Half-Yearly Consolidated Financial Report

2022

BFF

The works of art reproduced in this report were created by the artist Valerio Adami, and they are part of Farmafactoring Foundation's contemporary art collection.

The entire collection of about 250 works from the post-war period to the early 2000s created by artists such as Valerio Adami, Enrico Baj, Alberto Burri, Hsiao Chin, Mario Schifano, Arnaldo Pomodoro and Joe Tilson is permanently on display at BFF's Italian offices in Milan and Rome.

The first half of 2021 saw the distribution of the art book, in English, published by Skira editore Milan Genève Paris, ***Art Factor. The Pop Legacy in Post-War Italian Art***, which recounts the Italian journey towards Pop Art through the works of Valerio Adami, Franco Angeli, Enrico Baj, Lucio Del Pezzo, Gianfranco Pardi, Mario Schifano and Emilio Tadini.

The art volume represents the first step in a more extensive project involving the promotion of the collection abroad, in a travelling exhibit throughout Europe, which will end in 2023.

www.art-factor.eu

BFF Bank S.p.A.
Parent of the BFF Banking Group
Registered Office in Milan - Via Domenichino 5
Share Capital €142,851,591.88 (fully paid-in)
Milan Company Register no.,
Tax Code and VAT no. 07960110158

COURTESY TRANSLATION

Half-Yearly Consolidated Financial Report at June 30, 2022

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Report on Operations

BFF 2023: a bank *like no other*

BFF is the largest specialized finance operator in Italy, as well as one of the leaders in Europe in the management and non-recourse factoring of trade receivables due from Public Administrations, Securities Services and payment services.

	SECTOR LEADER	CUSTOMERS
Factoring & Lending	#1 in public sector factoring in **EUROPE**	Suppliers of Public Entities Large multinationals Hospitals and Municipalities
Securities Services	#1 Independent custodian bank in **ITALY**	Domestic asset managers and banks Pension Funds, Mutual Funds and Investment Funds Social Insurance Funds, Foundations, Social Security Institutions
Payment Services	#1 in intermediary services in **ITALY**	Banks, Payment Institutions and IMELs Corporates Partnership with Nexi

OFFER	OPPORTUNITY
Non-Recourse Factoring Financing for the public sector and healthcare Credit Management	> €400 billion in trade receivables per year < 10% market penetration
Custodian Global custody Fund accounting Transfer agent	Long-term growth in assets under management and administration in Italy
Payment intermediary Corporate payments Cheques and bills	Epochal transition from cash payments to digital payments in Italy

ORGANIC GROWTH

Evolution of BFF: Leader in Europe

1985-2009

BFF is born and establishes itself in the market

Founded by a group of **pharmaceutical companies** to respond to their needs of managing and collecting trade receivables from the healthcare system, BFF immediately became a **leader in the market**.

2010-2014

Resilient during the crisis, the process of internationalization and transformation begins

Expansion into **new European countries**: in **Spain** in 2010; in **Portugal** in 2014.

BFF products and services are offered to **all suppliers of public bodies**, always in line with the needs of their customers.

It becomes a bank in 2013.

2015-2020

Listing and European leadership

BFF grows in **Central and Eastern Europe** through a major acquisition in Poland (2016), and is listed on the **Italian stock exchange** (2017).

The international offer is also present in **Greece**, **Croatia** and **France**.

The business in Spain is consolidated with the acquisition of **IOS Finance** (2019).

TODAY

Leader in specialized finance

BFF is the only pan-European platform – **present in nine countries** – specialized in the management and non-recourse purchase of trade receivables from the Public Administration and national health systems. **In 2021** the merger with DEPObank extends the scope of activity and expertise to **Securities Services and banking payment services, for which it is a leader in Italy.**


LEADER IN MARKETS WITH ABUNDANT GROWTH OPPORTUNITIES
STABLE CUSTOMER BASE WITH HIGH CREDITWORTHINESS
SPECIALIZED IN MARKETS WITH HIGH ENTRY BARRIERS
PROVEN STRATEGY EXECUTION CAPABILITY
HIGH CAPITAL GENERATION AND DIVERSIFICATION IN ASSETS WITH LOW CAPITAL ABSORPTION
AMPLE AVAILABILITY OF LOW-COST FUNDING
EXPERIENCED MANAGEMENT TEAM
Positioned to excel and ensure sustainable results

Business model and the value creation process

The Group operates in Italy, Croatia, France, Greece, Spain and Portugal, where it engages in non-recourse factoring and credit management activities with respect to the Public Administration. It also has operations in Poland, the Czech Republic and Slovakia, offering a diversified range of financial services designed for ensuring access to credit as well as providing liquidity and solvency support to the private system of companies that interface with the Public Administration.

In addition to the Factoring & Lending services mentioned above, the Group is a leader in Italy in Securities Services and banking payment services, serving more than 400 clients including investment funds, banks, payment and money institutions, large corporations and Public Administrations, following the merger with DEPObank in March 2021.

BFF manages operational complexity, facilitates cost reduction and eliminates risks for customers, including through:

FACTORING & LENDING

- **The optimization of liquidity** and the management of working capital of private businesses operating with the Public Administration.
- **Planning and maintenance of a target collection time**, irrespective of the actual payment times of the Public Administrations.
- **Improvement in financial statement ratios**, thanks to the possibility of definitively deconsolidating exposure to public agencies.
- **Reduction in operating costs**, thanks to revolving agreements for the assignment of trade receivables and an integrated business model that combines non-recourse factoring and credit management services to guarantee the best possible performance on loans and receivables.
- **Direct funding of public bodies** in Central and Eastern Europe, with vendor finance solutions and loans for medium/long-term investments.
- **Multi-country operations**, for a better and more efficient management of country risk and the exposure of multinationals to the nine European countries that the Group operates in.

The business model described above is based on core values, such as:

- honesty,
- transparency,
- respect for people,
- enhancement of resources,

ensuring leadership in innovation and execution in BFF's target markets.

SECURITIES SERVICES

PAYMENTS

- **The structural reduction of costs** for the customer thanks to outsourcing services that guarantee constant adaptation to and compliance with the regulatory framework without the financial burden that usually follows.
- A single interlocutor – "**one stop shop**" – for all back office services for better **cost efficiency and management**.
- **Rapid, customized solutions** thanks to a superior flexibility and agility in managing customer needs.
- **Operational simplification for PSPs*** thanks to a single interbank account, which can be monitored in real time, to join all Italian and European payment services at the same time.

*Payment Services Providers

Sustainability in the BFF business model

The business model described on the previous pages is based on core values, such as honesty and transparency, respect for and enhancement of resources, ensuring leadership in innovation and execution in its reference market.

Consolidated Non-Financial Disclosure

In order to provide more comprehensive and transparent disclosure as well as improve its communications with stakeholders, BFF drafted a **Consolidated Non-Financial Disclosure** as early as 2019 on a voluntary and annual basis in compliance with Italian Legislative Decree no. 254/2016. BFF Banking Group's Consolidated Non-Financial Disclosure is separate from this interim Report on Operations, as per Art. 5, paragraph 3, letter b) of Italian Legislative Decree 254/16, and available, in its third edition, at the website www.bff.com in Italian and English.

Our Mission

Be the leaders in innovation, customer service and execution in our reference markets, with a low risk profile and high operational efficiency, aligned with the best corporate governance practices for public companies.

Our Vision

Be a leader in specialty finance niches in Europe, leveraging on our leadership position in financial services to the suppliers of the Public Administrations.

Our Values

The core values of the Group, which are also set out in the Code of Ethics, can be summarized as follows:

People

We value our people and invest in them, promoting merit and inclusion.

Integrity

We operate with honesty and transparency.

Excellence

We ensure timely execution and completion to our clients.

In order to identify the sustainability issues most relevant to its business and consistent with the Group's values and mission, BFF started a **materiality analysis** process back in 2019.

The matrix, made up of two Cartesian axes where the x-axis indicates the importance of the issue for the Group, and the y-axis the importance for the stakeholders, establishes the relevance in terms of current and potential impacts that each issue has on the Group's ability to generate value in the long term.
The topics that are placed in the highlighted quadrant are the material ones, i.e. those that can reasonably be considered important in reflecting the organization's impacts, or influencing stakeholders' decisions.

Social impact of operations, *Responsible supply chain management* and *Responsible management of environmental impacts* are excluded from this cluster. Although not specifically relevant to the Group's type of business, these issues are nevertheless addressed and duly reported in the Consolidated Non-Financial Disclosure prepared on an annual basis.

MATERIALITY MATRIX

ETHICS AND INTEGRITY

- Business ethics

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

- Responsible supply chain management

SOCIAL RESPONSIBILITY

- Social impact of operations

ACCOUNTABILITY TO PEOPLE

- Group workforce mix and diversity
- Professional development of human capital
- Workers' health and safety
- Respect for human rights

QUALITY OF SERVICE AND TRUST-BASED RELATIONS

- Quality of service
- Trust and transparency in the relation with customers
- Cyber security and technological innovation

ENVIRONMENTAL RESPONSIBILITY

- Responsible management of environmental impacts

Main ESG target achieved in the first half of 2022: Sustainability Management Committee

In line with the objectives declared in the publication of the 2021 Consolidated Non-Financial Disclosure, BFF continued on its path towards the **ESG transition**, starting precisely with the integration of ESG factors into its **strategy** and envisaging a gradual **path** aimed at achieving sustainable success and the concrete creation of long-term value for the benefit of its internal and external stakeholders, including through the creation of a sustainability committee.

On July 28, 2022, BFF Bank's Board of Directors established the ESG Committee as a body of a managerial nature with propositional and advisory functions to the Chief Executive Officer regarding assessments and decisions relating to sustainability issues – commonly known as Environmental, Social & Governance ("ESG") – connected to the Bank's and the Group's business operations and its dynamics of interaction with all stakeholders, approving its Rules.
More specifically, the Committee has investigative duties vis-à-vis sustainability matters to be submitted to the CEO, supporting the latter in managing all social responsibility issues and ensuring the Group's positioning on these matters in the various areas of reference.

The establishment of a Sustainability Committee:

- testifies to the importance BFF attaches to integrating sustainability issues into its business operations, and to promoting a culture of sustainability within the organization.
- enables the cross-sectoral management and integration of sustainability issues within the business, ensuring the commitment and participation of all functions.
- allows the effective, homogeneous and coordinated management of sustainability-related processes and initiatives.
- enables the development of a defined and shared governance for the identification of strategic management priorities, so that they are measurable and verifiable for all functions.

Work environment and corporate culture:

THE WORK ENVIRONMENT

In 2022, with the gradual return to the workplace, the new offices in the cities of Madrid and Lodz, already energy-efficient and highly inclusive, took an even more central role in the company's sustainability policies.
It is a journey that started in 2019 and that looks forward to 2024 as the year when BFF's Milan headquarters will also move to new offices, characterized by the highest standards of environmental sustainability and employee well-being, being LEED and WELL certified.

Furthermore, in April BFF adopted a **Teleworking Model** that allows all employees in Italy, Poland and Spain – and gradually being applied in all the countries where the Group operates, except for activities that can only be partially remote – the possibility of teleworking for some days a week, and establishes that two of the three days in the workplace are the same for everyone, so as to facilitate interpersonal relations, the cooperative organization of work, and to make possible the initiatives organized by the company to promote teamwork and engagement.

INTERNAL CULTURE AND TRAINING

All the Group's training is carried out within the framework of the BFF Academy, founded in 2019 and aimed at ensuring the development of skills and training for all Group employees.

BFF Academy covers four macro-areas, identified as follows:

- **Onboarding Journey**: to aid with the entry of new employees at BFF.
- **Cross Tools & Processes**: includes technical courses on BFF systems and processes, and among other things covers the areas of project management and language courses.
- **Business Area**: includes professional training courses and conferences, specific refresher and professional training.
- **Soft Skills**: for training aimed at improving relational, professional and managerial skills.

Specifically, the aims of the training project are to: (i) disseminate the Group's strategic values and objectives, (ii) increase the knowledge and skills necessary to generate value from production processes, and (iii) strengthen the Group's organizational culture and provide training to support business objectives.

To achieve the objectives described above, in the first half of 2022 **9,187.2 hours** of instruction were provided, approximately 11 hours per person, throughout the Group.

Specifically, the breakdown of BFF Academy training hours by macro-area is shown below, with further details on mandatory training, which is part of the Cross Tool & Processes Area:

Onboarding Journey	Cross Tools & Processes		Business	Soft Skills
713.07	2,277.33	Mandatory 3,703,32	2,307.48	186

SOCIAL AND CULTURAL INITIATIVES

Hand in hand with the core business, the social dimension is relevant at BFF as a constant stimulus to observe reality under new and different perspectives, and thus contribute to an ever-increasing willingness of employees to innovate, improve and enhance the reality the Group operates in.

In this context various initiatives were carried out, mainly focused on:

- **Support for the most vulnerable**
- **Scientific research**
- **Promotion of art and culture**

Regarding the first point, following the Russia/Ukraine conflict, BFF felt it necessary to support **charitable initiatives for Ukraine** and its people. Donations were made to major associations in Poland and Slovakia, with programmes to support the emergency in Ukraine. Action was also taken to donate a fully equipped ambulance at the disposal of one of the Group's companies, MedFinance, to the Poland-Ukraine Association, which was delivered to Mariupol in April.

In response to the request of all employees, who expressed their desire for greater involvement in charitable initiatives in support of Ukraine and its people, a special bank account was also opened for internal fundraising, which was matched by BFF, and in partnership with Fondazione Fiera Milano and Fondazione Progetto Arca donated to provide concrete help for Ukrainian refugees currently in Poland.

Many other charitable initiatives were organized, including the decision to provide a free deposit bank service for donations to a number of specific campaigns, including the Italian Red Cross, Save The Children, Soleterre, AVSI Foundation and UNHCR.

A more detailed presentation on these initiatives will be provided in the 2022 Consolidated Non-Financial Disclosure, prepared on an annual basis.

Among the initiatives of social and cultural interest, a central dimension has always been **scientific research**. BFF's ongoing commitment in this area has been made possible thanks to the **Fondazione Farmafactoring**, which was set up to analyse, represent and disseminate the management models, structures and governance of healthcare systems and public administrations in Italy and Europe.

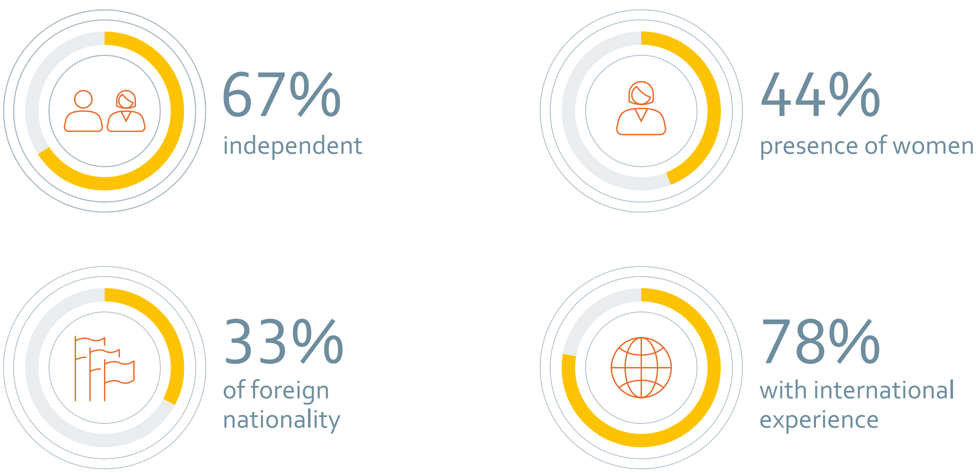
Also in 2022, BFF decided to contribute to the Foundation's activities with a donation of €520,000, similar with previous years, and commissioned specific research projects.
It also appointed a new Board of Directors in May 2022 with the mandate to update the Foundation's strategy in keeping with the times and needs of the stakeholders .

In July 2022, BFF also announced the creation of **BFF Insights**, the Group's new research area, which will continue and strengthen the research and analysis that has always distinguished BFF's relationship with its customers and stakeholders.

Lastly, the initiative linked to the **promotion of art and culture** as driving forces for pursuing the development of companies and society continues through the project ***ART FACTOR - The Pop Legacy in Post-War Italian Art*** (www.art-factor.eu).

Governance

Also in the context of a sustainable business model is the dimension of governance in the form of a Board of Directors whose composition today meets all the best standards of professional experience, gender diversity, international profile, and independence:



BFF adopts a traditional governance and control model, based on two corporate bodies appointed by the Shareholders' Meeting:

- the **Board of Directors**, acting as the body entrusted with the strategic supervision of the company, and
- the **Board of Statutory Auditors**, acting as the body entrusted with control functions.

Corporate governance also requires the Board of Directors to appoint a Chief Executive Officer from among its members to whom the management of the bank is entrusted.
The Bank complies (in the manner reported in the "**2020 Report on Corporate Governance and Ownership Structure**") with the Corporate Governance Code for listed companies, as defined by the Corporate Governance Committee established by the business associations (*ABI, ANIA, Assonime, Confindustria*) and the professional investors association (*Assogestioni*) and the Italian Stock Exchange. This Code was approved on January 31, 2020, and has been in force since January 1, 2021 (the "**Corporate Governance Code**").
BFF's governance model is aligned with the best market practices of public companies, and is consistent with the principles of the Corporate Governance Code of listed companies.

In 2017 the Board of Directors adopted a succession plan for the Chief Executive Officer. Note that a self-assessment of the Board of Directors is performed on an annual basis. The independent directors meet periodically in order to discuss issues relating to corporate governance.

Indeed, with specific regard to Environment, Social and Governance ("ESG") responsibilities, in 2020 the Board of Directors assigned fact-finding, advisory and proposing functions to the Control and Risks Committee, and more generally tasking it to support the Board of Directors with respect to topics related to sustainability, as well as the periodic review of updates on the progress of actions in this area.

ETHICS AND INTEGRITY

Ethics and integrity are the pillars of BFF's governance. The Group's **Code of Ethics**, the **Code of Conduct** and the **231 Model** are the elements through which these two areas are supervised, not to mention the Anti-Money Laundering Policy which BFF followed up on with the completion of the Wolfsberg Group Correspondent Bank Due Diligence Questionnaire.

The introduction of an additional **whistleblowing channel** is also worthy of note, as it will allow BFF employees to submit fully anonymous reports through a portal managed by third parties, available and reachable 24/7/365. All other channels, both for employees and third parties, are always active, as outlined in the Code of Ethics and Model 231.

Corporate bodies

BOARD OF DIRECTORS

Chairman	Salvatore Messina
Chief Executive Officer	Massimiliano Belingheri
Vice Chairman	Federico Fornari Luswergh
Directors	Anna Kunkl (*) Michaela Aumann Piotr Henryk Stępniak Domenico Gammaldi Monica Magrì (**) Giovanna Villa

The Board of Directors was appointed by the Shareholders' Meeting held on March 25, 2021 and its term of office will end on the date of the Meeting convened to approve the Financial Statements at December 31, 2023.

(*) Appointed by co-option by the Board of Directors on March 1, 2022, to replace Ms. Amélie Scaramozzino, who resigned as of February 24, 2022, whose appointment was confirmed by the Shareholders' Meeting of March 31, 2022.

(**) Appointed by co-option by the Board of Directors on February 10, 2022, to replace Ms. Barbara Poggiali, who resigned on February 3, 2022, whose appointment was confirmed by the Shareholders' Meeting of March 31, 2022.

ROLE OF MEMBERS OF THE BOARD OF DIRECTORS AND INDEPENDENCE REQUIREMENTS

NAME	OFFICE IN BFF	EXECUTIVE	NON-EXECUTIVE	INDEPENDENCE	
				PURSUANT TO THE CONSOLIDATED LAW ON FINANCE	PURSUANT TO THE CORPORATE CORPORATE GOVERNANCE
Salvatore Messina	Chairman		✓		
Federico Fornari Luswergh	Deputy Chairman		✓		
Massimiliano Belingheri	Chief Executive Officer	✓			
Anna Kunkl (*)	Director		✓	✓	✓
Michaela Aumann	Director		✓	✓	✓
Piotr Henryk Stepniak	Director		✓		
Domenico Gammaldi	Director		✓	✓	✓
Monica Magrì (**)	Director		✓	✓	✓
Giovanna Villa	Director		✓	✓	✓

(*) Appointed by co-option by the Board of Directors on March 1, 2022, to replace Ms. Amélie Scaramozzino.

(**) Appointed by co-option by the Board of Directors on February 10, 2022, to replace Ms. Barbara Poggiali.

The composition of BFF's Board of Directors meets the diversity and gender criteria recommended by the Corporate Governance Code as set out in the Corporate By-laws the Board of Directors' Regulations and the Board of Directors' Diversity Policy, most recently approved by the Board on July 28, 2021. This Policy defines the ideal characteristics of the composition of the Board of Directors, covering aspects such as age, gender composition, education and professional background, so that the Board of Directors may effectively carry out its duties, making its decisions on the basis of a different, qualified and diverse point of view.

BOARD OF STATUTORY AUDITORS

Chairwoman	Nicoletta Paracchini
Standing Auditors	Fabrizio Riccardo Di Giusto Paolo Carbone
Alternate Auditors	Carlo Carrera Francesca Masotti

The Board of Statutory Auditors was appointed by the Shareholders' Meeting held on March 25, 2021 and its term of office will end on the date of the Meeting convened to approve the Financial Statements at December 31, 2023.

Note that, on February 18, 2022, Ms. Paola Carrara, Chairwoman of the Board of Statutory Auditors, resigned effective as of the earlier of (i) the date of the Shareholders' Meeting called to approve the Group's financial statements at December 31, 2021 and (ii) March 31, 2022.

On April 22, 2022, Ms. Mezzabotta – formerly Alternate Auditor of the Bank, elected in the only list presented at the Ordinary Shareholders' Meeting of March 25, 2021 – had taken over the position of Standing Auditor and Chairwoman of the Board of Statutory Auditors pursuant to the law and the Articles of Association following the resignation on the same date by Ms. Francesca Sandrolini, appointed by the Shareholders' Meeting of March 31, 2022.

Following the resignation of Ms. Mezzabotta due to the fact that she exceeded the limit for the number of positions held, in accordance with the law and the Articles of Association and pending the convening of the Shareholders' Meeting, on May 6 Mr. Carlo Carrera, already Alternate Auditor elected in the only list submitted to the Ordinary Shareholders' Meeting of March 25, 2021, took over the position of Standing Auditor and Chairman of the Board of Statutory Auditors.

Lastly, on June 22, 2022 the Ordinary Shareholders' Meeting of BFF Bank S.p.A. completed the Board of Statutory Auditors by appointing Ms. Nicoletta Paracchini as Standing Auditor and Chairwoman of the Board of Statutory Auditors, and Ms. Francesca Masotti and Mr. Carlo Carrera as Alternate Auditors.

