuant to paragraph 2 of article 154-*bis* of the Legislative Decree n° 58/1998 ("*Testo Unico della Finanza*"), that the accounting information contained in this press release corresponds to the document results, accounting books, and records of the Bank.

Earnings call

The 1H22 consolidated results will be presented today, 4th August 2022, at 3pm CET (2pm WET) during a conference call, that can be followed after registering at this [link](#). The invitation is published in the [Investors > Results > Financial results](#) section of BFF Group's website.

This press release is available on-line on BFF Group's website www.bff.com within the [Investors > PR & Presentations section](#).

BFF Banking Group

BFF Banking Group is the largest independent specialty finance in Italy and a leading player in Europe, specialized in the management and non-recourse factoring of trade receivables due from the Public Administrations, securities services, banking and corporate payments. The Group operates in Italy, Croatia, the Czech Republic, France, Greece, Poland, Portugal, Slovakia and Spain. BFF is listed on the Italian Stock Exchange. In 2021 it reported a consolidated Adjusted Net Profit of €125.3 million, with a 15.1% Group CET1 ratio at the end of June 2022.

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Consolidated Balance Sheet (Values in €)

| Assets items | 30-Jun-21 | 31-Dec-21 | 30-Jun-22 |
|--|-----------------------|-----------------------|-----------------------|
| Cash and cash equivalents | 787,468,905 | 554,467,803 | 387,238,167 |
| Financial assets measured at fair value through profit or loss | 37,773,484 | 36,598,343 | 38,751,089 |
| <i>a) financial assets held for trading</i> | 4,372,347 | 4,094,816 | 6,979,826 |
| <i>b) financial assets designated at fair value</i> | - | - | - |
| <i>c) other financial assets mandatorily measured at fair value</i> | 33,401,136 | 32,503,527 | 31,771,263 |
| Financial assets measured at fair value through Other Comprehensive Income | 83,560,769 | 83,505,780 | 128,506,575 |
| Financial assets measured at amortized cost | 9,626,630,794 | 10,069,496,866 | 11,262,863,896 |
| <i>a) due from banks</i> | 911,643,848 | 404,099,101 | 693,305,352 |
| <i>b) due from customers</i> | 8,714,986,946 | 9,665,397,765 | 10,569,558,543 |
| Hedging derivatives | 4,174,790 | 13,098 | 8,754,610 |
| Equity investments | 13,209,320 | 13,483,781 | 13,619,411 |
| Property, plant, and equipment | 37,451,565 | 36,451,859 | 50,351,529 |
| Intangible assets | 135,679,445 | 67,547,298 | 65,845,523 |
| <i>of which: goodwill</i> | 111,891,261 | 30,874,236 | 30,874,236 |
| Tax assets | 119,913,895 | 100,518,550 | 79,121,443 |
| <i>a) current</i> | 45,315,569 | 41,389,440 | 23,595,707 |
| <i>b) deferred</i> | 74,598,326 | 59,129,110 | 55,525,736 |
| Other assets | 193,148,626 | 214,613,950 | 411,759,211 |
| Total consolidated assets | 11,039,011,594 | 11,176,697,328 | 12,446,811,453 |

