

Further clarifications on the outcome of Bank of Italy inspection

Milan, 10th May 2024 – BFF Bank S.p.A. (“**BFF**”, the “**Bank**” or the “**Group**”), following discussions with its shareholders and relative feedback received, announces the following.

In the context of the delivery of the Inspection Report and within the interactions with BFF, the Bank of Italy - despite the compliance findings - expressed its conviction that the renewed corporate bodies, in their entirety, could make an important contribution to the prompt resolution of the critical issues, and that the findings, on the basis of Bank’s experience, do not imply an increase in the credit losses of the Group’s portfolio, having instead to do with reporting profiles for prudential purposes.

For its part, the Board of Directors confirmed its full confidence in the CEO, Massimiliano Belingheri, and initiated a frank and constructive dialogue with the Supervisory Authority, in order to arrive at a prompt resolution of the findings.

The existing BFF policy on dividend will be resumed after the lifting by Bank of Italy of the temporary suspension of dividend payments.

During the inspection, BFF produced for the Bank of Italy an extreme scenario for the classification of the loan portfolio as of 30th June 2023, based on the non application of mitigants used at that date, which have been subject to compliance findings.

This scenario, assuming that for the prudential backstop application the days count starts from the Past Due reporting date, could have generated – an increase in Past Due of c. €1,292m, with incremental RWA for c. €1,722m, resulting in incremental €207m capital needed to reach the dividend capital target of 12%¹.

This would be covered by:

1. excess capital as of 31st March 2024 vs. the consolidated CET1 ratio target (equal to 12%), of €49m;
2. excess capital already generated in the 1Q24, of €41.5m;

¹ This compares with a CET1 SREP ratio of 9%.

3. the increase in the accrual rate of Late Payment Interests and Recovery Rights (from current 50% to 60 / 70%), estimated in a one-off capital step up of c. €70m / €140m.

In the hypothesis of the 70% accrual rate, the Bank would have capital of c. €24m in excess of its CET1 ratio dividend target.

In the hypothesis of the 60% accrual rate, the Bank would be significantly above its SREP requirements but would need to retain c. €45m of additional earnings to be generated in 2024 before reaching its CET1 ratio dividend target².

Furthermore, this conservatively assumes no activation of further managerial levers and options available to the Bank, such as other mitigants, the selective sale of receivables and the use of the Facility Level Approach following the potential implementation of AIRB, on which BFF is already working.

As disclosed, the Regulator has asked the Bank, to reconsider its application of the past due regulations by July and to update the classification of the loan portfolio, explaining the differences with the extreme scenario.

This press release includes projections and other “forward-looking” statements. Any such projections or statements reflect the current views of the Bank about future events and financial performance. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties.

The Board believes, as stated in the previous communication to the market, that the outlook and the underlying risk profile of the business remains unchanged.

² The results of the estimates are to be considered preliminary and could change by updating, among other things, the extreme scenario on the credit portfolio as of 31st March 2024.

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 2023 it reported a consolidated Adjusted Net Profit of €183.2 million, with a 13.5% Group CET1 ratio at the end of March 2024.

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