INDEPENDENT AUDITORS

KPMG S.p.A.

FINANCIAL REPORTING OFFICER

Claudio Rosi

Committees

REMUNERATION COMMITTEE

NAME	QUALIFICATIONS	POSITION
Giovanna Villa (*)	Independent Director	Chairperson
Domenico Gammaldi (**)	Independent Director	Committee Member
Piotr Henryk Stepniak	Non-Executive Director	Committee Member

(*) Appointed on February 10, 2022, to replace Ms. Barbara Poggiali.
(**) Appointed on March 1, 2022, to replace Ms. Amélie Scaramozzino.

COMMITTEE FOR THE EVALUATION OF TRANSACTIONS WITH RELATED PARTIES AND ASSOCIATED ENTITIES

NAME	QUALIFICATIONS	POSITION
Anna Kunkl (*)	Independent Director	Chairperson
Giovanna Villa	Independent Director	Committee Member
Michaela Aumann	Independent Director	Committee Member

(*) Appointed March 31, 2022.

NOMINATIONS COMMITTEE

NAME	QUALIFICATIONS	POSITION
Domenico Gammaldi	Independent Director	Chairperson
Monica Magrì (*)	Independent Director	Committee Member
Federico Fornari Luswergh	Non-Executive Director	Committee Member

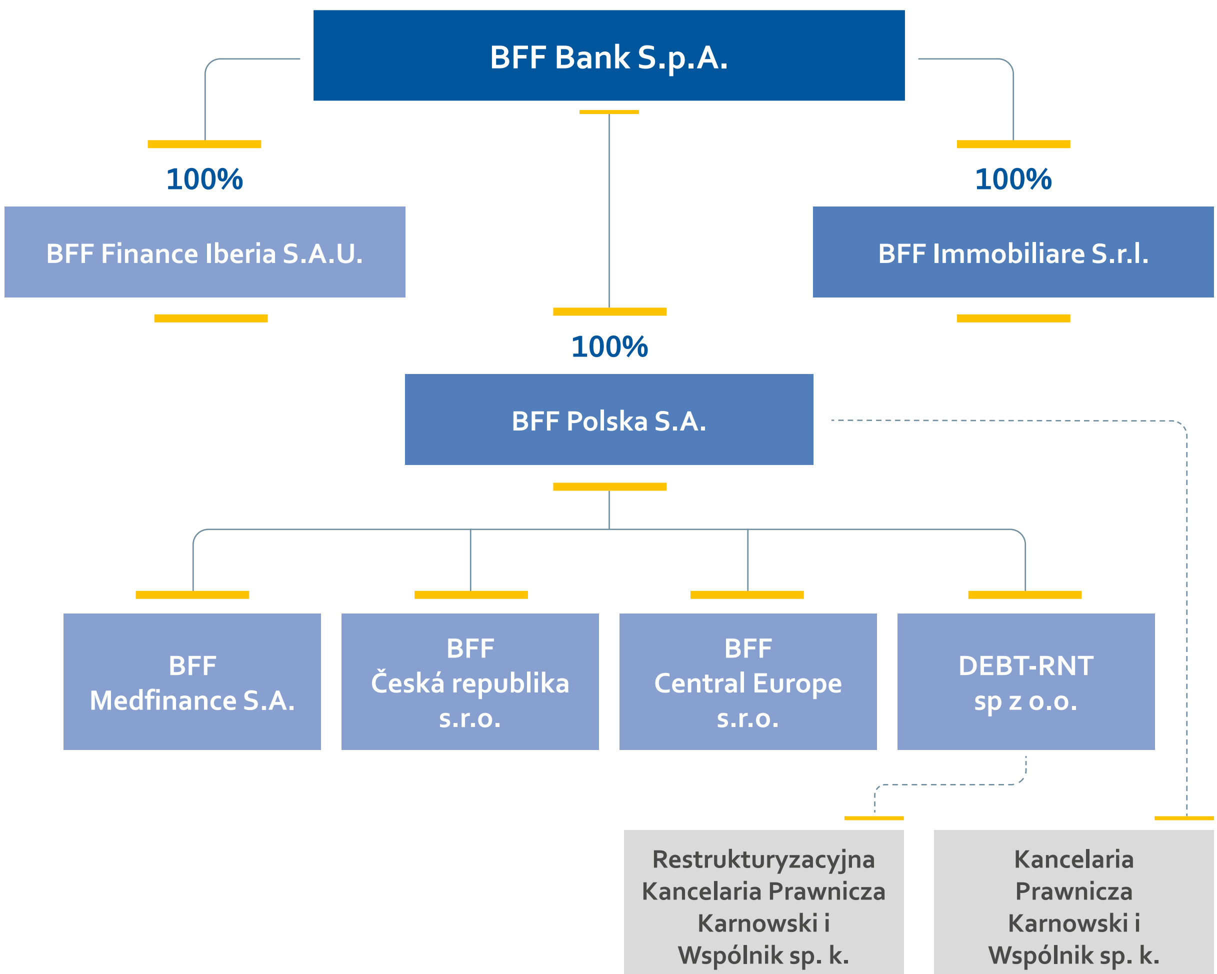
(*) Appointed on February 10, 2022, to replace Ms. Barbara Poggiali.

CONTROL AND RISKS COMMITTEE

NAME	QUALIFICATIONS	POSITION
Michaela Aumann	Independent Director	Chairperson
Domenico Gammaldi	Independent Director	Committee Member
Federico Fornari Luswergh	Non-Executive Director	Committee Member

As of 2020, the Board of Directors assigned the following responsibilities in the Environment, Social and Governance ("ESG") area to the Control and Risk Committee: investigative, advisory and propositional functions, and more generally support to the Board of Directors on sustainability issues, including the periodic review of updates on the progress of sustainability measures and the consequent impact on the NFD.

Group structure



At June 30, 2022, BFF Banking Group included the Parent BFF Bank S.p.A. and the following companies:

Company name	Registered and operating office	Relationship type[1]	Ownership relationship		Voting rights %[2]
			Held by	Holding %	
1. BFF Immobiliare S.r.l.	Milan, Via Domenichino 5	1	BFF Bank S.p.A.	100%	100%
2. BFF Finance Iberia, S.A.U.	Madrid - Paseo de la Castellana 81	1	BFF Bank S.p.A.	100%	100%
3. BFF Polska S.A.	Łodz - Jana Kilińskiego, 66	1	BFF Bank S.p.A.	100%	100%
4. BFF Medfinance S.A.	Łodz - Jana Kilińskiego, 66	1	BFF Polska S.A.	100%	100%
5. BFF Česká republika s.r.o.	Prague - Roztylská 1860/1	1	BFF Polska S.A.	100%	100%
6. BFF Central Europe s.r.o.	Bratislava - Mostova 2	1	BFF Polska S.A.	100%	100%
7. Debt-Rnt sp. Z O.O.	Łodz - Al. Marszalka Jozefa Piłsudskiego 76	1	BFF Polska S.A.	100%	100%
8. Komunalny Fundusz Inwestycyjng Zamknięty	Warsaw - Plac Dąbrowskiego 1	4	BFF Polska S.A.	100%	100%
9. MEDICO Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty	Warsaw - Plac Dąbrowskiego 1	4	BFF Polska S.A.	100%	100%
10. Kancelaria Prawnicza Karnowski i Wspólnik sp.k.	Łodz - Jana Kilińskiego, 66	4	BFF Polska S.A.	99%	99%
11. Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspolnik sp.k.	Łodz - Al. Marszalka Jozefa Piłsudskiego 76	4	Debt-Rnt sp. Z O.O.	99%	99%

As far as points 8 and 9 are concerned, voting rights refer to the investors' right to vote at the Meeting.

The companies in points 10 and 11 above are limited partnerships and are consolidated according to the equity method since their total asset figures are not significant.

On January 19, 2022, the company BFF Immobiliare S.r.l., a wholly owned subsidiary of BFF Bank S.p.A., was established. This company was established with a view to finalizing the Casa BFF operation, which involved the purchase of a buildable area and the subsequent development of an office building which will become the new registered office of the BFF Group and will house all of the Bank's personnel present in the city of Milan, who are currently divided between three different buildings.
BFF Bank also holds a 26.46% stake in Unione Fiduciaria S.p.A., which is consolidated with the equity method (and not in its entirety), as it is a company subject to significant influence.

The measurement criteria are adopted with a view to a going concern and comply with the principles of accruals, relevance and materiality of accounting information and the precedence of economic substance over legal form.

Key:

(1) Type of relationship:
- 1 = having the majority of voting rights at ordinary shareholders' meetings
- 2 = dominant influence at the ordinary shareholders' meeting
- 3 = arrangements with other shareholders
- 4 = other forms of control

(2) Voting rights at ordinary shareholders' meetings, distinguishing between actual and potential voting rights or percentage of shares.

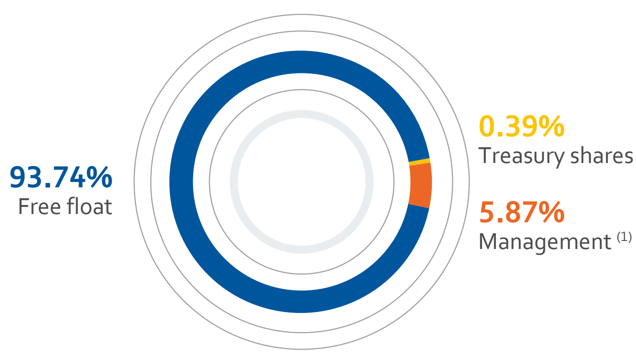
Shareholder structure

The composition of BFF's shareholding structure as at June 30, 2022 reflects the outcome of the sale procedure on the market through an Accelerated Book-Building concluded on March 9, 2022 of approximately 14 million ordinary shares of BFF held by Equinova UK HoldCo Limited (see the section "Key Events in the Group"), and the share capital increases to service the stock option plans that took place in the first half of the year and were disclosed to the market.

As of June 30, 2022, therefore, the Bank's free float, already over 80% as of December 31, 2021, had reached 100% of the share capital, confirming its position as one of the few truly shareholder-driven listed businesses in Italy.

As of June 30, 2022, Management and their Closely Associated Persons held 5.87% of the share capital, up from 5.59% as of December 31, 2021. Treasury shares held by the Bank – 717,731 – amount to 0.39% of the share capital.

TOTAL NUMBER OF SHARES ISSUED: 185,519,076



Source: Forms 120A - 120B - 120D and Internal Dealing communications. Percentage is calculated based on the total number of shares issued at 06/30/2022

(1) As at 06/30/2022 the Chief Executive Officer Massimiliano Belingheri and his Closely Associated Persons (Bray Cross Ltd. and Scalve S.à. r.l., The Bomi Trust and Bomi S.a.r.l.) held 10.60 million BFF shares, for a quota equal to 5.72% of the share capital, the remaining quota of the management refers to the BFF shares held by the 4 vice presidents in office at that date and by their respective Closely Associated Persons.

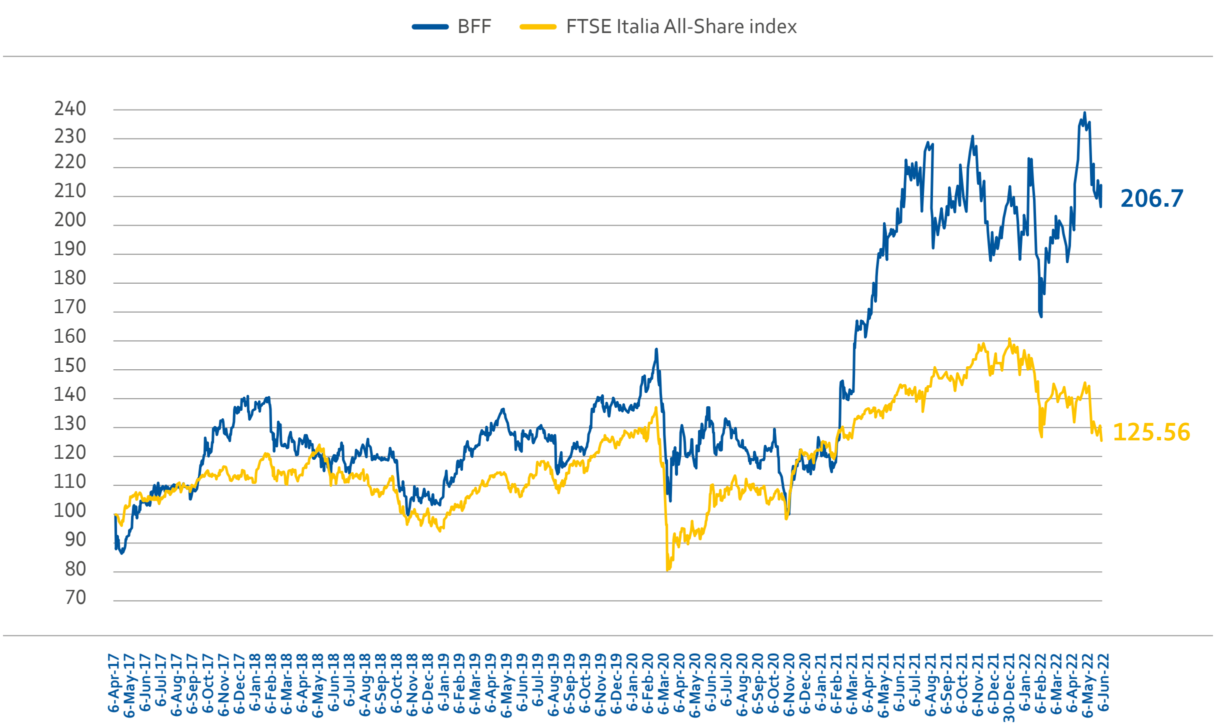
With regard to the options granted under the 2016 Stock Option Plan, as at June 30, 2022, 1,465,780 options had been granted, of which 232,000 were not yet exercisable. The number of options outstanding as at December 31, 2021 was 2,524,684. Note that 1,035,896 options were exercised during the first half of 2022.

With regard to the 2020 Stock Option Plan, 8,384,500 options were granted, exercisable starting in 2023, while with regard to the 2022 Stock Option Plan 2,204,000 options were granted in the first half of the year, exercisable starting in the second half of 2025.

Share performance

The BFF Bank stock (ISIN Code: IT0005244402 – Italian stock exchange ticker: BFF) has been traded on the Mercato Telematico Azionario (MTA) of Borsa Italiana since April 7, 2017, "Finance" Industry and "Financial Services" Super Sector.
The BFF share price at June 30, 2021 was €6.42, up by 37% over the IPO share placement price of €4.70. From listing to June 30, 2022, the Bank distributed a total gross dividend of €2.619 per share). Taking into consideration the distributed dividends, and assuming them to be reinvested in the BFF share on ex-date, total return for shareholders at June 30, 2022 compared to the IPO placement price was 107%. The FTSE Italia All-Share Index total return was 26%.

TOTAL RETURN WITH REINVESTED DIVIDENDS FROM THE IPO



At June 30, 2022, it is part of the following FTSE indexes: FTSE Italia All-Share; FTSE Italia All-Share Finanza; FTSE Italia All-Share Servizi Finanziari; FTSE Italia All Share Mid Cap Index - Specialty Finance; FTSE Italia All Share Small Cap Index - Specialty Finance; FTSE Italia Mid Cap; FTSE Italia PIR Mid Small Cap; FTSE Italia PIR PMI All; FTSE Italia PIR PMI Cap; FTSE Italy SMID Cap Tradable Plus Index; and the following STOXX and iSTOXX indices: EURO STOXX Total Market; EURO STOXX Total Market ESG-X; EURO STOXX Total Market Financial Services; EURO STOXX Total Market Financials; EURO STOXX Total Market Small; STOXX All Europe Total Market; STOXX Developed Markets Total Market; STOXX Developed Markets Total Market ESG-X; STOXX Developed Markets Total Market Small; STOXX Developed and Emerging Markets Total Market; STOXX Europe Total Market; STOXX Europe Total Market ESG-X; STOXX Europe Total Market Financial Services; STOXX Europe Total Market Financials; STOXX Europe Total Market Small; STOXX Europe ex UK Total Market; STOXX Europe ex UK Total Market Small; STOXX Global Total Market; STOXX Italy Total Market; iSTOXX Europe Multi-Factor XC; iSTOXX Europe Value Factor; iSTOXX Italy Small Mid Cap; iSTOXX PPF Responsible SDG. BFF shares are also included in various MSCI indices (including MSCI Europe Small Cap Index, MSCI EMU Small Cap index and MSCI Financials Index).

Ratings

As at June 30, 2022, the ratings assigned to BFF in 2022 by the agency Moody's were unchanged from December 31, 2021:

- the long-term bank deposit rating is "Baa2" with Stable outlook
- BFF's Baseline Credit Assessment ("BCA") is "Ba2"
- the long-term issuer rating is "Ba2", with Stable outlook
- the outlook on the long-term ratings is Stable

On January 12, 2022, following the issuance of an Additional Tier 1 bond in the amount of €150 million intended for institutional investors, Moody's gave the issue a B2 rating.

For further information refer to the press release and the Moody's Credit Opinion published on the Agency's website and the *Investors > Debt > Ratings* section of the Group website.

Treasury shares

At June 30, 2022, the Bank owned 717,731 treasury shares, accounting for 0.39% of share capital at that date, down from 974,461 on December 31, 2021.
During the H1 2022, the Bank did not purchase any own shares, while 256,730 shares were allotted, of which:

- 241,217 to the Chief Executive Officer (11,429 for the settlement in financial instruments of the deferred portion of the 2018 MBO; 47,021 for the settlement in financial instruments of the upfront portion of the 2021 MBO; 182,767 following the exercise of options under the "2016 Stock Option Plan";
- 15,513 for non-competition agreements and exit incentives.

Share capital

During 2022, the share capital increased from 185,312,690 shares, corresponding to €142,690,771.22 as at December 31, 2021, to 185,519,076 shares corresponding to €142,849,688.44 as at June 30, 2022, as a result of the partial execution of the delegated free capital increase in the period between January 13, 2022 and June 13, 2022 through the issuance of new BFF ordinary shares equal to 206,386 * for an amount equal to €158,917.22 and assigned to BFF Group personnel for needs related to remuneration and incentive policies (2020 Management by Objectives and 2016 Stock Option Plan).

(*) Following the resolution of the Extraordinary Shareholders' Meeting of April 2, 2020 – to increase the share capital of the Bank without consideration, in a divisible manner and in several tranches, pursuant to Art. 2349 of the Italian Civil Code, for a total amount not exceeding €5,254,563.16, through the issue of up to 6,824,108 ordinary shares for the purposes connected with the Group's remuneration and incentive policies, including the "2020 Banca Farmafactoring Banking Group Stock Option Plan" (the 2020 Capital Increase) – said 2020 Capital Increase was partially implemented through the issue of 206,386 new ordinary shares in the period between January 1 and June 30, 2022.

Shareholders’ Meeting Resolutions

On March 31, 2022, the Ordinary Shareholders’ Meeting of the Bank resolved:

- to distribute to Shareholders part of the profit for the year of €125,280,399, equal to approximately €0.679 before tax for each of the 185,315,280 ordinary shares outstanding at coupon date (no. 5) of April 19, 2022 (ex date);
- to add members to the Board of Directors, confirming:

  (i) the appointment of the director Ms. Monica Magrì, already co-opted by the Board of Directors on February 10, 2022;

  (ii) the appointment of the director Ms. Anna Kunkl, already co-opted by the Board of Directors on March 1, 2022;

  who will remain in office until the Shareholders' Meeting called to approve the financial statements at and for the year ending December 31, 2023;
- to add a member to the Board of Statutory Auditors by appointing Francesca Sandrolini as its Chairwoman, whose candidature was submitted by the law firm Trevisan & Associati on behalf of a group of shareholders;
- to approve:
  - the "2022 Remuneration and Incentive Policy for the members of the Strategic Supervision, Management and Control Bodies and Personnel of the BFF Banking Group" included in the first section of the Annual Report on Remuneration Policy and Remuneration Paid, pursuant to Article 123-ter, paragraph 3-bis of Italian Legislative Decree no. 58/1998, as amended;
  - policies for determining compensation in the event of early termination of office or termination of employment, including limits on such compensation;
  - the second section of the Annual Report on the Remuneration Policy and Compensation Paid pursuant to Article 123-ter, paragraph 6 of Italian Legislative Decree no. 58/1998;
  - the BFF Banking Group 2022 Incentive Plan;
  - to revoke the previous authorization to repurchase and dispose of treasury shares granted by the Shareholders' Meeting of March 25, 2020 for the part not executed by the date of March 31, 2021, and therefore without prejudice to the transactions carried out in the meantime, and to authorise the Board of Directors – pursuant to and for the purposes of Art. 2357 of the Italian Civil Code – to repurchase a maximum of 8,294,520 ordinary shares of BFF, taking into account the shares already in stock, for the purposes indicated under “Repurchase of treasury shares”.

Most recently, on June 22, 2022, the Ordinary Shareholders’ Meeting of the Bank resolved to:

- to add a member to the Board of Statutory Auditors by appointing Nicoletta Paracchini as Chairwoman of the supervisory body, whose candidature was submitted by the law firm Trevisan & Associati on behalf of a group of shareholders;
- to appoint Ms. Francesca Masotti as Alternate Auditor, and to confirm Mr. Carlo Carrera – previously Chairman of the Board of Statutory Auditors – in the role of Alternate Auditor.

Dividend distribution

On April 21, 2022, BFF distributed a gross dividend per share of €0.6795 based on the results of the 2021 financial year.

Today, based on the results for the first half of 2022, in accordance with its dividend distribution policies, and after having positively assessed the possibility of distributing interim dividends during the year pursuant to Article 2433-bis of the Italian Civil Code and in compliance with regulatory constraints, BFF's Board of Directors resolved to distribute an interim dividend of €68,549,894 for a gross amount per share corresponding to approximately €0.3709 when possible as per the stock exchange calendar, i.e. August 24, 2022.

Key events in the Group

This section shows the main events that occurred in the first half of 2022.

On February 2, 2022, BFF announced the agreement with Fondazione Fiera Milano for the area where the bank's new headquarters will be built.
The building will be completed by the first half of 2024 and will accommodate the more than 500 employees currently working in Milan in three different locations. The new headquarters, which will be called "**Casa BFF**", is part of a process of progressive renovation of the Group's working environments, as has already been done for the offices in Madrid (2020) and Poland, in Łódź (2019), at the Brama Miasta complex.
In preparation for the execution of the project, on January 19, 2022 **BFF Immobiliare S.r.l.** was established, a company exclusively dedicated to the completion of the above transaction.

On March 9, 2022, following the conclusion of the Accelerated Book-Building procedure on approximately 14 million BFF ordinary shares held by Equinova UK HoldCo Limited,[*] the Bank's free float, already over 80% on December 31, 2021, reached 100% of the share capital, thus becoming **one of the few Italian realities with a truly broad shareholder base**.