| Liabilities and Equity items | 30-Jun-21 | 31-Dec-21 | 30-Jun-22 |
|--|-----------------------|-----------------------|-----------------------|
| Financial liabilities measured at amortized cost | 9,393,104,644 | 10,010,352,805 | 11,094,568,522 |
| <i>a) due from banks</i> | 926,160,029 | 795,053,359 | 685,894,626 |
| <i>b) due from customers</i> | 8,284,709,975 | 9,029,014,284 | 10,370,037,263 |
| <i>c) securities issued</i> | 182,234,640 | 186,285,162 | 38,636,633 |
| Financial Liabilities Held for Trading | 543,709 | 2,724,511 | 1,954,296 |
| Hedging derivatives | 657,801 | 4,814,350 | 13,808 |
| Tax liabilities | 106,956,722 | 100,684,173 | 100,845,613 |
| <i>a) current</i> | 5,683,063 | 5,027,559 | 2,075,397 |
| <i>b) deferred</i> | 101,273,659 | 95,656,614 | 98,770,216 |
| Other liabilities | 757,575,484 | 460,855,826 | 569,656,101 |
| Employee severance indemnities | 3,843,144 | 3,709,582 | 3,180,782 |
| Provisions for risks and charges: | 21,538,065 | 21,959,653 | 22,510,718 |
| <i>a) guarantees provided and commitments</i> | 219,350 | 293,721 | 33,817 |
| <i>b) pension funds and similar obligations</i> | 5,471,149 | 6,132,998 | 7,852,998 |
| <i>c) other provisions</i> | 15,847,566 | 15,532,934 | 14,623,903 |
| Valuation reserves | 6,319,724 | 5,268,845 | 5,954,114 |
| Reserves | 330,476,658 | 166,903,826 | 237,162,225 |
| Share premium | 66,442,541 | 66,492,997 | 66,492,997 |
| Additional Tier1 | - | - | 150,000,000 |
| Share capital | 142,625,674 | 142,690,771 | 142,849,688 |
| Treasury shares | (1,392,207) | (7,132,434) | (5,027,219) |
| Profit (Loss) for the year | 210,319,634 | 197,372,423 | 56,649,808 |
| Total consolidated liabilities and equity | 11,039,011,594 | 11,176,697,328 | 12,446,811,453 |

Consolidated Income Statement (Values in €)

| Profit & Loss items | 30-Jun-21 | 30-Jun-22 |
|---|--------------------------------|--------------------|
| Interest and similar income | 102,193,906 | 136,111,969 |
| Interest and similar expenses | (24,509,564) | (13,356,595) |
| Net interest income | 77,684,342 | 122,755,374 |
| Fee and commission income | 43,304,618 | 64,319,920 |
| Fee and commission expenses | (11,379,916) | (18,523,108) |
| Net fees and commissions | 31,924,702 | 45,796,812 |
| Dividend income and similar revenue | 3,671,395 | 7,079,953 |
| Gains (Losses) on trading | 2,678,391 | 6,278,724 |
| Fair value adjustments in hedge accounting | (1,847,826) | (14,478,784) |
| Gains (Losses) on disposals/repurchases of: | (12,662,994) | - |
| <i>a) financial assets measured at amortized cost</i> | (15) | - |
| <i>b) financial assets measured at fair value through OCI</i> | (13,109) | - |
| <i>c) financial liabilities</i> | (12,649,870) | - |
| Net income from other financial assets & liabilities at FV | 992,786 | 4,007,101 |
| Net banking income | 102,440,797 | 171,439,180 |
| Impairment losses/reversals on: | 249,275 | (2,442,503) |
| <i>a) financial assets measured at amortized cost</i> | 395,864 | (2,442,503) |
| <i>b) financial assets measured at fair value through OCI</i> | (146,589) | - |
| Net profit from banking activities | 102,690,071 | 168,996,677 |
| Net profit from financial and insurance activities | 102,690,071 | 168,996,677 |
| Administrative expenses: | (82,016,155) | (84,984,816) |
| <i>a) personnel costs</i> | (34,069,284) | (35,600,487) |
| <i>b) other administrative expenses</i> | (47,946,870) | (49,384,329) |
| Net provisions for risks and charges: | 1,690,817 | (3,078,310) |
| <i>a) guarantees provided and commitments</i> | 313,052 | 251,321 |
| <i>b) pension funds and similar obligations</i> | 1,377,765 | (3,329,631) |
| Net adjustments to/writebacks on tangible assets | (2,306,139) | (2,591,892) |
| Net adjustments to/writebacks on intangible assets | (4,234,187) | (3,062,976) |
| Other operating income/expenses | 175,221,995 | 12,043,043 |
| Gains (Losses) on equity investments | 102,922 | 174,906 |
| Profit before tax from continuing operations | 191,149,326 | 87,496,633 |
| Income taxes on profit from continuing operations | 19,170,308 | (30,846,825) |
| Profit after taxes from continuing operations | 210,319,634 | 56,649,808 |
| Profit of the period | 210,319,634⁵ | 56,649,808 |