On March 31, 2022 a Shareholders' Meeting was held that approved a **Long-Term Incentive Plan** that will contribute to the creation of future value by, among other things, strengthening retention and the pursuit of sustainability goals. The Shareholders' Meeting also approved the **Remuneration Policy Report**, and cast a favourable advisory vote on the **Remuneration Paid Report**.

On April 21, 2022, following the shareholders' resolution of last March, BFF distributed a gross dividend per share of €0.679 for a total of €125,280,399.

(*) Equinova is the holding company of Advent International Corporation, Bain Capital Private Equity Europe LLP and Clessidra SGR S.p.A., which was the main shareholder of DEPObank (as of March 1, 2021 it held a 91.6% stake in the share capital thereof).

2022 also marks the transition to the **half-yearly dividend distribution** announced on February 10 in accordance with regulatory requirements, which will take place in April based on the results of the financial year, and in August based on the results of the first half-year, further accelerating the return of capital to shareholders. Therefore a payment of €68,549,894 will be made on August 24, 2022.

On May 12, 2022, BFF signed an agreement to **acquire MC3 Informatica S.r.l.**, an IT consulting company based in Brescia. BFF has been working with MC3 for ten years, mainly in the area of factoring systems. In fact, MC3 supported BFF in the initial implementation and subsequent evolution of the bank's current core-factoring system. The transaction is consistent with the growth path outlined by the Bank in the 2023 Business Plan, as it allows the vertical integration of all MC3's development activities related to the management and evolution of the information system in the Factoring & Lending business unit.
The closing is scheduled to take place in September 2022, following the Bank of Italy's authorization received on July 12.

Moreover, during the first half of 2022 BFF optimised its capital structure in order to have greater flexibility, as well as a wider margin in terms of leverage and large exposure limits. Therefore:

- on January 19, 2022 the issue of a subordinated Additional Tier1 Perpetual NC 2027 instrument with a nominal amount of €150 million was finalised.
- on March 2, 2022, the call option to redeem the Tier2 10YNC5 subordinated instrument issued in March 2017 with a nominal amount of €100 million was exercised.

Finally, on June 29, 2022, the residual amount of €42 million of the senior preferred bond of an original amount of €200 million, issued in 2017 and subject to cash buyback and subsequent repurchases as of June 2021, was repaid at maturity.

Key highlights

BFF Banking Group

- Normalised result of €68.5 million, an increase of 47% compared to the same period in 2021 due to the positive contribution of synergies from the Corporate Centre, growth in Securities Services and in Payments and the positive performance of Factoring e Lending.
- Good positioning in an environment of rising interest rates.

Factoring & Lending

- Strong recovery in volumes (+38%) with a consequent increase in the loan portfolio (35%) compared to the first six months of 2021. Loans to customers at an all-time high.

Securities Services

- AuD decreased by 2.2% compared to the same period of last year due to the negative performance of the financial markets and despite a positive balance between inflows and outflows.
- Pre-tax profit increased by 22% compared to H1 2021 due to lower costs.

Payments

- Positive performance of card settlement (+36% compared to the first six months of 2021).
- Pre-tax profit up 11% compared to H1 2021.

Corporate Center

- Pre-tax profit at €7.5 million, an increase of €25.5 million compared to the first half of 2021.

Capital and Dividends

- Strong capital position: CET1 ratio at 15.1% and TCR at 21.2%, excluding the profit for the period.
- Distribution of an interim dividend of €68.5 million, scheduled after the approval of the 2022 Half-Yearly results on August 24, 2022.

Other

- No exposure to the Russian and Ukrainian markets.
- Authorization by the Bank of Italy to acquire MC3 Informatica S.r.l., an IT consulting company based in Brescia.

INCOME STATEMENT BY BUSINESS UNIT AND CORPORATE CENTER

(€ million)

	H1 2022*				H1 2021*			
	Revenues	OPEX incl. D&A	LLP	PBT	Revenues	OPEX incl. D&A	LLP	PBT
Factoring & Lending P&L	81.6	(19.7)	(2.0)	59.8	70.7	(18.6)	0.1	52.1
+								
Securities Services P&L	28.5	(13.0)	(0.5)	15.1	27.0	(14.6)	-	12.4
+								
Payments P&L	30.5	(15.5)	0.1	15.1	29.4	(15.8)	-	13.6
+								
Corporate Center incl. synergies	41.7	(31.3)	(2.9)	7.5	22.2	(43.2)	2.9	(18.1)
=								
Adj. BFF Banking Group P&L	182.3	(79.5)	(5.3)	97.4	149.3	(92.2)	3.0	60.0
Adjustments	1.2	(11.1)	-	(10.0)	128.5	3.7	(1.0)	131.1
BFF Banking Group P&L reported	183.5	(90.6)	(5.3)	87.5	277.8	(88.5)	1.9	191.1

(*) Profit before tax (PBT) adjusted to take into account the effects of extraordinary items and discontinued operations.
The adjustments to H1 2022 refer to: the extraordinary costs incurred in the period (among which the most significant are M&A costs) amounting to €6.8 million, the positive movement of the exchange rate difference covered by the translation reserve in equity amounting to €1.2 million, the cost of stock options for €2.9 million, the amortization of the customer contract amounting to €1.4 million.
The adjustments to H1 2021 refer to: "provisional" Badwill arising from the acquisition of DEPOBank in the amount of €163.4 million, to costs related to the liability management initiatives amounting to €13.4 million, other extraordinary costs incurred in the period (including the most significant ones related to transaction and restructuring costs connected to the DEPOBank acquisition) amounting to €4.7 million, the negative change in the exchange rate difference covered by the translation reserve in equity amounting to €0.9 million, the cost of stock options of €3.1 million, the extraordinary contribution to the resolution fund of €2.8 million, the amortization of the customer contract of DEPObank in the amount of €2.3 million and the normalised pre-acquisition result of DEPObank in the amount of €5.1 million.

The operational context

Note that the **BFF Group has no commercial exposure to the Russian and Ukrainian markets** and is strictly monitoring the processing of the Payments business unit with respect to the restrictions imposed on Russia.

International Economic Landscape

The resurgence of the pandemic that took place at the beginning of the year, then fortunately cooled down, was followed by the outbreak of war between Russia and Ukraine, which is still ongoing.

The sharp rise in infections caused by the Omicron 2 variant of Covid – globally from 9.3 million a week at the end of 2021 to a peak on January 24, 2022 at 24 million – had generated great concern for economic growth, only to be scaled back when it became apparent that, thanks to widespread vaccination coverage, deaths and pressures on hospitals were under control.

The invasion of Ukraine on February 24 rekindled uncertainty about Europe's growth prospects given its high energy dependence on Russia. A first obvious effect was to exacerbate the surge in commodity prices, which had already started last year as a result of the post-pandemic demand recovery and problems in global supply chains.

The sharp rise in inflation during these first six months has therefore led the major central banks to adopt a restrictive stance, with the Federal Reserve and the ECB having already raised official interest rates.

The unexpected spike in inflation and the expectation for tighter monetary policies therefore resulted in a sharp correction in both bond and equity markets.

The European economy

THE MAIN MACROECONOMIC INDICATORS OF THE EUROPEAN UNION

Indicators	2020	2021	Consensus forecasts	
			2022	2023
Real GDP (annual change)	-6.3%	5.4%	2.9%	1.7%
Inflation rate (annual change)	0.6%	2.7%	7.7%	3.7%
Unemployment rate	7.1%	7.0%	6.2%	6.2%
Balance of payments (% of GDP)	1.9%	2.3%	1.0%	1.3%
Public Budget Balance (% of GDP)	-7.8%	-5.3%	-4.1%	-3.0%

Consensus from Bloomberg, updated at 15/7/2022.

European economic growth slowed slightly in the first six months, affected by rising energy and food prices. Given that Russia and Ukraine are major exporters of various agricultural products (including cereals, wheat and oilseeds), the war has intensified pressure on their prices, which were already high at the end of last year. Similarly, the prices of some industrial metals (such as copper and nickel) and neon gas (a necessary input for semiconductors) came under pressure. As a result, industrial production slowed down, the optimism of manufacturers decreased and households became pessimistic. In contrast, consumption continued thanks to an improving labour market (with the unemployment rate falling to a record low of 6.1%), high savings accumulated during the pandemic, and government measures to mitigate energy price increases. In the first quarter GDP grew by 0.7% over the last three months of 2021 and by 5.6% on a trend basis, and for this year the consensus estimate is that it could be 2.9% before slowing to 1.7% in 2023. Of course the forecasts are conditioned by the uncertainty over developments in the war between Russia and Ukraine. For instance, in an extreme scenario of zero gas supplies, the European Commission estimates that the GDP growth rate would fall by 2.5% this year and 1.0% next year.

Inflation in May rose to 8.8% (from 5.3% last December), with the core figure (excluding the volatile components of food, energy, alcohol and tobacco) at 4.5% (from 3.0%). In both cases these are record levels, but are expected to fall back starting in the second half of the year. On average, analysts estimate inflation at 7.7% in 2022 (up from 2.7% in 2021) and 3.7% in 2023. Here again, forecasts have to take into consideration the evolution of the conflict in Ukraine. Specifically, in the extreme scenario of zero gas supplies, the European Commission estimates that inflation would be 3% higher this year and over 1% next year.

In order to cope with the rise in inflation well above its target (2%), the European Central Bank said it was ready to make monetary policy less accommodative, ending quantitative easing and starting the reversal of the interest rate cycle in July. As a result, traders decisively revised their expectations of European short-term rates upwards: forward rates on the three-month Euribor rose by 146 basis points (to 1.14%) for the December 2022 maturity and by 185 (to 1.91%) for the December 2023 maturity.

Soaring European inflation, expectations for a tighter monetary policy and the sharp rise in US rates (by 150 basis points on the 10-year Treasury) caused European bond yields to rise substantially, on three- and ten-year German benchmark bonds by 147 and 151 basis points respectively.

The European public deficit is expected to fall both this year and next, benefiting from the increase in revenue generated by higher nominal growth, the phasing out of the measures temporarily taken in response to the pandemic, and despite the measures taken to contain the impact of rising energy prices on households and businesses and to help Ukrainians fleeing the war. Based on consensus estimates, the deficit is expected to decrease to 4.1% of GDP in 2022 (from 5.3% last year) and to 3.0% in 2023.

Public spending in 2021 grew by 5.0% to €7.5 billion and accounts for 51.6% of GDP. Given the political will to improve public accounts, which have been put under pressure in the last two years by the pandemic, the rate of expenditure growth is expected to slow to 2.9% in 2022 and 2.7% in 2023 (according to European Commission estimates), for a declining impact on GDP of 49.6% and 48.2% respectively.

THE TREND OF PUBLIC EXPENDITURES IN THE COUNTRIES WHERE BFF IS PRESENT

Countries	2021 Public Expenditure (bn euros)	2021 Public Expenditure (% of GDP)	Chg 2021/2020	2022 Public Expenditure (bn euros)	2022 Public Expenditure (% of GDP)	Chg 2022/2021	2023 Public Expenditure (bn euros)	2023 Public Expenditure (% of GDP)	Chg 2023/2022
European Union (27 countries)	7,459	51.6	5.0%	7,679	49.6	2.9%	7,888	48.2	2.7%
France	1,476	59.2	4.0%	1,496	57.0	1.4%	1,535	55.8	2.6%
Italy	986	55.5	4.4%	1,012	54.0	2.6%	1,036	53.0	2.4%
Spain	610	50.6	5.0%	628	48.4	3.0%	645	47.0	2.7%
Poland	254	44.2	0.0%	287	43.9	12.9%	311	43.0	8.5%
Czech Republic	111	46.4	8.7%	116	44.5	4.8%	122	43.7	5.5%
Portugal	102	48.1	3.0%	106	46.1	4.2%	110	45.1	3.5%
Greece	104	56.9	5.0%	106	53.5	1.8%	99	47.6	-6.4%
Slovakia	45	46.8	9.0%	47	44.2	2.9%	50	43.3	6.9%
Croatia	28	49.2	2.9%	30	48.6	5.9%	31	48.5	5.2%

Source: BFF calculations based on European Economic Forecast, Spring 2022 and Eurostat data.

This dynamic should be common to all countries that BFF operates in, but with differences in growth rates inversely proportional to the level of expenditure in relation to GDP. That is, in Poland, public spending, where it accounts for only 44.2% of GDP, should be able to grow by 12.9% this year and 8.5% next year, while in France, where it reaches 59.2%, increases should be limited to 1.4% and 2.6%.

Specifically, with regard to **expenditures on goods and services**, there was a year-on-year increase in all countries the Group operates in:

(Values in € million)

	2020	2021
France	121,498.0	128,688.0
Italy	103,633.0	110,438.0
Spain	65,909.0	70,521.0
Poland	30,569.0	34,083.1
Czech Republic	13,079.6	13,811.1
Portugal	11,315.4	12,230.0
Greece	9,051.0	10,229.0
Slovakia	5,260.1	5,814.1
Croatia	4,222.5	4,720.3

Source: Eurostat. For France, these are provisional figures.

The following is a summary representation of the economic context in the individual countries that BFF operates in to provide a better understanding of the dynamics of the business, then further discussed in the next chapter relating to the performance of operations in H1 2022.

Italy

THE MAIN MACROECONOMIC INDICATORS OF ITALY

Indicators	2020	2021	Consensus forecasts	
			2022	2023
Real GDP (annual change)	-9.0%	6.6%	2.8%	1.2%
Inflation rate (annual change)	-0.2%	2.0%	6.9%	2.8%
Unemployment rate	9.3%	9.5%	8.4%	8.7%
Balance of payments (% of GDP)	3.2%	3.4%	1.1%	1.0%
Public Budget Balance (% of GDP)	-9.6%	-7.2%	-5.8%	-4.5%

Consensus from Bloomberg, updated at 15/7/2022.

The Italian economy slowed in the first half of the year, with consumption struck by the loss of household purchasing power caused by rising inflation and industrial production held back by soaring input prices and disruptions in global supply chains. In contrast to the growing pessimism among consumers and the loss of confidence among manufacturers, tertiary entrepreneurs maintained a relative optimism thanks to the easing of restrictions due to the cooling of the pandemic since February. After recovering by 6.6% in 2021, GDP grew by a modest 0.1% in the first quarter and is estimated to slow to 2.8% this year. In 2023 growth is expected to slow down to 1.2%, although it will find important support in the investments financed by the National Recovery and Resilience Plan (NRRP).

Inflation rose to 8.0% in June (from 3.5% last December), driven upwards by increases in energy (+48.7%) and food (+9.0%). The increase in the figure net of the more volatile components (food, energy, alcohol and tobacco) was more moderate, rising from 1.5% to 3.4%, benefiting from moderate wage growth. On average, analysts expect inflation to rise to 6.9% this year from 2.0% in 2021, before falling to 2.8% next year.

The public deficit, after decreasing to 7.2% of GDP in 2021 (from 9.6% in the previous year), is expected to remain on a downward trend this year and next. According to the Economic and Financial Document (EDF) with which the government outlined the guidelines for public finance from 2022 to 2025, the net borrowing target for this year was maintained at 5.6% of GDP, as in the EDF Update Note of last September, despite lower expected growth (3.1% instead of 4.7%) and higher interest charges. This was made possible by the sharp rise in inflation, which raises tax revenues and thus reduces the public deficit, even allowing for expansive fiscal measures amounting to 0.5% of GDP (as part of a series of measures that the government has enacted, especially to mitigate the impact of rising energy prices on households and businesses, partly by financing them with an extraordinary tax on energy company profits). The consensus forecast of 5.8% of GDP is consistent, while analysts expect the downward trend to stop at 4.5% in 2023, instead of 3.9% as in the government forecast.

Public debt reversed last year – falling from 155.3% to 150.8% of GDP – and according to the EDF is expected to continue to decline gradually to 141.4% in 2025. Contributing to this is a moderate trend in public spending, which grew by 4.4% in 2021 (with 5.2% growth in spending on goods and services) and which the European Commission estimates to rise by 2.6% to EUR 1,012 billion or 54.0% of GDP this year.

THE KEY NUMBERS OF ITALIAN PUBLIC FINANCE

		2020	2021	2022	2023	2024	2025
Net Indebtedness	- EFD April 2022	-9.6	-7.2	-5.6	-3.9	-3.3	-2.8
	- April 2022 trend	-9.6	-7.2	-5.1	-3.7	-3.2	-2.7
	- EFDUN Sept. 21/ PBD Oct. 21	-9.6	-9.4	-5.6	-3.9	-3.3	-
Net Structural Indebtedness	- EFD April 2022	-5.0	-6.0	-5.9	-4.5	-4.0	-3.6
	- April 2022 trend	-5.0	-6.1	-5.3	-4.3	-3.8	-3.4
	- EFDUN Sept. 21/ PBD Oct. 21	-4.7	-7.6	-5.4	-4.4	-3.8	-
Primary Balance	- EFD April 2022	-6.1	-3.7	-2.1	-0.8	-0.3	0.2
	- April 2022 trend	-6.1	-3.7	-1.6	-0.6	-0.2	0.2
	- EFDUN Sept. 21/ PBD Oct. 21	-6.1	-6.0	-2.6	-1.2	-0.8	-
Interest expenses	- EFD April 2022	3.5	3.5	3.5	3.1	3.0	3.0
	- April 2022 trend	3.5	3.5	3.5	3.1	3.0	3.0
	- EFDUN Sept. 21/ PBD Oct. 21	3.5	3.4	2.9	2.7	2.5	-
Public Deficit	- EFD April 2022	155.3	150.8	147.0	145.2	143.4	141.4
	- April 2022 trend	155.3	150.8	146.8	145.0	143.2	141.2
	- EFDUN Sept. 21/ PBD Oct. 21	155.6	153.5	149.4	147.6	146.1	-

Source: MEF. Data as a percentage of GDP.

In more detail, healthcare expenditures in 2022 are expected to grow by 3.0% to €131.7 billion before declining slightly over the next three years. In fact, the government intends to decrease its share of GDP from 7.0% this year to 6.2% in 2025.

2022-2025 HEALTHCARE SPENDING FORECAST

	2022	2023	2024	2025
Healthcare expenditures	131,710	130,734	128,872	129,518
In % of GDP	7.0%	6.6%	6.3%	6.2%
Rate of change in %	3.0%	-0.7%	-1.4%	0.5%

The improvement in public accounts, albeit gradual, made it possible to contain the increase in the risk premium on Italy that occurred in the first half of the year and affected countries with higher debt such as Italy and Greece. Indeed, operators fear that the start of a cycle of credit tightening by the ECB could weigh on the interest expenditures of these countries. The yield differential between Btp and Bund on the ten-year maturity thus rose by 58 basis points to 193, having peaked at 242 in mid-June on fears – later proven wrong – that the Frankfurt Institute was not willing to launch measures to contain spread widening.

The combination of a sharp rise in international interest rates and a somewhat higher risk premium for holding BTPs thus led to a sharp drop in the Italian bond market, which lost 10.5% (based on the overall MTs index) in the first half of the year, driven downwards by BTPs with maturities over 6 years (-17.6%).

Despite the sharp fall in the market, the Bank's securities portfolio – almost entirely held in Held to Collect (HTC) – contained losses thanks to its variable component, which represented approximately 54% of the total nominal amount as at June 30, 2022.

98% of the portfolio consists exclusively of Italian government bonds in euros.
Of these, approximately €2.7 billion are fixed-rate with an average residual life of 2.3 years, and approximately €3.3 billion are variable-rate with an average residual life of 3.8 years. The remaining 2% consists of treasuries issued by the US Treasury in USD with a floating rate and an average residual life of 1.3 years.

The HTC portfolio, which amounted to a nominal €6 billion at the end of the half-year, benefited from the investment policy that, in relation to the dynamics that characterised the macroeconomic scenario of the period, was directed more towards variable-rate instruments during the first half of the year. In fact, against maturities totalling a nominal €582.5 million (of which €303.5 million at a fixed rate and €279 million at a floating rate), new investments were realised for a nominal €500 million at a floating rate and a nominal €323 million at a fixed rate, the latter mainly referring to new funding realised at a fixed rate starting from January 1, 2022 (At1 bond issue and funding from retail deposit accounts).

THE FACTORING MARKET IN ITALY

As of May 31, 2022, the factoring market recorded a cumulative turnover of €107.0 billion (of which €25.4 billion in recourse and €81.6 billion in non-recourse), an increase of 15.4% compared to May 2021.
In the same period, the outstanding amounted to €59.6 billion (of which €17.3 billion in recourse and €42.2 billion in non-recourse), again an increase of 15.4% compared to May 2021. Advances and fees paid amounted to €43.9 billion, an increase of 13.2% over 2021.
Looking at the monthly figures, in May 2022 alone turnover amounted to €23.3 billion, an increase of 23% compared to May 2021.

In the current economic and financial scenario, characterised by a succession of discontinuities and exceptional events of various kinds (from the pandemic to the war in Ukraine, to difficulties in the procurement of raw materials), the factoring sector was therefore able to consolidate the growth trend it had started in the second quarter of last year.

Purchases of trade receivables from the public administration as at March 31, 2022 (latest available data) stood at €4.3 billion (or 6.8% of total factored trade receivables), down 23% from €5.6 billion in Q1 2021.
Outstanding loans to public entities stood at €7.95 billion (12.8% of total outstanding), down 4% from €8.3 billion in March 2021. Overdue loans amounted to €3.5 billion (44% of the total), of which €2.4 billion were overdue by more than one year (30% of the total).

With regard to the outlook for the Italian factoring market in 2022, operators expect a continuation of the current expansive phase in terms of turnover, with a result that could reach +8.4% compared to 2021.

THE ITALIAN SECURITIES SERVICES MARKET

BFF is the main independent player in Italy in the field of custodian banking, fund accounting, transfer agent and security custody services.

The performance of the Group's **Fund Services** and **Global Custody** businesses, which are highly correlated with each other, was influenced by the downward trend in assets under management in Italy, which decreased by 7.7% to €2,395 billion in the first five months of the year. This slowdown is attributable to the sharp decline in both equity and bond markets, while net inflows were positive by €7.7 billion. In detail, net inflows grew by €14.0 billion for open-end funds and by €1.7 billion for closed-end funds, while portfolio management inflows decreased by €8.0 billion. Assets under management thus rose at the end of May to €1,189 billion for open-end funds (49.7% of the total), €81 billion for closed-end funds (3.4%) and €1,124 billion for portfolio management (46.9%).
In the area of open-ended funds, note that the increase in net inflows was almost entirely attributable to foreign-law funds (+€13.9 billion), while Italian-law funds remained substantially unchanged (+€25 million), with assets under management amounting to €948 billion for the former (79.7% of total open-ended funds) and €241 billion for the latter (20.3%).

The market's interest in setting up AIFs continued, especially in real estate, private equity and credit funds, with BFF among the main beneficiaries of the numerous new initiatives launched during the first half of the year, with the acquisition of several mandates to act as Custodian.

In the area of Pension Institutions, in this first half of the year BFF observed the publication of several calls for tenders for Custodian services for Funds that were not already clients of BFF. In this context, growth opportunities are increasing in this particular market area where BFF confirms its activities as **Custodian of Pension Funds**, the leading operator in Italy with a market share of approximately 38.7%.

The first half of 2022 continued to be characterised by the high impact of "regulatory" projects on daily operations, for example T2-T2S Consolidation, ECMS, CSDR, SHRD II, Spanish FTT, which on the one hand represent an opportunity to strengthen the role of correspondent bank and partner in the market in the field of Global Custody, and on the other hand allow proposing new value-added products and services that can contribute to a further increase in BFF's revenues.

THE PAYMENT MARKET IN ITALY

As the leading independent operator in Italy in the field of processing services dedicated to PSPs (Payment Service Providers: Banks, IMELs, Payment Institutions) and in structured collection and payment services for companies and the Public Administration, BFF is benefiting from a growing payments market thanks to the recovery in consumption and measures to support the economy. Specifically, for BFF the recovery is already visible in the area of interbank processing services and in the collection and corporate payments sector. For the time being, no negative effects can be seen from either rising inflation or the war in Ukraine.

The recovery is still in a transition phase for all payment instruments that operate in a "face-to-face" logic (e.g. payments with cards, cheques, etc.) and which in past years were impacted by the economic slowdown attributable to the Covid emergency. Restrictions due to the Covid-19 pandemic have therefore led to an acceleration in the use of digital payments, although Italy is still well below the European average.

The consequences of the pandemic, together with the impact of the "Cashless Italy" government plan, have accelerated the process of digitising payments, with prospects for improvement in the coming years.
In this scenario, PSPs – BFF's target customers – will necessarily have to plan significant investments to innovate and transform products and processes related to Payment Systems, while maintaining the traditional instruments used by private individuals and companies.

The entry into force of the T2-T2S Consolidation in November 2022 is challenging banks both operationally and in terms of investments, while instant payments, although starting to be accepted by many banks, is still struggling to establish itself as a leading payment service.

In the domestic field, the process of aggregation between banks continues. The evolution and digitization of the European Payment System is the focus of attention of the European Commission and the European Central Bank (ECB), which are engaged in defining strategic lines for the coming years. Particular attention is being paid by both institutions to both the development of instant payments and the realization of a Digital Euro. The year 2022 also marks the beginning of the PSD revision process that will lead, probably by 2023, to a new update of the Payments Directive ("PSD3"), which could open up the market even more to competition.

The cheques and bills sector paid the highest price of both a downward trend in the system and the effect of the increase in digital payments, with a downturn at segment level of 18% compared to the previous period last year.

Croatia

The BFF Group started its operations in the area of non-recourse factoring to the public administration in Croatia in 2018, under the free provision of services regime.

THE MAIN MACROECONOMIC INDICATORS OF CROATIA

Indicators	2020	2021	Consensus forecasts	
			2022	2023
Real GDP (annual change)	-7.8%	10.2%	3.5%	3.4%
Inflation rate (annual change)	0.1%	2.6%	7.5%	3.4%
Unemployment rate	9.0%	8.1%	7.0%	6.5%
Balance of payments (% of GDP)	-1.8%	1.0%	0.4%	0.9%
Public Budget Balance (% of GDP)	-8.0%	-4.1%	-3.0%	-2.0%

Consensus from Bloomberg, updated at 15/7/2022.

After a strong recovery in 2021, with GDP growing by 10.2%, the Croatian economy slowed down significantly in the first part of this year, hit by soaring inflation. The sharp rise in consumer prices (+12.1% in June) weighed on household confidence and consumption, and the rise in producer prices (+24.0%, with energy prices rising by 96.1%) dampened production and investments. Instead, the easing of government restrictions following the cooling of the pandemic allowed business confidence in the tertiary sector to remain at highs, supporting growth. According to consensus estimates, GDP is expected to grow by 3.5% in 2022, with consumer prices rising by 7.5%. The economic slowdown is expected to favour a return of inflation starting in the second half of this year, to 3.4% next year. Taking into account support from the structural funds and the Next Generation EU, amounting to about 30% of GDP over the next five years, growth is expected to consolidate to 3.4% in 2023.

To alleviate the negative impact of higher inflation, the government launched a series of measures to help households and businesses, while being careful to keep the public deficit on a downward path, on average estimated by analysts at 3.0% of GDP in 2022 (from 4.1% last year) and 2.0% in 2023.
Public spending in 2021 grew by 2.9% to €28 billion, with spending on goods and services rising particularly strongly, by 10.4% to €6.0 billion. For this year, the European Commission estimates an increase in public spending of 5.9% to €30 billion, or 48.6% of GDP.

The latest data from the Croatian Chamber of Economy as of 31/03/2022 indicate that the total debt of the national health system is €646 million. As a result of the debt relief implemented throughout 2021, hospitals generated €40 million of new debt each month. Mainly due to the increase in national health service debt, the government has proposed a budget review to be approved by parliament. The budget of the Ministry of Health for 2022 will be increased by €464 million, of which €265 million will be for hospital debts and €199 million for debts of the Croatian health insurance fund[1].
The funds were transferred from spending planned for 2022, so stakeholders expect issues in the future, as there is no clear action plan for the announced Health System reform.

France

The BFF Group has been present in France, under the freedom to provide services, since 2019.

THE MAIN MACROECONOMIC INDICATORS OF FRANCE

Indicators	2020	2021	Consensus forecasts	
			2022	2023
Real GDP (annual change)	-7.8%	6.8%	2.4%	1.5%
Inflation rate (annual change)	0.5%	2.1%	5.7%	3.3%
Unemployment rate	8.0%	7.9%	7.3%	7.3%
Balance of payments (% of GDP)	-2.2%	-0.9%	-1.1%	-1.1%
Public Budget Balance (% of GDP)	-8.9%	-6.5%	-5.5%	-4.5%

Consensus from Bloomberg, updated at 15/7/2022.

France's economy slowed in the first half of the year, with household confidence and demand hit by high energy prices, up 33.1% year-on-year in June. Business owners on the other hand remained moderately optimistic, in services as a result of the reduction in restrictions allowed by the decline in Covid-19 infections, in manufacturing due to buoyant orders for consumer goods, although the decline in demand for intermediate and capital goods is expected to lead to a slowdown in industrial production. GDP in the first quarter was down by 0.2% compared to the last three months of last year, with consumption down by 1.5%, investment up by 0.6%, and exports, aided by the weak euro, up by 1.2%. On average, analysts estimate GDP to slow this year to 2.4% (from 6.8% in 2021) and next year to 1.5%.

1) Source: Monthly report from the Croatian Chamber of Economy.

Energy price increases drove up both producer prices, which rose by 27.3% in May, and consumer prices, which rose by 5.8% in June. Based on consensus estimates, inflation is expected to rise to 5.7% in 2022 (from 2.1% last year), before falling to 3.3% in 2023. The idea behind the consumer price recovery is that the signs of wage recovery shown by the first quarter data should be cooled by the economic slowdown.

The trend of reducing the public deficit continues, benefiting from sustained nominal GDP growth, but in a gradual manner, as the government has used the fiscal leverage to support growth and reduce the repercussions of price increases on households and businesses. On average, analysts estimate that net borrowing will fall to 5.5% of GDP this year (from 6.5% in 2021) and 4.5% next year.
Public spending in 2021 grew by 4.0% to €1,476 billion, with spending on goods and services rising by 9.2% to €291 billion. For this year, the European Commission estimates an increase in public spending of 1.4% to €1,496 billion, or 57.0% of GDP.

Since the beginning of the pandemic, the public sector and the private solidarity sector have provided almost 90% of hospital care (more than their usual share of about 66%). The drop in activity in the public sector and surgery has affected hospital finances, although with the *Ségur de la santé* Plan hospitals have benefited from government support, with two measures in particular: (1) the pre-crisis revenue-based financing guarantee and (2) debt financing by the state[2].

Greece

The BFF Group started operating in Greece in 2017, under the freedom to provide services, to consolidate its activities, with the opening of a branch in Athens in September 2020.

THE MAIN MACROECONOMIC INDICATORS OF GREECE

Indicators	2020	2021	Consensus forecasts	
			2022	2023
Real GDP (annual change)	-8.8%	8.4%	4.0%	2.5%
Inflation rate (annual change)	-1.3%	0.6%	8.1%	2.0%
Unemployment rate	17.6%	14.8%	12.6%	11.9%
Balance of payments (% of GDP)	-7.4%	-3.6%	-5.5%	-3.6%
Public Budget Balance (% of GDP)	-10.2%	-7.4%	-4.4%	-2.0%

Consensus from Bloomberg, updated at 15/7/2022.

2) Source: *Communiqué Presse du 3 Mars 2022 FHF et FEHAP.*

In Greece, the post-pandemic recovery lost steam in the first six months, hit by soaring inflation. The economic sentiment compiled by the European Commission, which simultaneously considers confidence in industry (weighted at 40%), services (30%), households (20%), construction (5%) and retail trade (5%) is on a downward trend, affected by price expectations that have risen to record highs. After the 8.4% growth achieved in 2021, the consensus estimates that GDP will slow to 4.0% this year and 2.5% in 2023.
Important support will come from the substantial EU-funded Recovery and Resilience Plan of €30.5 billion, or 16% of GDP.

Inflation rose to 12.1% in June, more than doubling the end-of-2021 level (5.1%), driven upwards by energy prices (+76.7%). Particularly striking was also the surge in producer prices, which reached 39.5% in May. Consumer prices net of the most volatile components (energy, food, alcohol and tobacco) also rose sharply, up 6.0%, despite stagnating wages. However, given that unemployment, although declining, remains high (at 12.5% in April) and that its reduction should take priority over wage claims, the conditions seem to be in place for a decisive drop in inflation from the second half of this year. On average, analysts estimate it at 8.1% in 2022 and 2.0% in 2023.

Public accounts are benefiting from the recovery of the economy and higher inflation despite the expansive fiscal measures decided by the government to counteract rising energy prices and support growth. The public deficit is estimated by the consensus at 4.4% of GDP this year (from 7.4% in 2021) and 2.0% next year. This should allow public debt to decline significantly, after falling below 200% of GDP in 2021 (to 193.3%) from its peak of 206.3% in 2020. According to the European Commission's May estimates, debt is expected to fall to 185.7% in 2022 and 180.4% in 2023.
Public spending in 2021 grew by 5.0% to €104 billion, with spending on goods and services rising by 9.6% to €15.5 billion. For this year, the European Commission estimates an increase in public spending of 1.8% to €106 billion, or 53.5% of GDP.

Poland

BFF started operations in the Polish market in 2016, with the acquisition of Magellan (now BFF Polska Group), which provides funding to healthcare providers and the government. As of 2019, the Group also operates its own subsidiary.

THE MAIN MACROECONOMIC INDICATORS OF POLAND

Indicators	2020	2021	Consensus forecasts	
			2022	2023
Real GDP (annual change)	-2.2%	5.9%	4.6%	2.8%
Inflation rate (annual change)	3.4%	5.1%	13.1%	9.2%
Unemployment rate	5.9%	6.0%	5.2%	5.2%
Balance of payments (% of GDP)	3.2%	-0.5%	-3.2%	-2.4%
Public Budget Balance (% of GDP)	-6.9%	-1.9%	-3.9%	-4.0%

Consensus from Bloomberg, updated at 15/7/2022.

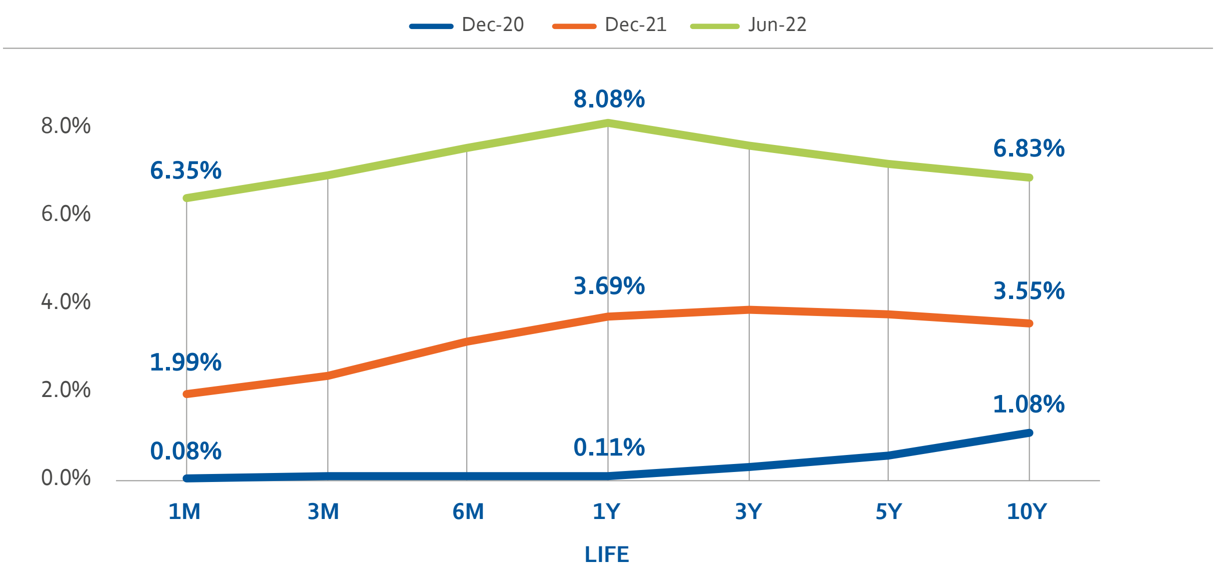
In Poland, growth remained strong until the first quarter, while signs of a slowdown emerged from the second quarter onwards. In the first three months of the year GDP grew by 8.5% year-on-year, and in May industrial production and retail sales in real terms increased by 15.0% and 23.6% respectively. Indications of a weakening came instead in June from business confidence, which fell to its lowest level in two years, and from household sentiment, which plummeted to its lowest level, both of which were depressed by soaring inflation. On average, analysts expect GDP to slow to 4.6% in 2022 (from 5.9% last year) and 2.8% in 2023.

Inflation rose to 15.5% in June from 8.6% last December, driven by both higher energy prices and a pick-up in demand enabled by accelerating wages (up 13.5% in May, to the highest since 2000). Indeed, core inflation rose to 9.1%, the highest level since the turn of the century, from 5.3% in December. The consensus expects inflation to reach 13.1% this year, up from 5.1% in 2021, before falling to 9.2% in 2023, consistent with the economic slowdown.

After decreasing sharply to 1.9% of GDP in 2021 (from 6.9% in 2020), the public deficit is expected to rise to 3.9% this year, reflecting the costs incurred to help people fleeing Ukraine and to cope with rising inflation, and to stabilise around this level in 2023.
Public spending in 2021 remained unchanged at €254 billion, despite spending on goods and services rising by 10.8% to €45 billion. For this year, the European Commission estimates an increase in public spending of 12.9% to €287 billion, or 43.9% of GDP.

Lastly, note that starting in the last quarter of 2021 the trend of the Polish base rate (wibor) showed a significant increase, which also continued in the first half of 2022.

INTEREST RATE CURVE



Portugal

Since 2014 the BFF Group has extended its operations in the area of non-recourse factoring towards the Public Administration also in Portugal, and in 2018 consolidated its presence – initially on a free provision of services basis – with the opening of a branch in Lisbon. Credit management services are also currently provided by BFF.

THE MAIN MACROECONOMIC INDICATORS OF PORTUGAL

Indicators	2020	2021	Consensus forecasts	
			2022	2023
Real GDP (annual change)	-8.4%	5.4%	5.6%	2.0%
Inflation rate (annual change)	-0.1%	0.9%	6.1%	2.0%
Unemployment rate	7.0%	6.6%	5.9%	5.7%
Balance of payments (% of GDP)	-1.3%	-0.7%	-2.1%	-1.5%
Public Budget Balance (% of GDP)	-5.8%	-2.8%	-2.2%	-1.6%

Consensus from Bloomberg, updated at 15/7/2022.

In Portugal growth remained robust in the first six months of the year, although the sharp rise in inflation depressed household confidence. In the first quarter GDP grew by 11.9%, and in the second quarter the economic data showed that demand continued at a sustained pace. Despite households' inflationary concerns, consumption benefited from the high level of savings accumulated during the pandemic and from an unemployment rate persistently close to its lowest level in 20 years (at 6.1%). Investment benefited from the persistent optimism of businesses, fostered by the implementation of the Recovery and Resilience Plan. Finally, the foreign sector saw a sharp upturn in foreign tourism. The consensus estimates GDP to grow by 5.6% this year (from 5.4% in 2021), before slowing to 2.0% in 2023 as global demand slows and consumer demand moderates.

Inflation rose to 8.7% in June (from 2.7% in December), driven upwards by the prices of energy, metals, building materials and agricultural products. Also significant was the increase in core inflation to 4.7% (from 1.9%). In view of a drop in the second half of the year, analysts on average estimate a change in consumer prices of 6.1% in 2022 (from 0.9% in 2021) and 2.0% in 2023.

After having fallen to 2.8% of GDP in 2021 (from 5.8% the previous year), the public deficit is expected to decrease to 2.2% in 2022, on the one hand contained by higher revenues from high nominal growth, and on the other hand held back by a series of tax breaks and subsidies to businesses and households put in place to mitigate the impact of rising energy prices. In 2023, the elimination of measures taken to counter the pandemic should allow a reduction in the deficit, which the consensus estimates at 1.6% of GDP.
Public spending in 2021 grew by 3.0% to €102 billion, with relatively brisk spending on goods and services increasing by 6.1% to €16.5 billion. For this year, the European Commission estimates an increase in public spending of 4.2% to €106 billion, or 46.1% of GDP.

The deficit for the national health system in May was €444.8 million, an increase of €68 million year-on-year, mainly due to the 6.4% growth in total expenditures (+€308 million y/y) to €5,236 million, reflecting a significant increase in expenditures on external supplies and services (+13.5%) – especially costs associated with medical devices and diagnostics (+29.2%) and the prevention and treatment of Covid-19 and the purchase of drugs (+19.7%).

Czech Republic

BFF began operations in the Czech Republic following the acquisition of Magellan, now the BFF Polska Group, whose core business is currently the provision of financing to National Health Service providers and local authorities.

THE MAIN MACROECONOMIC INDICATORS OF THE CZECH REPUBLIC

Indicators	2020	2021	Consensus forecasts	
			2022	2023
Real GDP (annual change)	-5.4%	3.6%	2.0%	2.7%
Inflation rate (annual change)	3.2%	3.9%	13.5%	5.0%
Unemployment rate	2.6%	2.8%	2.8%	3.2%
Balance of payments (% of GDP)	1.5%	0.5%	-2.0%	-0.8%
Public Budget Balance (% of GDP)	-5.8%	-5.9%	-4.8%	-3.8%

Consensus from Bloomberg, updated at 15/7/2022.

In the Czech Republic, signs of an economic slowdown emerged in the first half of the year, caused by soaring inflation and supply bottlenecks generated by the Russian invasion of Ukraine and lockdowns in China. GDP grew by 4.9% year-on-year in the first quarter, but household confidence fell to its lowest level since January 2013, and among manufacturers pessimists began to outnumber optimists. Moreover, growth should find important support both this year and next in the public investments stimulated by the Recovery and Resilience Facility. On average, analysts estimate that GDP will grow by 2.0% in 2022 (from 3.6% in 2021) and 2.7% in 2023.

Inflation rose strongly, reaching 17.2% in June (from 6.6% last December) – the highest level since December 1993 – driven upwards by energy and food prices. A marked decrease should be observed from the second half of the year onwards thanks to the strength of the krona and assuming energy prices stabilise. The consensus estimates inflation at 13.5% in 2022 and 5.0% in 2023.

Despite the recovery of the economy, the public deficit in 2021 remained at the same level as in 2020 (at 5.9% of GDP), being affected by the measures launched to support households and businesses during the pandemic. The absence of these temporary measures and a high GDP deflator (which increases tax revenues and reduces current expenditure as a percentage of GDP), while factoring in the higher costs to contain the impact of inflation on households and to help people fleeing Ukraine, should allow for a reduction in the deficit, which analysts estimate at 4.8% of GDP this year and 3.8% next year.
Public spending in 2021 grew by 8.7% to €111 billion, with spending on goods and services increasing by 8.9% to €22.7 billion. For this year, the European Commission estimates an increase in public spending of 4.8% to €116 billion, or 44.5% of GDP.

Slovakia

BFF Group has been operating in Slovakia since 2016, when Magellan, now BFF Group Polska, was acquired. BFF mainly provides services of factoring and financing to suppliers of the national health service and local authorities.

THE MAIN MACROECONOMIC INDICATORS OF SLOVAKIA

Indicators	2020	2021	Consensus forecasts	
			2022	2023
Real GDP (annual change)	-4.4%	3.1%	2.0%	4.0%
Inflation rate (annual change)	2.0%	3.2%	9.5%	4.9%
Unemployment rate	6.6%	6.8%	6.6%	6.3%
Balance of payments (% of GDP)	-2.5%	-1.1%	-2.2%	-1.6%
Public Budget Balance (% of GDP)	-5.5%	-6.2%	-5.4%	-3.9%

Consensus from Bloomberg, updated at 15/7/2022.

Overall, the Slovak economy maintained a brisk growth pace in the first half of the year, although the war between Russia and Ukraine and the lockdowns in China caused disruptions in supply chains and a sharp increase in input costs, slowing production. GDP in the first quarter grew by 3.1% and in the second quarter demand benefited from the improved confidence of both service sector entrepreneurs and consumers. Households in particular, although concerned about soaring prices as in other countries, expect the recovery of employment to intensify. The consensus estimates GDP to grow by 2.0% this year (from 3.1% in 2021), accelerating to 4.0% next year, when the boost in public investment from the Next Generation EU is expected to become more evident.

Inflation rose to 13.2% in June (from 5.8% in December), driven upwards by increases in energy, food and the recovery of demand in "contact-intensive" sectors following the lifting of Covid restrictions. On average, leading international private forecasters estimate inflation to rise to 9.5% in 2022 (from 3.2% last year), before falling back to 4.9% in 2023.

The public deficit is expected to fall both this year and next, benefiting from the temporary nature of some of the measures launched to counter the effects of the pandemic – which increased it to 6.2% in 2021 – higher revenues generated by higher nominal GDP growth, and despite higher costs to reduce the impact of energy price hikes on households and to help Ukrainians fleeing the war. According to consensus estimates, the government deficit is expected to fall to 5.4% of GDP in 2022 and to 3.9% in 2023.
Public spending in 2021 grew by 9.0% to €45 billion, with a decidedly brisk dynamic in spending on goods and services, which increased by 11.0% to €9.2 billion. For this year, the European Commission estimates an increase in public spending of 2.9% to €47 billion, or 44.2% of GDP.