⁵ Includes the positive impacts of the recognition of badwill from DEPObank transaction and the goodwill tax step-up held in 1H21.

Consolidated capital adequacy

| | 30-Jun-21 | 31-Dec-21 | 30-Jun-22 |
|-----------------------------------|----------------|----------------|----------------|
| <i>Values in €m</i> | | | |
| Credit and Counterparty Risk | 124.8 | 123.2 | 146.4 |
| Market Risk | 0.1 | 0.3 | 0,0 |
| Operational Risk | 51.9 | 50.2 | 50.2 |
| Total capital requirements | 176.8 | 173.7 | 196.6 |
| Risk Weighted Assets (RWA) | 2,210.0 | 2,171.1 | 2,457.1 |

| | | | |
|------------------|--------------|--------------|--------------|
| CET 1 | 410.4 | 382.8 | 370.3 |
| Tier I | - | - | 150.0 |
| Tier II | 98.2 | 98.2 | - |
| Own Funds | 508.7 | 481.1 | 520.3 |

| | | | |
|------------------------------------|--------------|--------------|--------------|
| <i>CET 1 Capital ratio</i> | 18.6% | 17.6% | 15.1% |
| <i>Tier I Capital ratio</i> | 18.6% | 17.6% | 21.2% |
| <i>Total Capital ratio</i> | 23.0% | 22.2% | 21.2% |

Asset quality

| | 30-Jun-2022 (BFF & DEPObank) | | | |
|------------------------------|---------------------------------|----------------|-----------------|----------------|
| | € 000 | Gross | Provisions | Net |
| Non-performing loans (NPLs) | | 96,164 | (15,442) | 80,722 |
| Unlikely to pay | | 18,420 | (4,346) | 14,074 |
| Past due | | 33,963 | (98) | 33,865 |
| Total impaired assets | | 147,551 | (18,890) | 128,661 |

| | 31-Dec-2021 (BFF & DEPObank) | | | |
|------------------------------|---------------------------------|----------------|-----------------|----------------|
| | € 000 | Gross | Provisions | Net |
| Non-performing loans (NPLs) | | 88,736 | (16,503) | 72,233 |
| Unlikely to pay | | 17,505 | (5,092) | 12,413 |
| Past due | | 19,486 | (58) | 19,428 |
| Total impaired assets | | 125,727 | (21,652) | 104,075 |

| | 30-Jun-2021 (BFF & DEPObank) | | | |
|------------------------------|---------------------------------|----------------|-----------------|---------------|
| | € 000 | Gross | Provisions | Net |
| Non-performing loans (NPLs) | | 91,852 | (17,385) | 74,468 |
| Unlikely to pay | | 18,750 | (4,431) | 14,319 |
| Past due | | 2,149 | (51) | 2,097 |
| Total impaired assets | | 112,751 | (21,867) | 90,884 |

| | 30-Jun-2020 ⁶ | | | |
|------------------------------|--------------------------|----------------|-----------------|----------------|
| | € 000 | Gross | Provisions | Net |
| Non-performing loans (NPLs) | | 79,743 | (14,156) | 65,588 |
| Unlikely to pay | | 18,350 | (2,283) | 16,067 |
| Past due | | 49,915 | (1,048) | 48,868 |
| Total impaired assets | | 148,008 | (17,487) | 130,522 |

⁶ BFF Reported data as of 30th June 2020, before the application of the "New Definition of Default"