The public administration sectors are performing well: the market is increasing demand for external financing, mostly related to construction costs. The increased risk is in the supply chain market with the availability of building materials and rising prices.

The planned debt relief totalling €575 million has begun and will settle the debts of public hospitals to national health system providers and social security institutions. The expected decrease in the level of overdue trade receivables is approximately €300 million. The total remaining debt after the reduction will be another €500 million[3].

3) Ministry of Health of Slovak Republic.

Spain

The BFF Group has been operating in Spain since 2010, and in 2019 consolidated its leadership position with the acquisition of IOS Finance, one of the main competitors now merged by incorporation into BFF Finance Iberia. Today BFF provides non-recourse factoring services to the public administration and credit management.

THE MAIN MACROECONOMIC INDICATORS OF SPAIN

Indicators	2020	2021	Consensus forecasts	
			2022	2023
Real GDP (annual change)	-10.8%	5.1%	4.2%	2.5%
Inflation rate (annual change)	-0.3%	3.0%	8.0%	3.0%
Unemployment rate	15.5%	14.8%	13.2%	13.1%
Balance of payments (% of GDP)	0.8%	0.9%	0.5%	1.1%
Public Budget Balance (% of GDP)	-10.3%	-6.9%	-5.4%	-4.4%

Consensus from Bloomberg, updated at 15/7/2022.

Spain's economy slowed in the first six months, suffering from a drop in consumption caused by soaring inflation and difficulties in production due to supply bottlenecks. The sharp decline in household confidence and lower optimism among manufacturers was countered by an improvement in sentiment among service companies, thanks to the easing of restrictions on business made possible by the decrease in Covid contagions since February. GDP growth in the first quarter slowed to 0.2% (compared to the last three months of last year) and is expected to remain around the same level in the second quarter. However, there should be a recovery In the second half of the year thanks to a rapid implementation of the investments envisaged in the Recovery and Resilience Plan and the revival of tourism. According to consensus estimates, GDP is expected to grow by 4.2% in 2022 (from 5.1% last year) and by 2.5% in 2023.

Inflation rose from 6.5% last December to 10.2% in June, driven upwards by increases in energy (+36.5%) and food (+11.0%). The increase in the figure net of the more volatile components was more moderate, from 1.9% to 3.4%. On average, leading international forecasters estimate inflation at 8.0% in 2022 (from 3.0% in 2021), before falling sharply back to 3.0% in 2023, due to likely continued wage moderation as unemployment remains very high (expected at 13.2%).

The public deficit is expected to decline gradually, benefiting from substantial revenues from import taxes and despite temporary measures taken to counter the effects of rising energy prices and to support the sectors most affected by the pandemic. According to consensus estimates, the deficit is expected to fall to 5.4% of GDP this year (from 6.9% in 2021) and to 4.4% next year.

Public expenditures in 2021 grew by 5.0% to €610 billion, with relatively strong growth in expenditures on goods and services, which increased by 6.8% to €106 billion. For this year, the European Commission estimates an increase in public spending of 3.0% to €628 billion, or 48.4% of GDP.

Operating performance

The Condensed Interim Consolidated Financial Statements as of June 30, 2022 show the statement of financial position and income statement of the BFF Banking Group, including BFF Immobiliare S.r.l., a company incorporated on January 19, 2022, 100% owned by BFF Bank S.p.A. and established specifically for the completion of the Casa BFF transaction, which saw the purchase of a building area for the development of the new headquarters of the BFF Group.

The merger with DEPObank produced accounting effects from March 1, 2021, and therefore it is only from that date that the accounting data of the two companies were consolidated.
Starting from that date, the Group's results include the extraordinary effects of the acquisition and merger, which took place in March 2021, and the dynamics of the sectors the Group operates in through the Business Units that offer services to customers (Factoring & Lending, Securities Services, Payments) and through the Corporate Centre Business Unit that offers support to other BUs, manages the Group's funding (regulated internally by a transfer pricing mechanism), and the use of liquidity in excess of the needs of the Factoring and Lending Business Unit through investments in government bonds, repurchase agreements and deposits with the ECB.

In 2022 the Group focused on consolidating the newly acquired former DEPObank businesses (Securities Services and Payments) and relaunching Factoring & Lending thanks to sales efforts and a gradual return to normalcy in the countries where the Group operates, despite the fact that they are still managing the long wave of the effects of the Covid-19 pandemic crisis that arose in the first quarter of 2020 and despite the weakness of the financial markets affected by the Russia/Ukraine crisis. Furthermore, the Group focused on continuously refining and monitoring initiatives to generate the synergies envisaged in the integration plan with DEPObank in terms of both funding and costs.

Consistent with its Business Plan, the Group monitored market opportunities in order to continue its process of growth and diversification along external lines, as well as to strengthen its structure: this includes the acquisition of MC3 Informatica S.r.l., an IT consultancy company based in Brescia, the closing of which is expected in September 2022, following the authorization of the Bank of Italy received on July 12. This acquisition will allow a vertical integration of ICT services related to Factoring & Lending.

The Group continued its efforts to control and optimise its liquidity and equity, and for this reason in the first quarter of 2022 exercised the call option for the Tier II and placed the first unsecured and rated Additional Tier 1 subordinated bonds, for a total nominal amount of €150 million, perpetual maturity with the option of repayment reserved for the issuer from the fifth year onwards.

On the funding front, efforts were focused on using the funding made available by the Securities Services and Payments BUs to finance its loans and, with a view to diversifying funding sources as well as optimising the cost of funding, on relaunching the funding of Lokata Facto in zloty and, towards the end of the half-year, of Cuenta Facto in euros.

Lastly, BFF continued its policy of investing in HTC securities backed by Italian government bonds with medium-long term horizons aimed at restoring an average duration consistent with those recorded in the past. Specifically, also in relation to the expected dynamics of interest rates in the euro area, the activity was aimed at variable-rate instruments.

Group profit

REPORTED RESULT

In terms of overall profitability, the cumulative performance of the Group's BUs , influenced by the phenomena indicated above, led to a reported profit of €56.6 million, including the non-recurring items that influenced the profit for the period, the details of which are shown in the table below.

NORMALIZED PROFIT

Eliminating the non-recurring items that affected the profits for the six months ended June 30, 2022 and June 30, 2021, and adding to these the two missing months of DEPObank (January and February), for comparative purposes only, the Group's normalized profit would stand at €68.5 million (up 47% year-on-year).

The main elements affecting the Group's normalized performance can be summarised as follows:

- higher net interest income essentially due to higher net yields on loans, also thanks to the initiatives implemented to realise the funding synergies envisaged in the plan, and for the higher value of HTC securities and loans to customers in the portfolio;
- commissions of the Securities Services and Payments BU in line with 2021 despite the performance of the markets;
- lower costs thanks to careful monitoring and the initiatives taken to achieve the cost synergies envisaged in the plan.

The table below explains the transition from the reported profit to the normalized data.

(Values in € million)

Adjustments	First half 2021	First half 2022	YoY %
BFF Group - Reported profit	**210.3**	**56.6**	**-73%**
Pre-acquisition normalized profit of DEPObank	5.1		
Exchange differences covered by Translation Reserve in Equity	0.6	(0.8)	
Stock Options & Stock Grants	2.2	2.1	
Badwill & transaction and restructuring costs	(161.1)		
Liability Management one-off costs	9.5		
DEPObank Goodwill tax relief	(23.7)		
Extraordinary Resolution Fund	2.0		
M&A costs		4.7	
Current taxation of dividend distributions from subsidiaries & write-off of a tax credit (DTA) in Poland		5.0	
Amortization of DEPObank's customer contract	1.7	0.9	
BFF Group - Normalized profit	**46.6**	**68.5**	**47%**

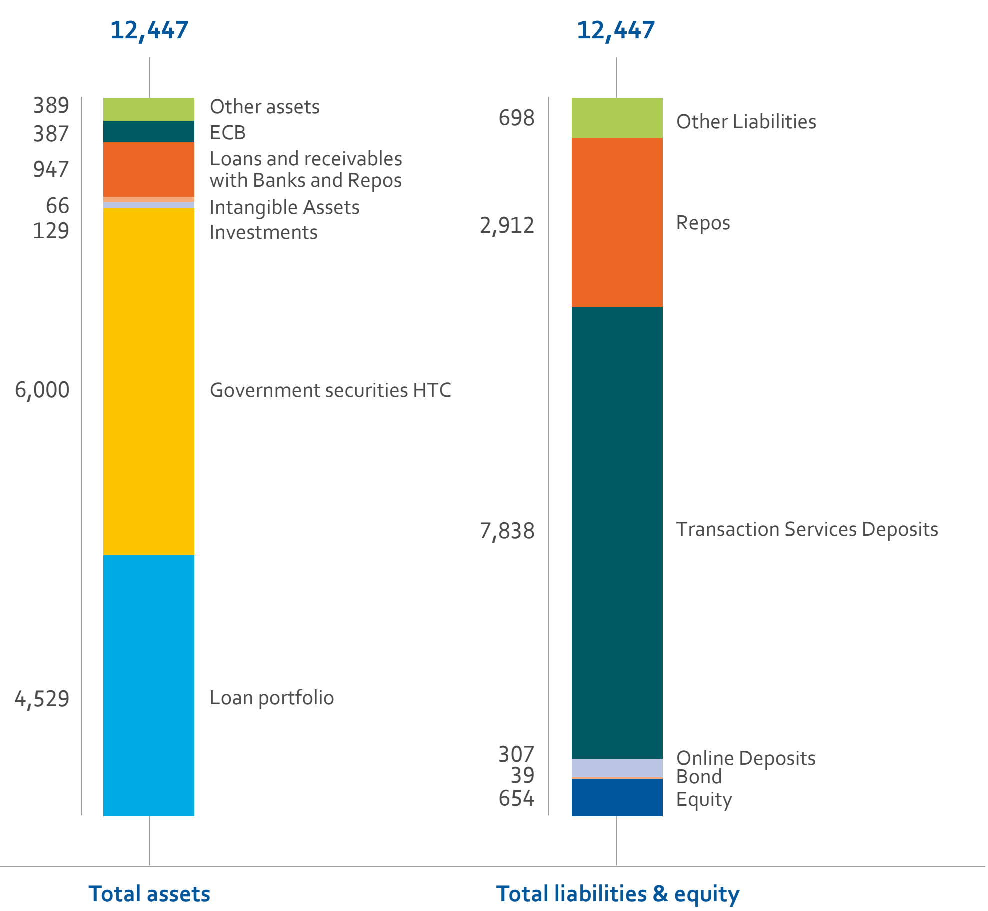
Group statement of financial position

On the statement of financial position front, as in Q2 2021, during the first half of 2022 the Group continued to focus on optimizing the forms of funding generated by the businesses of the former DEPObank, rationalizing their levels and closing or limiting the most expensive historical forms of financing of BFF while maintaining a certain diversification.

On the other hand, the Group focused on better managing the forms of lending, resuming investments in government bonds and eliminating excess liquidity, with improved effects on both the Group's leverage and profitability.

The effect of all of this, which manifested itself from the first half of 2021, continuing also in 2022, was a statement of financial position that, despite the merger of the two banks, was large in size like that of the former DEPObank, especially thanks to the refinancing of the forms of funding of the BFF Group "pre-acquisition".

(€m)



LENDING

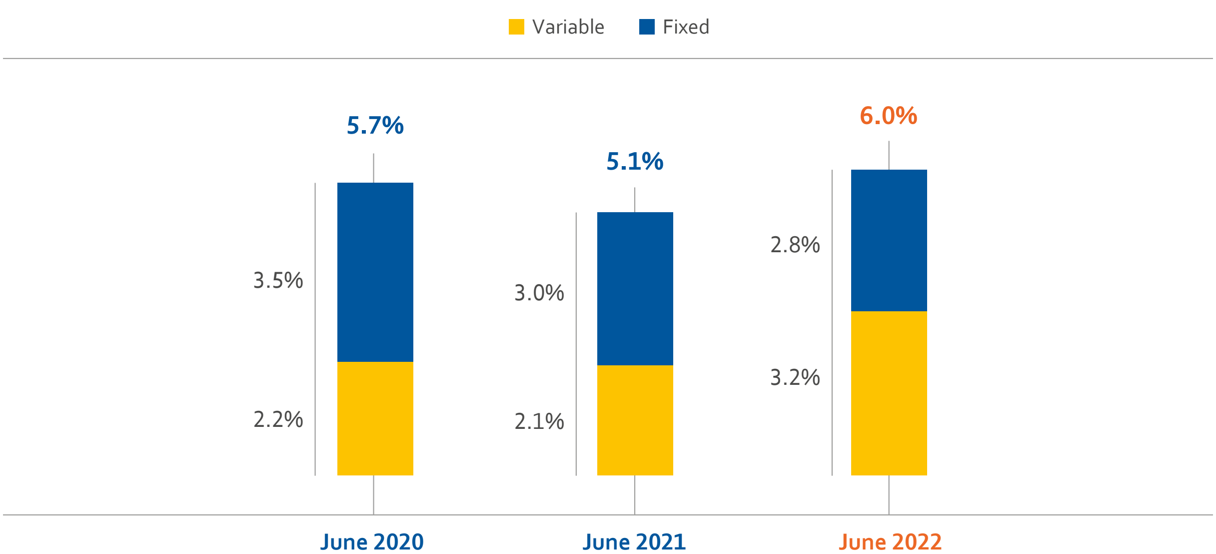
The Factoring & Lending Loan Portfolio was €4.5 billion, up by 35% compared to the first half of 2021: the international markets now account for 35% of total loans to customers. The level reached by loans to customers equalled the maximum levels reached pre-Covid with growth in almost all markets, the only exceptions being Portugal, due to the slippage in July 2022 of a large contract previously signed in June 2021, and Spain, due to the large cash injections made by the Spanish government (€15.7 billion in the first half of 2022, or 15% of public spending on goods and services).

(Values in € million)

Loan Portfolio	06.30.2021	06.30.2022
Italy	1,819	2,930
Spain	286	261
Poland	724	786
Slovakia	223	233
Portugal	224	186
Greece	74	117
Other countries (Croatia, France and the Czech Republic)	9	13
Total	**3,359**	**4,529**

The portfolio of government bonds reached €6.0 billion, 0.2 billion higher than at December 31, 2021 and 0.9 billion higher than the first half of 2021: indeed, the Group began investing again in this area starting from the second quarter of 2021 in order to use unused liquidity.

HTC SECURITIES PORTFOLIO (billion euros)



Cash and cash equivalents were equal to €0.4 billion and Loans and receivables with Banks equal to €0.7 billion: actions were taken to eliminate the excess liquidity deposited with the ECB starting from the second quarter of 2021, bringing it below tiering levels, the positive effects of which were seen on the Income Statement starting from the end of June 2021.

FUNDING

On the liabilities side, the rationalization of funding sources continued through the re-launch of online deposits in Poland and Spain, the new Additional Tier1 bond issue, the call option redemption of the Tier2 bond issue, and the redemption at maturity of the senior unsecured preferred bond issue.

The Transaction Services department, with its Securities Services and Payments BUs, raised approximately €7.8 billion compared to €8.5 billion in the first half of 2021, with a decrease in the share of Securities Services of €0.6 billion (€5.8 billion v €6.4 billion), and with an amount generated by Payments that is substantially constant (€2.1 billion).

The Group, albeit with reduced needs, continued to offer the online deposit account solution aimed at retail and corporate customers and guaranteed by the Interbank Deposit Protection Fund. Specifically, BFF's Polish and Spanish branches continued to offer Lokata Facto and Cuenta Facto in their respective markets.
In any case, the Conto Facto offer on the Italian market remained active, as did that of the Spanish branch in Germany, the Netherlands and Ireland under the freedom to provide services.

At June 30, 2022 total nominal takings of Conto Facto, Cuenta Facto and Lokata Facto amounted to €307 million, up by approximately €77 million from December 31, 2021.

Specifically, the growth recorded compared to the figure at December 31, 2021 benefited from the campaigns promoted in Poland in correspondence with the monetary policy manoeuvres implemented by the Polish Central Bank and the framework of macroeconomic and political uncertainty, which made it possible to raise funds at rates below the corresponding market wibor (Warsaw interbank offering rate) .

With regard to capital market activities, on January 19, 2022 a subordinated Additional Tier1 Perpetual NC2027 instrument in the amount of €150 million was issued at par with a fixed-rate coupon of 5.875% per annum to be paid on a half-yearly basis.
On March 2, 2022 the option for early redemption of the €100 million Tier 2 bonds was exercised following the authorization received from the Bank of Italy.

Finally, on June 29, 2022 the senior bonds with a residual amount of €42.3 million was repaid at maturity.
With regard to the group's senior preferred unsecured issues, note that, also as a result of additional marginal repurchases made during the first half of 2022, securities outstanding as of June 30, 2022 amounted to €38.6 million, compared to €182 million as of June 2021.
With regard to foreign exchange positions arising from the collection and uses of BUs offering services and products to customers, through the use of treasury instruments such as interbank deposits and the use of derivative instruments the Group manages positions in currencies other than euros in order to contain open positions within overall values below regulatory limits in order to avoid the continuous absorption of capital.

EQUITY, OWN FUNDS AND EQUITY RATIOS

As in the past, in 2022 BFF Bank continued to demonstrate its capital soundness, also in consideration of the fact that the capital ratios and own funds do not include the profit realised in the first half of 2022.

In this regard, in fact, recall that already at the time of the 2021 Annual Report BFF Bank had committed to implement all possible initiatives to pay dividends twice a year from 2022 in compliance with regulatory requirements and subject to Bank of Italy authorization.
In view of this commitment, BFF Bank is preparing to distribute an interim dividend in the amount of €68,549,894 in August 2022 for a gross amount per share corresponding to approximately €0.3709 as of the earliest practicable date, i.e. August 24, 2022.

Equity amounted to €654 million compared to €572 million at December 31, 2021.

BFF Banking Group's own funds at June 30, 2022 amounted to €520 million and included the €150 million unsecured and rated subordinated Tier 1 bonds-placed on January 19, 2022, and the overall exposure to risks, in relation to the business carried out, is more than adequate in relation to the level of capitalization and the identified risk profile.

The CET1, Tier 1 and Total capital ratios are 15.1%, 21.2% and 21.2%, respectively, with 152 million in capital in excess of the target TC ratio of 15%: these ratios do not include the profit earned in H1 2022.

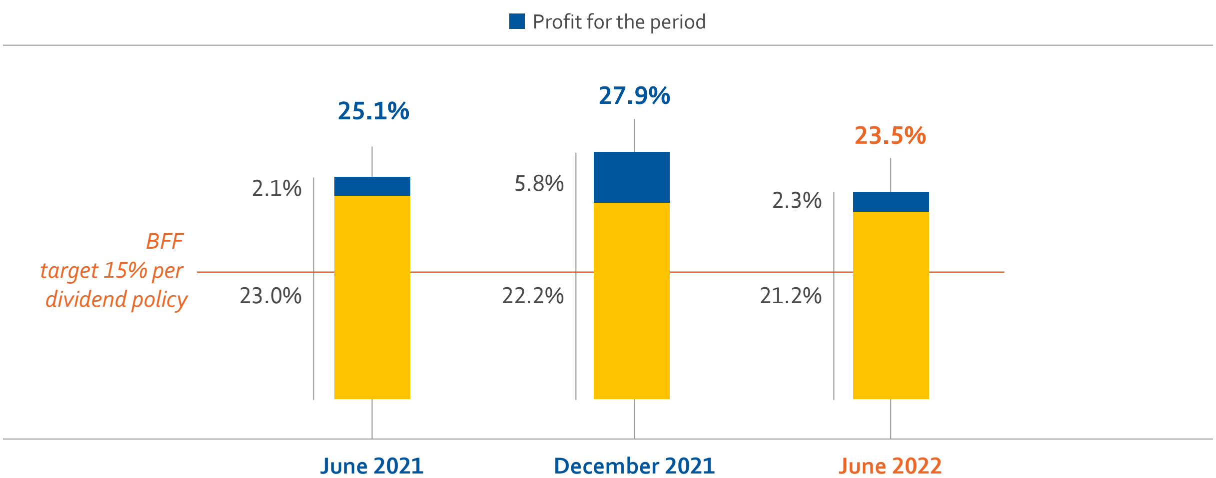
Furthermore, it is recalled that the Group did not need to apply the emergency measures made available by the ECB, the EBA or the European Commission's Covid-19 banking package.

Note also that on May 11, 2022 the Bank of Italy notified BFF of the initiation of the procedure concerning the imposition of additional capital requirements ("capital decision" within the framework of the SREP process) pursuant to Article 67-ter, paragraph 1, letter D of Italian Legislative Decree 385/1993 (Consolidated Law on Banking or TUB). The deadline for closing the proceedings is 90 days after they are commenced.

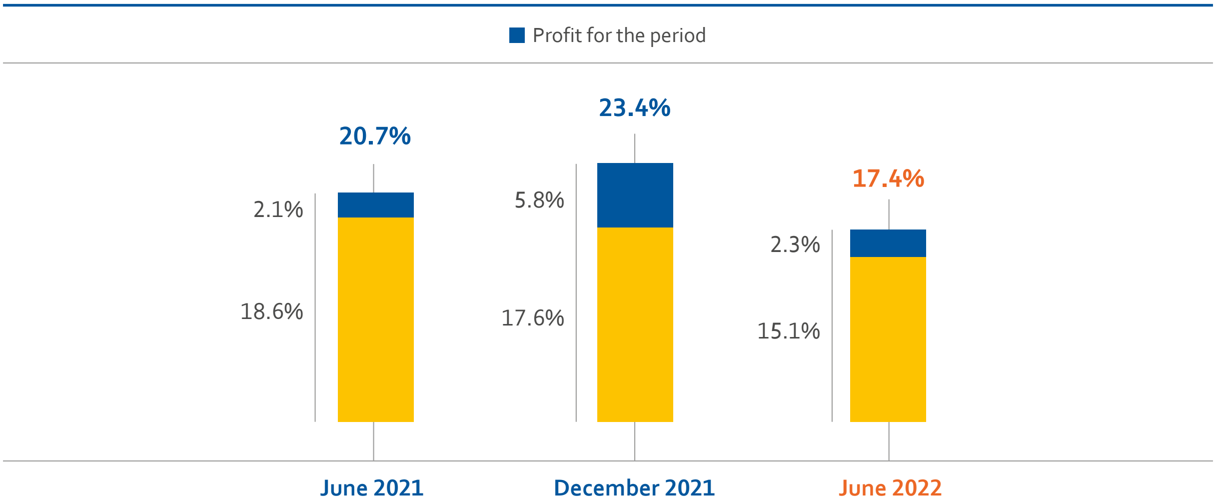
Finally, recall that on July 16, 2021 the Bank of Italy, as Resolution Authority, adopted the 2020 resolution plan for BFF Banking Group, identifying resolution as a crisis management strategy for the BFF Bank group.

TOTAL CAPITAL RATIO - BANKING GROUP EX TUB

	June 2021	December 2021	June 2022
RWAs	2,210	2,171	2,457
RWAs density	43%	45%	41%

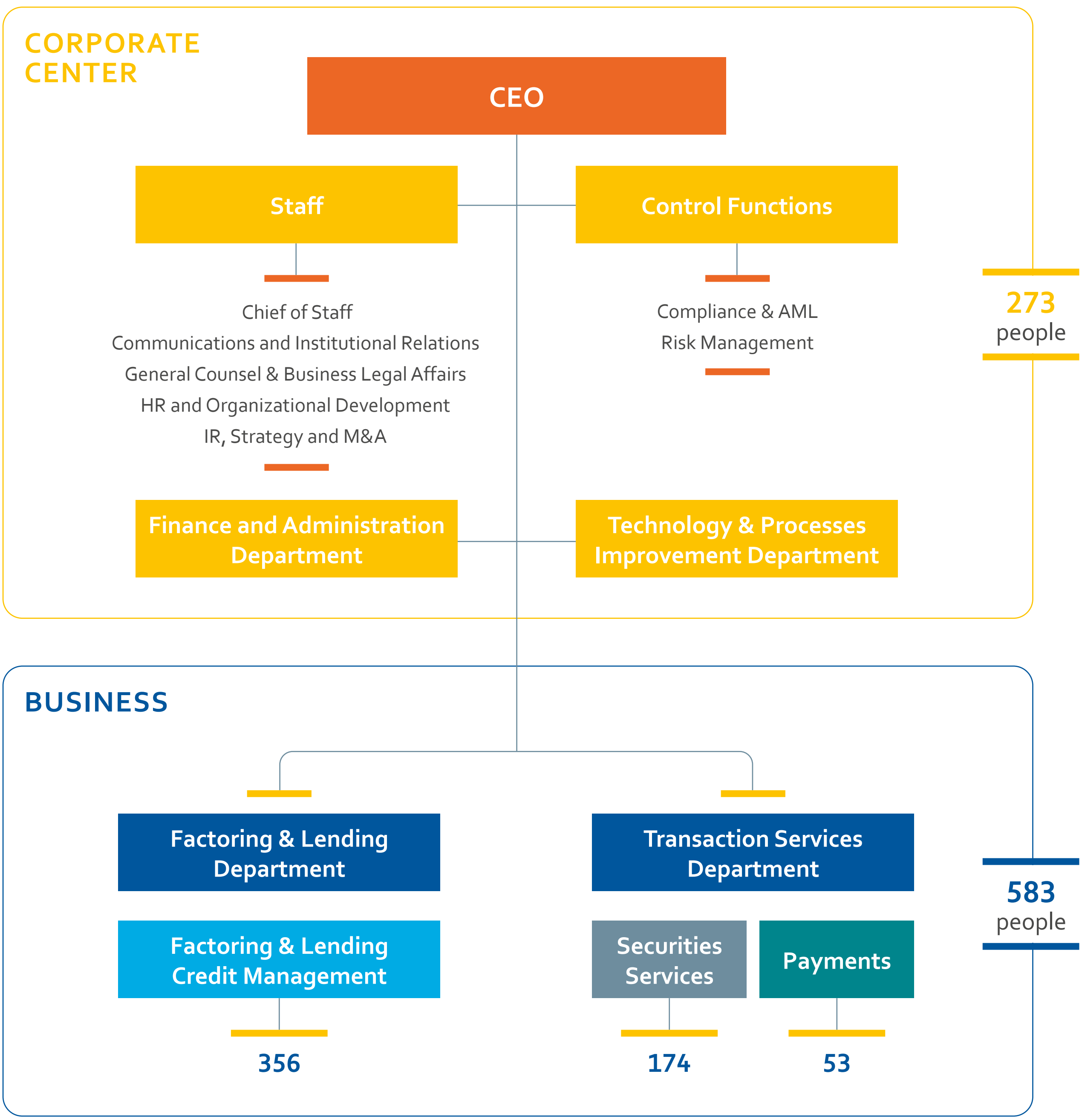


COMMON EQUITY TIER 1 RATIO - BANKING GROUP EX TUB



Changes in the Organizational Structure

As of June 30, 2022 the Group is organised along three business lines, Factoring & Lending (within the department of the same name), Securities Services and Payments, within the Transaction Services Department, supported by the Corporate Centre.



CHANGES IN THE WORKFORCE

At June 30, 2022 the total number of BFF Banking Group employees amounted to 856 persons. During H1 2022 44 hires were recorded and are still in place as at June 30, including 23 in Italy (and FOS), 5 in Spain, 1 in Portugal, 14 in Poland and 1 in the Czech Republic. Below is the breakdown by country:

12.31.2021	Italy	Spain	Poland	Slovakia	Czech Republic	Greece	Portugal	Total
Senior Executive/ Executive	21	1	3				1	26
Manager/ Coordinator	93	15	38	4		3	1	164
Specialist/ Professional	466	41	147	12	3	5	8	682
HEADCOUNT 12.31.2021	**580**	**57**	**188**	**16**	**3**	**8**	**10**	**862**

06.30.2022	Italy	Spain	Poland	Slovakia	Czech Republic	Greece	Portugal	Total
Senior Executive/ Executive	21	1	3	0	0	0	1	26
Manager/ Coordinator	98	14	33	4	0	3	2	154
Specialist/ Professional	460	39	153	10	2	5	7	676
HEADCOUNT 12.31.2022	**579**	**54**	**189**	**14**	**2**	**8**	**10**	**856**

The breakdown of the workforce of 856 resources by gender as at June 30, 2022 remained unchanged from December 31, 2021, with 55% women and 45% men

Below is a breakdown by country as of June 30, 2022:

12.31.2021	Women		Men		Total
Italy	294	51%	286	49%	580
Spain	31	54%	26	46%	57
Poland	129	69%	59	31%	188
Slovakia	11	69%	5	31%	16
Czech Republic	2	67%	1	33%	3
Greece	4	50%	4	50%	8
Portugal	3	30%	7	70%	10
Total Country	**474**	**55%**	**388**	**45%**	**862**

06.30.2022	Women		Men		Total
Italy	298	51%	281	49%	579
Spain	28	52%	26	48%	54
Poland	129	68%	60	32%	189
Slovakia	10	71%	4	29%	14
Czech Republic	1	50%	1	50%	2
Greece	4	50%	4	50%	8
Portugal	4	40%	6	60%	10
Total Country	**474**	**55%**	**382**	**45%**	**856**

Factoring & Lending BU - Main KPIs and Economic Results

The Factoring & Lending BU represents the original business of the banking group and carries out its lending through products such as non-recourse factoring, lending and credit management to public administration bodies and private hospitals.

Currently, the Group carries out this activity in nine countries (Italy, Croatia, France, Greece, Poland, Portugal, Czech Republic, Slovakia and Spain), all of which have been deeply affected in recent years by the Covid-19 pandemic crisis and which to this day continue to deal with the long wave of its effects, together with the implications of the Russia/Ukraine conflict.

Despite the injections of liquidity made by national governments, with a concurrent reduction in payment times, albeit concentrated in many cases on the non-overdue component of trade receivables, and thanks to expectations of rising interest rates and inflation, which are causing companies to reconsider their working capital strategies, and a strong commercial performance, compared to 2021 the main indicators of the Factoring & Lending BU showed strong signs of recovery.

The loan portfolio was up 35% compared to the same period last year (€4,529 million vs €3,359 million), the volumes of loans acquired and disbursed were up sharply compared to the same period last year (€3,395 million vs €2.468 million), while capital collections were down compared to the first half of 2021 (€2,744 million vs €2,867 million), despite the continuation of short payment terms in the public administration, especially in Italy and Spain, and despite the fact that DSOs are expected to grow also as a result of the gradual absorption of liquidity injected by national governments.

DSO - days (BFF data)

	06.30.2021	06.30.2022
Italy	125	114
Spain	82	71
Portugal	266	195
Greece	266	284
Croatia	385	170
France	116	93

The provision for late payment interest and the portion not transferred to the Income Statement thereof continued to grow compared to the first half of 2021 (reaching respectively €745 and €434 million, up by +€44 million and +€16 million), while receipts of late payment interest recorded declined (€18 million in the first half of 2022 compared to €29 million in the first half of 2021) mainly as a result of the delay recorded in Italy in finalising agreements with debtors.

The gross yield on loans to customers remained constant compared to H1 2021.

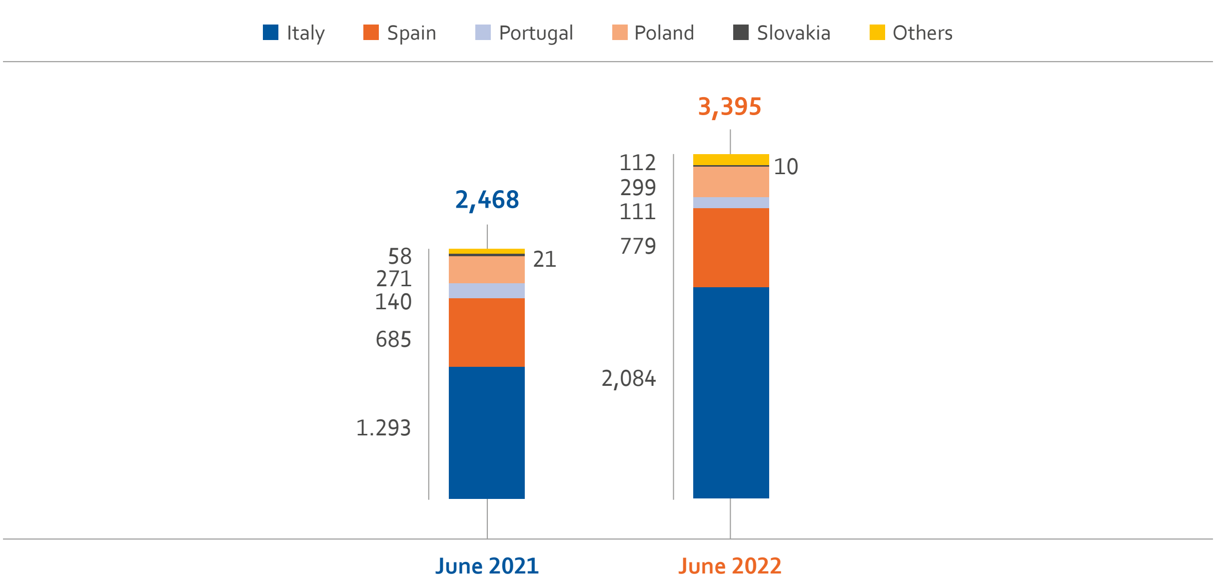
Risk weighted assets (RWA) increased in absolute value, with density up due to the different mix of financial statements items and as a result impacted the Interest Margin/RWA, which went from 8.3% in the first half of 2021 to 7.5% in the first half of 2022.

Costs/Loans and receivables with customers and Cost/Income remained essentially unchanged or improved slightly, while the Cost of credit risk remained at negligible levels, reflecting the high standing of the customers served and the rigorous credit origination and monitoring process. The latter was impacted by changes to the curves representing the decay rates of macroeconomic scenarios, which were updated in the first half of 2022 and affected collective write-downs against a larger portfolio of loans to customers and some specific write-downs in Poland.

(Values in € million)

	06.30.2021	06.30.2022
Volumes	2,468	3,395
Capital collections – Non-recourse	2,867	2,744
Loan Portfolio	3,359	4,529
RWAs	1,559	1,995
Late payment interest collected	29	18
Provision for late payment interest	701	745
Provision for late payment interest "not transferred" to the income statement	*418*	*434*
Gross yield on loans and receivables with customers %	5.0%	5.0%
Cost of money %	1.8%	1.8%
Interest Margin/RWA %	8.3%	7.5%
Costs/Loans and receivables with customers %	1.0%	1.0%
Cost/Income %	26%	24%
Cost of risk %	0.01%	0.09%

FACTORING & LENDING VOLUMES BY COUNTRY



Net interest income amounted to €74.6 million, compared to €64.5 million in H1 2021, and was negatively affected by the "rescheduling/capital gains" spread.
The range of "rescheduling/capital gains" included in net interest income, i.e. the differential between capital gains generated by the receipts of late payment interest exceeding 45% accounted for on an accruals basis and the rescheduling, i.e. the effects related to the discounting of uncollected receivables according to internal estimates and therefore reprojected forward over time, was basically negative when compared to the same period last year and was negatively influenced by the lower receipts of late payment interest recorded.
Direct costs amounted to €19.0 million, up by 6% compared to the first half of 2021 due to higher volumes and increased operations.

Net adjustments for credit risk, although higher than in the first half of 2021 as a result of higher collective write-downs (due to the larger portfolio in place) and specific write-downs mainly in Poland, continued to remain at negligible levels thanks to the careful monitoring of credit, both in origination and management.
Profit before tax from continuing operations therefore amounted to €59.8 million, up €7.7 million compared to the same period last year, thanks mainly to the phenomena described previously.

(Values in € million)

	First half 2021	First half 2022
Net interest income	**64.5**	**74.6**
of which "rescheduling/capital gains" range	*(0.6)*	*(1.1)*
Net fee and commission income	3.3	2.3
Other revenue	(0.3)	0.0
Other operating income, net	3.2	4.7
Total net revenues	**70.7**	**81.6**
Direct costs	(17.9)	(19.0)
Net impairment losses/reversals of impairment losses on property, equipment and investment property/intangible assets	(0.8)	(0.7)
Net impairment losses/gains for credit risk and net provisions for risks and charges	(0.1)	(2.1)
Profit before tax from continuing operations	**52.1**	**59.8**

Securities Services BU - Main KPIs and Economic Results

The Securities Services BU is the business unit that deals with custodian banking for investment funds and related services such as global custody, fund accounting and transfer agents for national managers and banks and for various investment funds such as pension funds, mutual funds and alternative funds: the activity is concentrated on the domestic market.

During the first half of 2022 the BU witnessed good commercial performance. This continues to be possible thanks to the launch of strategic initiatives aimed at i) further expansion and improvement of the commercial experience (through services such as settlement processing, securities lending for medium to small-sized Pension Funds; expansion of the activities of Paying agents also to foreign currencies; ii) an expansion of the customer base (through the offer of custodian bank services to Pension Funds, Religious Bodies and Banking Foundations and participation in the calls for tenders of Pension Funds in addition to the offer of Paying Agent, Account and Custodian Bank services to Corporate customers) and iii) seizing the opportunities deriving from regulatory interventions (such as T2-T2S Consolidation, ECMs, CSDR, SHRD II, Spanish FT).

Business development mitigated the drop in revenues due to the weakness of the financial markets affected first by the effects of Covid-19 and then by the Russia/Ukraine crisis.

The main indicators of the Securities Services BU compared to the first half of 2021 showed contrasting trends.

The Custodian's Assets under Deposit (AuD) amounted to €78.7 billion, a decrease compared to the first half of 2021. The negative performance of the financial markets was only partly offset by the positive effects of initiatives related to the development of new business opportunities as well as a positive balance between inflows and outflows. In this context, BFF Bank still maintained its leading position in the Italian pension fund segment.

Global Custody's Assets under Custody (AuC) of €163.5 billion, down 2.9% from H1 2021, were impacted by the negative performance of financial markets.

The balance of customer deposits decreased compared to the first half of 2021: the level reached with respect to Assets under Deposit (AuD) is 7%, which is higher than the historical average values of 5%.

Finally, Cost/Income showed a positive trend thanks to the good performance of revenues, driven by the increase in service fees to €23.5 million and the diminishing cost base.

	06.30.2021 pf	06.30.2022
Custodian Bank (AuD, €M)	80,461	78,679
Fund Accounting (AuM, €M)	51,841	51,694
Transfer Agent (no. customers, #K)	2,159	2,196
Global Custody (AuC, €M)	168,452	163,524
Settlements (no. transactions, #K)	1,357	1,486
Deposits - Final Balance (€M)	6,401	5,830
Cost/Income	54%	45%

Net interest income amounted to €5.0 million (v €4.5 million in the first half of 2021) and was negatively affected by lower deposits.

The level of Net fee and commission income was 6% higher than in the same period last year due to higher average commissions and higher settlement volumes.

The amount of Direct Costs decreased despite higher revenues, as also evidenced by the trend of Cost/Income, and evidence of the efficient monitoring of costs in place and the renegotiation of some contracts with suppliers.

(Values in € million)

	First half 2021 pf	First half 2022
Net interest income	**4.5**	**5.0**
Net fees and commission income	22.2	23.5
Other operating income and expenses	0.3	(0.0)
Total net revenue	**27.0**	**28.5**
Direct costs	(14.2)	(12.8)
Net impairment losses/reversals of impairment losses on property, equipment and investment property/intangible assets	(0.5)	(0.1)
Net provisions for risks and charges	-	(0.5)
Profit before tax from continuing operations	**12.4**	**15.1**

Profit before tax from continuing operations therefore amounted to €15.1 million, up €2.7 million compared to the corresponding period of last year thanks mainly to the increase in commissions from services and cost containment.

Payments BU - Main KPIs and Economic Results

The Payments BU is the business unit that deals with payment processing, corporate payments and cheques and bills and has as customers medium-small Italian banks, medium-large companies and boasts a partnership with Nexi. The business is concentrated in the domestic market.

In the first half of 2022, the BU witnessed a good business performance in addition to the recovery effects related to the end of the Covid-19 pandemic: positive effects on the area of transactions, corporate payments and the settlement sector, while the decline continued for the cheques and bills area (an area in structural decline and still trending in the market).

As seen in 2021, the market is showing the effects of the evolution and digitalization of the Payment System and the aggregation of banks, not to mention potential increased competitiveness in the Payments sector, also led by the ECB and the European Commission, along with the entry of many new operators into the payments market, such as Payment Institutions, IMELs, TPPs and Fintech operators. Precisely these last two phenomena have meant that during 2021 with the full implementation of PSD2 BFF saw a growing demand for payment intermediation services. The start of the Directive revision process may lead to a further enlargement of the market, developing more competition but also new opportunities.

The main indicators of the Payments BU, in terms of the number of transactions executed compared to the first half of 2021, showed positive trends.

The number of collection and transfer processing transactions grew by 7%, reaching €161 million. There was good growth in instant payments, although still very low numbers due to the difficulty of many small and medium-sized banks to find a space for this service.

The card settlement business grew by 36%, surpassing pre-Covid levels due to increased activity from bank customers and competitive pressure from the contactless segment.

Transactions related to Cheques and Bills decreased in line with market trends.

Corporate Payments saw 15% growth compared to the first half of 2021, strongly affected by the pandemic, thanks to the positive performance of payments and customer receipts.

The balance of deposits amounted to €2,113 million and remained in line with the first half of 2021, amounting to €2,116 million. Finally, the Cost/Income showed a positive trend due to good revenue performance and cost containment.

	06.30.2021 pf	06.30.2022
Intermediations (no. transactions #M)	150	161
Settlements (no. transactions #M)	86	117
Cheques and Bills (no. transactions #M)	13	11
Corporate payments (no. transactions #M)	28	33
Deposits - Final Balance (€M)	2,116	2,113
Cost/Income	54%	51%

Net interest income amounted to €4.1 million in H1 2022 (compared to €3.1 million in H1 2021).

The level of Net Fee and commission income and Direct Costs was broadly in line with the same period in 2021 and amounted to €20.8 million (despite lower income from the National Guarantee Fund) and €15.4 million, respectively.

Cost/Income decreased, reflecting the efficient cost monitoring put in place.

(Values in € million)

	First half 2021 pf	First half 2022
Net interest income	**3.1**	**4.1**
Net fee and commission income	20.8	20.8
Other operating income, net	5.5	5.7
Total net revenue	**29.4**	**30.5**
Direct costs	(15.3)	(15.4)
Net impairment losses/reversals of impairment losses on property, equipment and investment property/intangible assets	(0.4)	(0.1)
Net provisions for risks and charges	-	0.1
Profit before tax from continuing operations	**13.6**	**15.1**

As a result, the profit before tax from continuing operations before tax was €15.1 million, up €1.5 million compared to the first half of 2021, mainly due to the increase in net interest income.

Corporate Center BU - Main KPIs and Economic Results

The *Corporate Center BU* manages the group treasury and the reallocation of funding between the various BUs and any other forms of use. It incorporates all the staff and control functions as well as the Technology & Processes Improvement and Finance and Administration departments to support the business. Its results include everything not directly attributable to the other BUs. It is the area the Group has focused on following the acquisition of DEPObank to achieve the Funding and Cost synergies underlying the integration plan, and therefore it is the BU, along with its internal structures, that a large part of the Group's strategic initiatives not strictly related to business developments are concentrated on (e.g. the Assets & Liability management activities mentioned above and the Capital management activities cited above).

In this regard, note that:

- On January 19 the issue at par of an Additional Tier 1 Perpetual NC2027 instrument (ISIN XS2404266848) in the amount of €150 million was finalised, with a fixed-rate coupon of 5.875% per annum to be paid on a half-yearly basis.
- On March 2, 2022, the call option was exercised and the €100 million subordinated Tier2 instrument issued in 2017 was redeemed.
- On June 29, 2022, the Bonds (ISIN XS1639097747) issued for an original amount of €200 million in June 2017 and outstanding at the redemption date in the amount of €42.3 million was redeemed at maturity.

In light of the above, the situation of bond issues as of June 30, 2022 is as follows:

ISIN code	Issue date	Maturity		Bond type	Nominal amount (€ million)	Coupon	Ratings Moody's
			Rated and listed bonds				
XS2068241400	23/10/19	23/05/2023	3,5Y	Senior Preferred Unsecured	38.6	1.75%	Ba1
XS2404266848	19/01/22	Perpetual NC 2027 (*)		Additional Tier1	150	5.875%	B2
TOTAL AMOUNT OF OUTSTANDING BONDS as of JUNE 30, 2022					**188.6**		

(*) First Call Option January 19, 2027 - July 19, 2027.

The BU income statement was affected by the rise in interest rates generated by the Russia/Ukraine conflict as well as the negative impact of lower revenues from the former DEPObank securities portfolio as a result of the fair value valuation carried out at the closing date.

Net interest income, to be considered together with the cost of hedging derivatives (under Other Revenue/ Costs) used to finance and hedge assets in Zloty and amounting to €39.1 million (€24.6 million net of the cost of hedging derivatives), showed a very positive trend , thanks mainly to the realization of all activities useful for achieving the funding synergies envisaged in the integration plan with DEPObank.

The Group also aimed to improve yields in the area relative to government bonds through new purchases of government bonds issued by the Italian Republic, operating through an investment policy aimed at returning the size of the portfolio and the relative duration to pre-closing levels, when they were respectively higher than €6 billion and in the order of about three years on average. Moreover, in order to take into account the new interest rate trends , investment activity in the first half of 2022 was directed more towards variable-rate securities.

Other revenue, which decreased by €10.3 million compared to the same period in 2021, were affected by the hedging derivatives put in place.

Costs showed a significant reduction compared to H1 2021, reflecting the careful control of costs, the prerogative of all Group BUs, and the effects of the initiatives taken to achieve the synergies envisaged in the plan in order to increase the operational efficiency of the BU.

The above costs include the contributions the Bank pays annually to the Deposit Guarantee Fund (FITD) and the Resolution Fund.

With regard to the Deposit Guarantee Fund, note that EU Directive 2014/49 (Deposit Guarantee Schemes Directive - DGS) introduced in 2015 a new mixed funding mechanism, based on ordinary (*ex-ante*) and extraordinary (*ex-post*) contributions on the basis of the amount of the covered deposits and the degree of risk incurred by the respective member bank.

The ordinary contribution for the year 2022 had not yet been communicated by the FITD as at June 30, 2022, while for the year 2021 it amounted to €1,451,000, and for the year 2020 it amounted to €1,856,000 for BFF and €399,000 for the merged ex-DEPObank.

On November 26, 2015, the meeting of FITD members also approved a Voluntary Scheme in addition to the Mandatory Scheme, to implement measures to support member banks at the point or at the risk of becoming insolvent. BFF has decided to participate in the scheme. It then withdrew on September 17, 2017. For this reason, starting from such date the Bank will no longer be forced to make additional payments to the aforesaid Voluntary Scheme.

With regard to the Resolution Fund, recall that Regulation (EU) 806/2014 governing the Single Resolution Mechanism, which came into force on January 1, 2016, has established the European Single Resolution Fund (SRF), managed by the new European resolution authority, the Single Resolution Board. Starting from that date, the National Resolution Funds (NRF) set up by Directive (EU) 2014/59 (Bank Recovery and Resolution Directive - BRRD) and implemented in 2015, became part of the new European Resolution Fund.

The ordinary annual contribution quota requested from BFF Bank by the Bank of Italy for the year 2022 with a note dated April 27, 2022 and payment made in May 2022 amounted to €3,607 thousand compared to €8,688 thousand in 2021 (€2,963 thousand quota relating to the ex-BFF and €5,725 thousand quota relating to the ex-DEPObank).

According to Italian Law 208/2015 (so-called 2016 Stability Law), if the financial resources of the National Resolution Fund (NRF) are insufficient to sustain the recovery and restructuring actions carried out over time, the banks must make additional contributions to such NRF, with the amount to be determined by the Bank of Italy.

Below is a representation of the results of the Corporate Centre BU:

(Values in € million)

	First half 2021 pf	First half 2022
Net interest income	**9.5**	**39.1**
Net fees and commission expense	(0.9)	(0.8)
Other Revenue	13.6	3.4
Total Net Revenue	**22.2**	**41.6**
Personnel expenses	(15.8)	(13.5)
Other Administrative Expenses	(24.1)	(14.4)
Net impairment losses/reversals of impairment losses on property, equipment and investment property/intangible assets	(3.3)	(3.3)
Net impairment losses/impairment gains for credit risk and net provisions for risks and charges	2.9	(2.9)
Profit (loss) before tax from continuing operations	**(18.1)**	**7.5**

Therefore, profit before tax from continuing operations came to €7.5 million, a clear increase over the same period last year when a loss of €18.1 million was recorded thanks to the realization of the funding and cost synergies envisaged in the plan.

Credit quality

In terms of credit quality, the high standing of the portfolio of loans to customers is confirmed once again thanks both to the type of customers served by the three business units and the rigorous origination process and monitoring of credit.
As of June 30, 2022 total net impaired loans amounted to €128.7 million, of which 83% related to the public sector.

Non-performing loans amounted to €80.7 million, comprising €73.4 million of exposures concerning "Local authorities in financial distress". Municipalities in financial distress are classified as non-performing loans, in compliance with the Supervisory Authority's regulations, although BFF Bank is entitled to receive 100% of principal and late payment interest at the end of the insolvency procedure.

The NPL ratio net of municipalities in financial distress was 0.2%, essentially in line with December 31, 2021.
Net past due exposures amount to 33.9 million euros and of these 97.1% refer to public administration entities (mostly local authorities) and other public sector companies.

The percentage of impairment losses on impaired exposures for the year (cost of risk) stood at 11 bps annualised due to higher general provisions resulting from the more conservative macro-assumptions on the IFRS 9 model, and higher adjustments on private exposures.

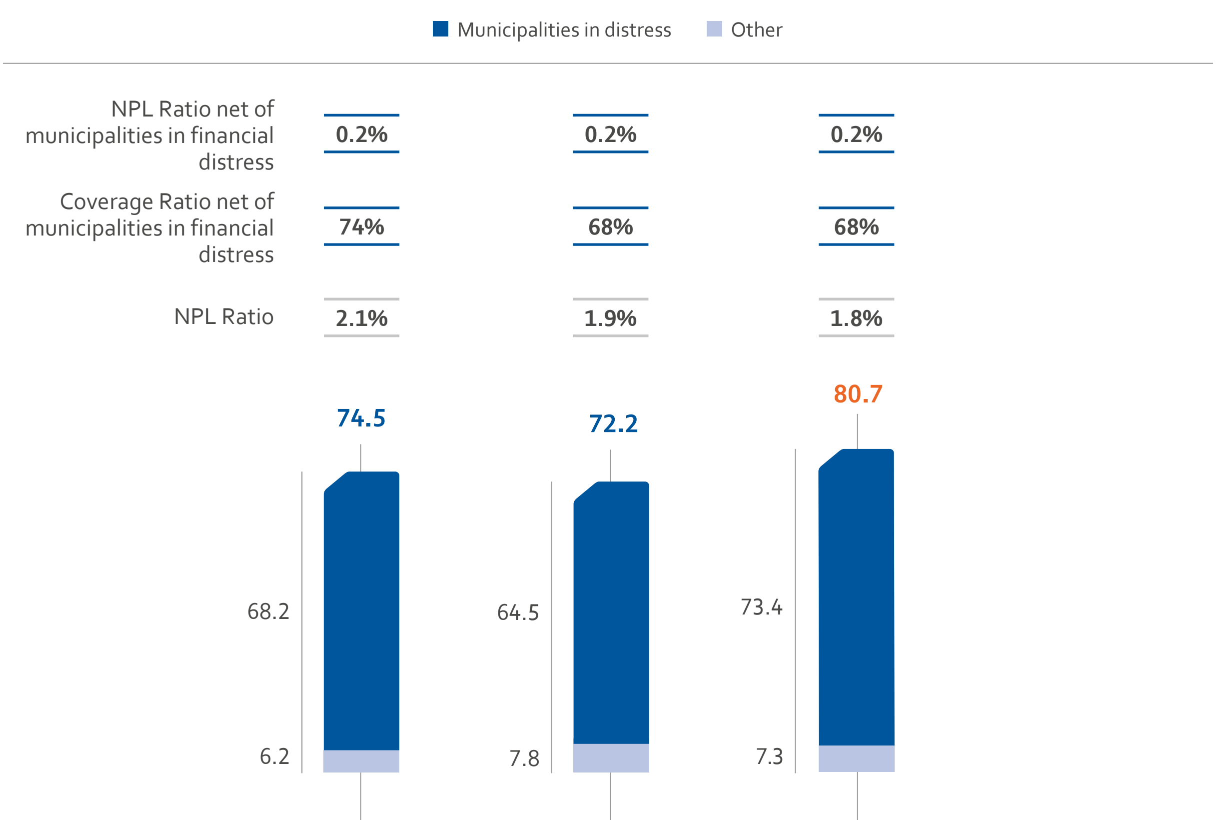
Excluding distressed municipalities, the coverage ratio for non-performing loans is 68%, in line with December 31, 2021.

Finally, unlikely to pay exposures stood at €14.1 million.

(Values in € million)

	BFF & DEPObank		
	06.30.2021	12.31.2021	06.30.2022
Non-performing loans	74.5	72.2	80.7
Unlikely-to-pay positions	14.3	12.4	14.1
Net past-due exposures	2.1	19.4	33.9
Net impaired loans	**90.9**	**104.1**	**128.7**
Net impaired loans net of municipalities in financial distress	22.6	39.6	55.3

EVOLUTION OF NON-PERFORMING LOANS (NPL) (€m)



Main items in the statement of financial position

The key items in the statement of financial position are commented below and described in greater detail in the Notes in Part B.

Cash and cash equivalents

(Values in thousand euros)

Items	12.31.2021	06.30.2022	Changes
a) Cash	192	209	17
b) Current accounts and sight deposits at Central Banks	360,142	184,950	(175,192)
c) Current accounts and sight deposits at banks	194,134	202,079	7,945
Total	**554,468**	**387,238**	**(167,230)**

Starting from December 31, 2021, in line with what is set forth in the 7th update of Bank of Italy circular 262/2005, the item in question, aside from cash and sight deposits at Central Banks, with the exception of the mandatory reserve, also includes current accounts, as well as sight loans and receivables (current accounts and sight deposits) with banks.
As of June 30, 2022, this item mainly includes unrestricted deposits with the Bank of Italy, amounting to €185 million, as well as current accounts held by the Bank and its subsidiaries at third-party banks at the end of H1 2022, amounting to €202 million. Specifically, "Current accounts and sight deposits at banks" mainly refer for €197,001 thousand to BFF Bank, for €4,562 thousand to BFF Polska Group and for €507 thousand to BFF Finance Iberia.

Financial assets measured at fair value through profit or loss

(Values in thousand euros)

Items	12.31.2021	06.30.2022	Changes
a) financial assets held for trading	4,095	6,980	2,884
c) other financial assets subject to mandatory fair value measurement	32,503	31,771	(731)
Total	**36,598**	**38,751**	**2,153**

The item consists essentially of i) Financial assets held for trading of €6,980 thousand, which includes the positive fair value of derivative instruments classified as trading assets but used for the operational hedges of interest rate risk that the Group is exposed to and ii) Other financial assets subject to mandatory fair value measurement of €31,771 thousand, which mainly include the "UCI units".

Financial assets measured at fair value through other comprehensive income

(Values in thousand euros)

Items	12.31.2021	06.30.2022	Changes
Equity securities	83,506	128,507	45,001
Total	**83,506**	**128,507**	**45,001**

The item consists essentially of the stake in the Bank of Italy of €125 million, as well as some shares and equity investments for an amount of €3.5 million.

Financial assets measured at amortized cost

(Values in thousand euros)

Items	12.31.2021	06.30.2022	Changes
Government securities - (HTC)	5,792,627	6,000,314	207,687
Loans and receivables with banks	404,099	693,305	289,206
Loans and receivables with customers	3,872,771	4,569,245	696,474
Total	**10,069,497**	**11,262,864**	**1,193,367**

The amount relating to the item Government Securities – (HTC) consists entirely of government securities classified in the Held to Collect (HTC) portfolio and purchased to hedge liquidity risk, for a total value of €6,000 million.

"Loans and receivables with banks" includes the item "Loans and receivables with central banks - Mandatory reserve" relating to the deposit of Mandatory reserves, including the amounts deposited in compliance with the reserve requirement of the client banks, for which the Parent BFF provides the service indirectly, as well as the amounts deposited with Banco de España as CRM (*Coeficiente de Reservas Mínimas*) in relation to the deposit-taking activities carried out by the Spanish branch of the Bank through "Cuenta Facto", and with the National Bank of Poland (Narodowy Bank Polski) for the deposit-taking activities carried out by the Polish branch through "Lokata Facto". The item also includes "Loans and receivables with banks – Reverse repurchase agreements" relating to contracts governed by the Global Master Repurchase Agreement (GMRA) as well as " Loans and receivables with banks – Others" which derive from the provision of activities and services offered.

With regard to "Loans and receivables with customers", the item mainly includes trade receivables purchased outright and loans made by BFF Polska Group. Note that, as indicated by the Bank of Italy, the ecobonus tax assets are recognised under "Other Assets" in the amount of approximately €213 million.

(Values in thousand euros)

Items	12.31.2021	06.30.2022	Changes
Trade receivables purchased outright	2,643,786	2,887,636	243,850
Trade receivables purchased below face value	23,864	26,715	2,852
Other exposures	1,205,122	1,654,894	449,772
Total	**3,872,771**	**4,569,245**	**696,474**

Credit quality

With regard to credit quality, total net impaired exposures increased by €128.7 million at June 30, 2022 compared to €104.1 million at December 31, 2021.

In order to analyze its credit exposures, aimed among other things at identifying any impairment losses on financial assets in accordance with IFRS 9, the Banking Group classifies exposures as Performing and Non-Performing.

Non-Performing exposures, whose overall gross amount was €147.6 million at June 30, 2022 with impairment losses totalling €18.9 million, are divided into the following categories.

Non-performing loans

These are exposures to parties that are in a state of insolvency or in basically similar situations, regardless of any loss projections recognized by the Bank.

At June 30, 2022, the total non-performing loans of the Banking Group, net of impairment, amounted to €80.7 million. Among these non-performing exposures, €64.5 million (89% of the total) concerned regional authorities in financial distress.

Gross non-performing loans amounted to €95.2 million and related adjustments amounted to €14.4 million.

Please note that, as for the exposures to Local Authorities (Municipalities and Provincial Governments), in accordance with the Bank of Italy Circular no. 272 the portion subject to the relevant settlement procedure, the claims included in OSL's liabilities, are classified as non-performing, even though all claims can be collected under the law at the end of the insolvency procedure.

Unlikely-to-pay positions

Unlikely to pay exposures reflect the judgement made by the intermediary about the unlikelihood, excluding such actions as the enforcement of guarantees, that the debtor will fully fulfil (for principal and/or interest) its credit obligations. This assessment should be arrived at independently of the existence of any past due and unpaid amounts (or instalments). Therefore, it is not necessary to wait for an explicit sign of anomaly (e.g., failure to repay) when there are factors that signal a default risk situation for the debtor.

At June 30, 2022, gross exposures classified as unlikely to pay totalled €18.4 million and related adjustments amounted to €4.3 million, a net amount of €14.1 million.

Impaired past due exposures

Impaired past due exposures consist of positions vis-à-vis entities for which the conditions for classification as past due impaired exposures are met by presenting one or more credit lines that meet the definition of "Non-performing exposures with forbearance measures" set out in Section V, Part 2, paragraph 262 of the ITS.

At June 30, 2022, total net past due exposures amounted to €33.9 million for the entire Banking Group.

The Banking Group's gross exposures totalled €34.0 million and relevant adjustments amounted to €98 thousand.

The following table shows the amount of loans and receivables with customers, with an indication of any adjustment, broken down into "Performing exposures" and "Impaired assets".

(Values in thousand euros)

Type	12.31.2021			06.30.2022		
	Gross value	Gross value	Gross value	Gross value	Adjustments value	Carrying amount
Non-performing exposures purchased performing (Stage 3)	118,965	(20,176)	98,789	141,856	(18,686)	123,170
Impaired exposures purchased non-performing (Stage 3)	5,493	(206)	5,287	5,695	(205)	5,490
Performing exposures (Stage 1 and 2)	3,770,502	(1,806)	3,768,696	4,443,416	(2,832)	4,440,584
Total	**3,894,960**	**(22,189)**	**3,872,771**	**4,590,967**	**(21,722)**	**4,569,245**

Furthermore, besides classifying exposures as performing and non-performing, the Banking Group also measures exposures as forborne in compliance with relevant Implementing Technical Standards.

Property, equipment and investment property and intangible assets

(Values in thousand euros)

Items	12.31.2021	06.30.2022	Changes
Property, equipment and investment property	36,452	50,352	13,900
Intangible assets	67,547	65,846	(1,702)
- of which goodwill	*30,874*	30,874	-
Total	**103,999**	**116,197**	**12,198**

At June 30, 2022, the item "Property, equipment and investment property" amounted to a total of €50,352 thousand. Of this amount, €30,852 thousand related to BFF Bank, €17,092 thousand related to BFF Immobiliare, €1,325 thousand to BFF Polska Group, and €1,082 thousand to BFF Finance Iberia.
The amount pertaining to BFF Bank includes i) land amounting to €22,575 thousand, including €6,325 thousand relating to the property owned by BFF Bank and €16,250 thousand relating to the purchase of the building area located in Milan by the subsidiary BFF Immobiliare, for the purpose of building the future headquarters of BFF Bank; ii) buildings (including capitalised extraordinary maintenance) amounting to €11,387 thousand including the building in Rome - Via Elio Chianesi 110/d owned by the former DEPObank; iii) right-of-use assets relating to the application of IFRS 16 to leases amounting to €14,262 thousand.
Intangible assets largely consist of the goodwill arising from BFF's acquisition of BFF Polska Group in 2016 and the former IOS Finance (now merged into BFF Finance Iberia) in 2019, totalling respectively €22,146 thousand and €8,728 thousand, as well as the Customer Relationships recognized following the finalization of the PPA, equal to €24,347 thousand.
The residual amount refers to investments in new multi-year programs and software.

As of June 30, 2022, the Group has not performed any further checks on either the goodwill recognized or the intangible assets, as there are no trigger events that could have an impact on their valuation. In line with the provisions of IAS 36, impairment tests will be performed on all goodwill and customer relationships recorded in the financial statements in conjunction with the preparation of the 2022 financial statements.

Hedging derivatives, equity investments and financial liabilities held for trading

(Values in thousand euros)

Items	12.31.2021	06.30.2022	Changes
Hedging derivative assets	13	8,755	8,742
Equity investments	13,484	13,619	136
Financial liabilities held for trading	2,725	1,954	(770)
Hedging derivative liabilities	4,814	14	(4,801)

The items Hedging derivative assets and liabilities respectively include the positive and negative fair values as of June 30, 2022 related to the use of currency swap contracts to hedge loans disbursed in zloty to Polish subsidiaries under existing intercompany agreements and Transaction Services' funding in currencies other than the euro.

The item Equity investments refers to the equity investment in two law firms in which BFF Polska is a limited partner, as well as the equity investment in Unione Fiduciaria of 26.46% of the capital thereof, deriving from the financial statements of the former DEPObank. Note that the aforementioned investments are consolidated using the equity method (and not in full).

The item Financial liabilities held for trading includes the negative fair value at June 30, 2022 of derivative instruments classified as trading assets but used for the operational hedges of interest rate risk that the Group is exposed to.

Tax assets and liabilities

(Values in thousand euros)

Items	12.31.2021	06.30.2022	Changes
Tax assets	**100,519**	**79,121**	**(21,398)**
current	41,390	23,596	(17,794)
prepaid	59,129	55,526	(3,603)
Tax liabilities	**100,684**	**100,846**	**161**
current	5,027	2,075	(2,951)
deferred	95,657	98,770	3,114

As at June 30, 2022, current tax assets and liabilities amount to €23,596 thousand and €2,075 thousand, respectively, and include the net balance of the Group's tax positions with respect to tax authorities, in accordance with the provisions of IAS 12.

The main components of deferred tax assets include the portion of amounts deductible in future years of adjustments to loans and receivables, the accrual for deferred benefit employee obligations, and depreciation and amortization the recognition of which is deferred for tax purposes.

Recall that in 2021 the tax value and carrying amount relating to Banking Payments goodwill deriving from the former DEPObank were aligned (see what is described in the specific item 100 "Intangible Assets" of the statement of financial position) following the payment of substitute tax equal to €2.4 million, resulting in a net positive effect of €23.7 million on income taxes for the year. Furthermore, the item also includes the share of deferred tax assets deriving from the financial statements of the former DEPObank relating to goodwill and the tax loss realized at the end of 2020.

Deferred tax liabilities mainly refer to the taxes on BFF Bank's late payment interest, recognized in the financial statements on an accruals basis but which will form part of the taxable income in future years subsequent to collection, in accordance with Article 109, paragraph 7, of Presidential Decree no. 917 of 1986.

Other assets and liabilities

(Values in thousand euros)

Items	12.31.2021	06.30.2022	Changes
Other assets	214,614	411,759	197,145
Other liabilities	460,856	569,656	108,800

The Other assets and liabilities items include the transitory items and the items to be settled with a debit and credit balance that fall within the scope of bank payment intermediation and include settlements that were suspended in the first business days after the date of reference. Other assets also include ecobonus tax assets acquired through non-recourse factoring transactions.

Financial liabilities measured at amortized cost

(Values in thousand euros)

Items	12.31.2021	06.30.2022	Changes
Amounts due to banks	795,053	685,895	(109,159)
Amounts due to customers	9,029,014	10,370,037	1,341,023
- of which to financial institutions	-	-	-
Securities issued	186,286	38,637	(147,649)
Total	**10,010,353**	**11,094,569**	**1,084,215**

The item "Amounts due to banks" mainly consists of "current accounts and demand deposits", mainly deriving from custodian bank operations, and includes the balances of accounts of bank customers (formerly DEPObank).

Payables to customers mainly refer to "current accounts and demand deposits" relating to balances on operational accounts, i.e. accounts opened for customers (e.g. funds, asset management companies, corporate customers and other institutions) related to the custodian bank core business (former DEPObank).
The item includes €307 million for online deposit accounts ("conto facto") offered in Italy, Spain and Germany, the Netherlands, Ireland and Poland (restricted deposits and current accounts), compared to €230 million at December 31, 2021.

Debt securities issued consist of bonds issued by the Bank, with a total face value of €38.6 million (€181.8 million at December 31, 2021), recognized in the interim consolidated financial statements in the amount of €38.6 million at amortized cost using the effective interest rate method.
The decrease with respect to December 31, 2021 is attributable to the redemption on March 2, 2022 of the subordinated Tier2 instrument in the amount of €100 million issued in 2017 and on June 29, 2022 of the Bond (ISIN XS1639097747) issued for an original amount of €200 million in June 2017 and outstanding at the redemption date in the amount of €42.3 million.
As a result of the above, as of 30 June 2022, the item includes the senior unsecured bonds (ISIN XS2068241400), with a "Ba1" rating assigned by the Moody's rating agency, issued by Banca Farmafactoring in October 2019, for a remaining nominal amount of €39 million, due in May 2023. The bonds pay an annual coupon of 1.75%.

Provisions for risks and charges

(Values in thousand euros)

Items	12.31.2021	06.30.2022	Changes
Commitments and other guarantees provided	294	34	(260)
Employee benefits	6,133	7,853	1,720
Other provisions	15,533	14,624	(909)
Total	**21,960**	**22,511**	**551**

At June 30, 2022 “Provisions for risks and charges” mainly include allocations to “Pension and similar obligations” and allocations to “Other Provisions” to cover contingent liabilities that Group companies may incur.

Main items in the Income Statement

The Group realised profit of €56.6 million for the six months ended June 30, 2022, compared to €210.3 million realised in the same period last year. Normalising both results, i.e. eliminating all non-recurring items that affected the results of both periods (the most relevant in 2021 being the provisional badwill realised following the acquisition of DEPObank amounting to €163,4 million) and proforming the 2021 result with the first two months of DEPObank (the inclusion is necessary to include the months of January and February, months in which DEPObank had not yet been acquired and merged), the normalised result for H1 2022 stands at €68.5 million compared to €46.6 million realised in H1 2021.

The main elements affecting the Group's normalized economic performance can be summarised as follows:

- higher net interest income essentially due to higher net yields on loans, also thanks to the initiatives implemented to realise the funding synergies envisaged in the plan, and for the higher value of HTC securities and loans to customers in the portfolio;
- commissions of the Securities Services and Payments BU in line with 2021;
- lower costs thanks to careful monitoring and the initiatives taken to achieve the cost synergies envisaged in the plan.

Total income

(Values in thousand euros)

Items	First half 2021	First half 2022	Changes
Maturity commissions and late payment interest on non-recourse trade receivables	62,639	60,855	(1,784)
Interest income on securities	5,342	7,732	2,390
Other interest	34,213	67,526	33,312
Interest and similar income	**102,194**	**136,112**	**33,918**
Interest expense	(24,510)	(13,357)	11,153
Net interest income	**77,684**	**122,755**	**45,072**
Net fee and commission income	**31,925**	**45,797**	**13,872**
Dividends and similar income	3,671	7,080	3,409
Profits (losses) on trading	2,678	6,279	3,601
Profits (losses) on hedging	(1,848)	(14,479)	(12,631)
Profits (losses) on disposal or repurchase of:	(12,663)	-	12,663
a) financial assets measured at amortized cost	-	-	(0)
b) financial assets measured at fair value through other comprehensive income	(13)	-	13
c) financial liabilities	(12,650)	-	12,650
Profits on other financial assets and liabilities at fair value through profit or loss	993	4,007	3,014
b) other financial assets subject to mandatory fair value measurement	993	4,007	3,014
Total income	**102,441**	**171,439**	**68,998**

Net interest income for the first half of 2022 amounted to €122.8 million, up from €77.7 million last year (€81.6 million normalised) and benefited from: 1) the initiatives put in place to achieve the funding synergies envisaged in the business plan (in fact, starting from Q2 2021 BFF has focused on i) using the funding made available by the former DEPObank to finance its lending and to further diversify its funding sources by closing the more expensive ones, while still maintaining a certain diversification of funding sources, ii) in eliminating the economic effects of the negative rates expected from deposits in the ECB); 2) the higher value of loans to customers (thanks to the growth in Factoring & Lending); 3) the higher value of HTC securities in the portfolio.

Fees and commissions for the six months ended June 30, 2022 amounted to €45.8 million, up from €31.9 million but substantially in line with the normalised €45.4 million in H1 2021.

Net interest and other banking income for the first six months of 2022 amounted to €171.4 million, €170.3 million normalised, up from €102.4 million for the same period in 2021 (€134.8 million normalised) mainly due to the growth in net interest income.
Finally, remember that the recognition of maturity commissions and late payment interest on purchased non-recourse trade receivables in the income statement reflects the effective return from the application of the "amortized cost" criterion for measuring non-recourse trade receivables purchased, in accordance with IFRS 9. This implies that the income is recognized in relation to the return deriving from the expected cash flows.

Administrative costs

(Values in thousand euros)

Items	First half 2021	First half 2022	Changes
Personnel expenses	34,069	35,600	1,531
Other administrative expenses	47,947	49,384	1,437
Total administrative expenses	**82,016**	**84,985**	**2,969**

Administrative expenses for the first half of 2022 amounted to approximately €85.0 million (€75.3 million normalised net of M&A expenses and expenses related to stock options for directors and certain employees), up from €82.0 million but down from €87.3 million normalised for the first half of 2021 due to the initiatives implemented to realise the cost synergies foreseen in the plan.

Finally, note that under "Other operating expenses and income" for the first half of 2021 BFF recorded an amount equal to €175.3 million, the most significant of which refers to the provisional badwill recorded for that period, equal to €163.4 million, resulting from the merger transaction with DEPObank.

Internal Control System

To guarantee sound and prudent management, the BFF Group combines business profitability with a knowledgeable assumption of risks and with operational conduct inspired by criteria of fairness.

Therefore, in line with legal and supervisory regulations and consistent with the instructions of the Corporate Governance Code for listed companies, the BFF Group has set up an internal control system suitable to identify, measure and continuously verify the risks typical of its corporate activities.

The CEO is the director responsible for the Banking Group's Internal Control system, as envisaged by the Corporate Governance Code.

Described below is the organizational framework of the Group's internal control system, based on the following three control levels, and the main activities carried out by control functions during the first half of the year:

- **First-level controls** (line controls) aim to ensure that transactions are carried out correctly, and are performed by the same operating structures that execute the transactions, also with the support of IT procedures and constant monitoring by the heads of such operating structures.
- **Second-level controls** aim to ensure the correct implementation of the risk management process and compliance with the regulatory framework, including the risk of money laundering and terrorist financing. The functions responsible for such controls are distinct from business functions and contribute to the definition of risk governance policies and the risk management process and are entrusted to the Risk Management Function and to the Compliance and Anti-Money Laundering Function. The Risk Management Function and the Compliance and AML Function – organizationally and functionally autonomous and distinct – report to the Chief Executive Officer and are independent of the internal audit function, as it performs audits on them. The duties and respective responsibilities are governed within the pertinent internal regulations of the functions.
- **Third-level controls** and **internal audit** activities are instead carried out by the Group's Internal Audit Function, reporting directly to the Board of Directors.

Focus on Control Functions

Risk Management: in terms of second-level controls, the function ensures the consistency of the risk measurement and control systems with the processes and methodologies of company activities by coordinating with the relevant company structures; oversees the realization of the internal process for determining adequacy of capital and liquidity risk governance and management systems ("ICAAP/ILAAP"); monitors the controls over the management of risks, in order to define methods to measure those risks; assists corporate bodies in designing the Risk Appetite Framework (RAF); verifies that the limits assigned to the various operating functions are being observed; and checks that the operations of the individual areas are consistent with the assigned risk and return objectives.

In particular, during the first half of the year the Function mainly worked on the ICAAP/ILAAP process, the review of the risk management thresholds and metrics, the update of the Contingency Funding Plan and the Recovery Plan, and finally the report on operational and security risks in payment services. Furthermore, as of March 1, 2022 a Validation & Credit Monitoring Area was established within the Group Risk Management Function with the aim of strengthening internal controls and ensuring greater independence of validation activities from development activities.

Compliance and Anti-Money Laundering (AML): this function supervises, according to a risk-based approach, the management of the risk of non-compliance with regulations, with regard to all the activities falling within the regulatory framework for the parent and the Group - also through its reference persons/local functions at its subsidiaries and/or branches - continuously verifying whether internal processes and procedures are adequate in preventing such risk and identifying the relevant risks to which the parent and the subsidiaries are exposed; the function also has the duty of preventing and combating money laundering and terrorist financing transactions, moreover identifying on an ongoing basis the regulations applicable in that area.

In the first half of 2022 the Function assessed the impact of the military conflict between Russia and Ukraine on the BFF Banking Group by regularly updating all relevant structures on the sanctions regime as envisaged at an EU level for parties/entities involved in the conflict and on the calls for attention by the competent Authorities.

The monitoring of the risk of non-compliance, money laundering and financing of terrorism has continued on a regular basis in accordance with the annual programme of activities of the department approved by the Board of Directors on March 31, 2022. Where needs for improvement have been identified, the organizational units of the parent and the Group have undertaken action plans whose implementation is constantly monitored.

During the first half of the year, the Function also continued updating the body of internal rules – including for instance the Non-Compliance Risk Management Policy and the Anti-Money Laundering and Anti-Terrorism Policy – as well as providing support on an ongoing basis to the organizational units in the interpretation of regulatory provisions and their application with respect to company operations.

Internal Audit Function: internal audits are carried out by the Group's Internal Audit function, directly reporting to the Board of Directors. The Internal Audit function carries out independent controls, not only at the Parent but also at the subsidiary BFF Finance Iberia under a specific service agreement; it also performs management and coordination activities for the Internal Audit Function of the subsidiary BFF Polska. The regulation approved by the Board of Directors specifies that the Internal Audit function, within the third-level controls, evaluates the overall functioning of the internal control system, bringing to the attention of the corporate bodies any possible improvements.

The Head of the Internal Audit function has the necessary autonomy and is independent of the operating structures, in compliance with Bank of Italy's regulation on Internal Controls, the Corporate Governance Code and internal regulations.

In the first half of 2022, the Internal Audit function performed audits in line with the multi-year 2022-2024 Audit Plan prepared according to a risk-based approach, approved by the Board of Directors in March 2022, following up on the recommendations issued and reporting quarterly on the work done to the Bank's governance and control bodies, through its dashboard.

More specifically, the audits were performed on the internal structures of the Bank, on the foreign branches, on the subsidiary BFF Finance Iberia and on BFF Polska and its subsidiaries. Moreover, during the half-year such function carried out the audits provided for by the regulations applicable to Group activities, including those relating to remuneration and incentive policies, ICAAP and ILAAP processes and the Recovery Plan. The function also drafted the required reporting established by banking regulations represented by the "Annual Internal Audit Report" and the "Audit Report on outsourced critical or important functions" (CIF).

The manager of the Internal Audit Function is also responsible for the whistleblowing system.

Other control functions and bodies

Finally, under the provisions and terms of the law, Staff reporting to the **Financial Reporting Officer** evaluate the effectiveness of the oversight being provided by the Internal Control System in regards to Financial Reporting Risk. In particular, it performs assessments and monitoring at a Group level, evaluating the adequacy of the coverage of the potential risk by performing adequacy and effectiveness tests on key controls on an ongoing basis, identifying possible points of improvement in the Internal Control System in the accounting area. In this context, the Financial Reporting Officer and the Chief Executive Officer of the Parent together certify the following aspects through specific reports attached to the annual separate and consolidated financial statements, and interim reporting: the suitability of the accounting procedures used in preparing the annual, consolidated and interim financial statements; compliance of documentation with applicable international accounting standards endorsed by the European Union; whether accounting books and records are suitable for providing a true and fair view of the financial position, financial performance and cash flows of the Group on a consolidated level and of the individual subsidiaries included under the scope of the consolidation; and the reliability of content, in relation to specific aspects, of the Director's report on operations and interim reporting.

SUPERVISORY BODY PURSUANT TO ITALIAN LEGISLATIVE DECREE 231/2001

The Bank has an Organization, Management and Control Model (hereinafter referred to as the "Model") prepared pursuant to Italian Legislative Decree 231 of June 8, 2001 (hereinafter also referred to as the "Decree"), drafted in compliance with the requirements of such Decree as well as the guidelines of ASSIFACT and ABI. The latest revision of the Model was approved by the Board of Directors on November 26, 2021 primarily in order to incorporate i) changes to BFF's organizational structure, ii) the sensitive activities of transaction services and the related control measures, and iii) the adjustment of information flows to the Supervisory Body after the merger by incorporation of DEPObank.

The Model includes a General Part, which provides a summary description of the reference regulatory framework, the key characteristics and features of the Model identified within the operations defined as "sensitive" for the purposes of the Decree, the structure and composition of the Supervisory Body as well as the description of the system of sanctions to prevent violation of the provisions contained in the Model. It also includes Special Parts comprising: i) the Matrix of operations at risk of committing a criminal offence, intended to identify the criminal offences that may potentially be committed as part of the parent's operations; ii) the Protocols of the Departments and Organizational Units of the parent, which detail the operations, audits and reporting mechanisms intended to ensure that the parent's organizational and control system – including the foreign branches in Spain, Portugal, Poland and Greece – complies with the rules in the Decree; iii) Table of Information Flows to the Supervisory Body ("Information Flows to the SB").

The Code of Ethics, the most recent update of which was approved by the Board of Directors on November 26, 2021, is an integral part of the Model. This document defines the set of ethical values embraced by the Group and that ensure, among other things, the prevention of the criminal offences as per the Decree.

The parent makes sure that all employees receive adequate training, especially in the event of updates to regulations concerning the topics set out in the Decree.

The activity of the Supervisory Body carried out during the first half of 2022 was mainly aimed at ascertaining the adequacy of the Model, updating the Regulation of the Supervisory Body approved on January 14, 2022, monitoring information flows relating to the second half of 2021, the monitoring of the work situation from the point of view of compliance with worker health and safety provisions, in-depth analysis of the tax compliance activities carried out by the parent, analysis of the activities relating to the establishment of the new real estate company within the BFF Group, and in-depth analysis of issues relating to IT risks.

The Supervisory Body reported to the Board of Directors on its work during H2 2021. Specifically, it noted that it had not directly or indirectly received any report relevant for the proper application of the Model.

As far as the Group's administrative liability is concerned, the following should be noted:

- the Spanish subsidiary BFF Finance Iberia adopted its own Organizational Model in accordance with Article 31-bis of the Spanish Penal Code, similar in its structure to the Bank's 231 Organizational Model, and an independent, single-person Supervisory Body;
- the Polish subsidiary BFF Polska and its subsidiaries adopted specific guidelines to govern "anti- corruption" issues, with the identification of a relevant, single-person body, represented by BFF Polska's Compliance and AML function.

Bank's Objectives and Policies on the Assumption, Management and Hedging of Risks

Risk Management and Compliance with Prudential Supervision Regulations

The prudential supervision regulations are mainly governed by the Bank of Italy Circular no. 285 "Supervisory provisions for banks" and Circular no. 286 "Instructions for the preparation of supervisory reporting by banks and securities intermediaries", both dated December 17, 2013, which adopt the harmonized regulation for banks and investment firms contained in the EC CRR regulation (Capital Requirements Regulation) and in the European Directive CRD IV (Capital Requirement Directive) of June 26, 2013.

These regulations include the standards set forth by the Basel Committee on Banking Supervision (Basel 3 framework), whose implementation, pursuant to the Consolidated Law on Banking, is the responsibility of the Bank of Italy, and define the ways in which the powers attributed by EU regulations to national authorities were exercised.

The above circulars outline a complete, organic and rational regulatory framework, integrated with the directly applicable EU provisions, which is completed with the issue of the implementation measures contained in the regulatory technical standards and implementing technical standards adopted by the European Commission based on the EBA's proposal.

The regulation applicable at June 30, 2022 is based on three pillars.

Pillar I – Capital adequacy to meet the typical risks associated with financial operations

From the standpoint of operations, the absorption of risks is calculated using various methods:

- "Standardized approach" for credit risk;
- "Original exposure approach" for counterparty risk;
- "Basic approach" for operational risk;
- "Standardized approach" for market risk.

Pillar II – The ICAAP/ILAAP Report

In accordance with prudential supervisory provisions, and in order to allow the Supervisory Authority to carry out an accurate and comprehensive assessment of the fundamental qualitative characteristics of the equity and financial planning process, the risk exposure and the consequent calculation of total internal capital and relevant liquidity reserves, the Bank - as Parent of the Banking Group - has prepared the "ICAAP/ILAAP 2021 Report" on internal processes for determining adequacy of capital and of liquidity risk governance and management systems.

Pillar III – Disclosure to the public

Pursuant to Article 433 of the CRR, banks shall publish the disclosures required by EU regulations at least on an annual basis, in conjunction with the date of publication of the financial statements. Pillar III provisions establish specific periodic disclosure obligations concerning capital adequacy, risk exposure and the general features of the related systems for the identification, measurement and management of such risks.
BFF Banking Group draws up public disclosures in accordance with the provisions in effect, on a consolidated basis, with reference to a scope of consolidation that is significant for the purposes of prudential supervision.
To this end, the Board of Directors of BFF has approved a dedicated procedure named "Disclosure to the Public (Pillar III)".

Pursuant to this procedure, the disclosure should be:

- approved by the Board of Directors before it is made public;
- Published on the website www.bff.com at least once a year by the deadline for the publication of the financial statements, and therefore within 21 days of the date of approval of the financial statements by the Shareholders' Meeting.

With regard to the provisions of the Bank of Italy Circular no. 285 of December 17, 2013, and subsequent updates, the BFF Group will publish on its website www.bff.com, once a year, within the deadlines established for the publication of the financial statements, a country-by-country reporting document, which contains information inherent to the business, turnover, and the number of staff in the various countries in which the Group is present.

The information to be published is defined by Appendix A, first part, Title III, Chapter 2 of the above Circular.

Disclosure regarding Calendar Provisioning and Past Due

With the aim of adopting an increasingly prudent approach to the classification and coverage of NPEs, in April 2019 the European Commission approved an update of EU Regulation 575/2013 (CRR) regarding the minimum coverage of non-performing loans. For the purposes of evaluating prudential provisions, the legislation in question provides that loans disbursed and classified as impaired after April 26, 2019 are subject to "calendar provisioning". Exposures disbursed earlier and subsequently classified as NPEs will not be subject to the provisions contained in the amendment to Regulation no. 575 (CRR). This update requires banks to maintain an adequate provision level, deducting from their CET 1 any positive difference between prudential provisions (identified by weighting the gross value of guaranteed and unsecured NPEs by certain percentages) and amending funds and other assets (provisions, prudent valuation, other deductions of CET1).

This rule is based on the principle that the prudential definition of default (i.e. past due, unlikely to pay and non-performing) effectively defines a state of deterioration of the credit quality of the exposure, not providing for any discretion and not ensuring that certain cases not representative of a worsening of credit risk (as for most Group exposures) are treated differently.

Thanks to the credit management processes established by the BFF Group, as of June 30, 2022 the impact on CET 1 deriving from the application of calendar provisioning was limited to roughly €205 thousand.

Regarding the classification to NPE, note that on June 27, 2019 the Bank of Italy introduced certain amendments to Circular No. 272 concerning credit quality and the rules on the new definition of default, and most recently on February 15, 2021 it updated its note containing the guidelines of the Supervisory Body on the application of Delegated Regulation (EU) No. 171/2018 on the materiality threshold of overdue credit obligations pursuant to art. 178, para. 2, letter d) CRR (RD), and more generally on the application of the RD regulations.

Moreover, note that the Group has implemented a series of actions and interventions aimed at further improving the credit selection and management process, initiatives that have made it possible to avoid particular negative impacts of the new legislation on the business model.

Finally, note that BFF is also conducting the most careful assessments with respect to the opportunity to undertake the path of adopting the method based on internal ratings (IRB) for credit risk. This is a method that, especially with respect to exposures to the Public Administration, would allow i) a more adequate representation of the BFF Group's low actual risk profile, since, beyond the definition of default – and probability of default (PD) – that can be adopted, the BFF Group's recovery processes would show Loss Given Default (i.e. LGD), which is known to be substantially nil, as well as ii) to adopt approaches that are more representative of the actual risk in the context of credit activities arising from the purchase of trade receivables, such as the adoption of the Facility Level Approach (FLA), which to date has only been permitted for banks and groups using internal models.

Monitoring and control of Liquidity

Despite the current macroeconomic scenario, characterised by the continuation of the Covid-19 pandemic and strong geopolitical tensions, the Group has always been able to count on an adequate level of liquidity, largely respecting regulatory requirements and positioning itself on values in line with the internal levels of liquidity indicators (LCR, NSFR and other specific Group indicators). In this context, the Group did not find any particular critical situations.

The Group adopts solid oversight mechanisms for monitoring and governing the liquidity position and carries out (i) when deemed necessary, more frequent and more detailed stress analyses as well as with increasing and variable impacts, (ii) maintains an important share of assets freely available to meet unforeseen liquidity needs, verifying their level of adequacy with respect to future cash flows, (iii) monitors the markets through banks it has relationships with, and (iv) monitors changes in the collection trends of debtors, particularly of the Public Administration.

Moreover, each year the Group updates its Contingency Funding Plan ("CFP"), which is approved by the BFF Bank Board of Directors and implemented by the Subsidiaries. The document was updated in January. This document illustrates indicators and related thresholds in order to trigger the appropriate actions and escalation and decision processes, with a view to preventing and managing a possible liquidity crisis.

The main accounting issues dealt with during the epidemic and the Russia/Ukraine conflict

With regard to the main accounting actions aimed at a correct representation of statement of financial position items, note that for the purposes of calculating impairment the Risk Management Function has updated the risk parameters underlying the calculation of Expected Credit Loss (e.g. updating the PD and LGD curves). With regard to the PD curves, the 1-year transition matrices were updated for the Sovereign, Corporate and Financial Institutions segments. Similarly, the Risk Management Function updated the macroeconomic scenarios aimed at obtaining PD Point in Time (PIT) and Forward-Looking (FLI). The Baseline, High Growth and Mild Recession forecasts provide the forecast rates for the 20 quarters following the parameter update date.

These scenarios, provided by the external infoprovider , show a worsening trend in the macroeconomic estimates compared to the previous estimates of June 2021, the last date on which the risk parameters were updated. Although GDP grew in the first two quarters of the year, concerns remain about the soaring inflation rate due to high commodity and energy prices, which in turn cause supply chain disruptions. Consequently, economic growth estimates have been revised downwards for the rest of the year. Moreover, the Risk Management Function compared the macroeconomic estimates released by the external infoprovider with those of the European Central Bank (ECB) and showed a substantial alignment of the estimates in the base scenario and a slight deterioration of the ECB's estimates in the adverse scenario. In this regard, the Risk Management Function conducted a backtesting analysis of the portfolio in order to quantify the impact in terms of Expected Credit Loss resulting from the updated macroeconomic scenarios. The analysis shows that the impact of this update amounts to approximately €907,000 in terms of higher value adjustments resulting from the tightening of the macroeconomic environment. However, the impact is concentrated on private portfolios, which are most affected by the consequences of the war.

In line with what was described in IAS 36 an impairment test was performed in 2021 on goodwill recognized in the financial statements, concerning BFF Polska Group and BFF Iberia (formerly IOS Finance) in order to determine the relevant recoverable amount. Likewise, following the acquisition of DEPObank and the finalization of the PPA, the annual impairment test was performed on intangible assets ("Customer Relationships") at the reporting date of December 31, 2021 by determining the recoverable value and comparing it with the asset's carrying amount.
Following the outcomes of the impairment test performed at December 31, 2021, the Group did not recognize any impairment loss on the aforementioned items.

As of June 30, 2022, the Group has not performed any further checks of the goodwill recognized, nor on the intangible assets, as there are no trigger events at this date that could have an impact on their valuation. In line with the provisions of IAS 36, impairment tests will be performed on all goodwill and customer relationships recorded in the financial statements in conjunction with the preparation of the 2022 financial statements.

Other information

Transactions with related parties

With regard to relations with related parties and associated parties, on November 11, 2016 the Board of Directors of BFF SpA approved, with effect subject to the commencement of negotiations on the Mercato Telematico Azionario managed by Borsa Italiana – and therefore from April 7, 2017 - the "Policies on internal controls adopted by the BFF Group for the management of conflicts of interest" (so-called "Conflict of interest management policy") and the "BFF Group Regulation for the management of transactions with parties having conflicts of interest" (the "OPC Regulation") – in implementation of the supervisory provisions of Title V, Chapter 5 of Bank of Italy Circular no. 263 of December 27, 2006 ("Circular 263") and of the Consob Regulation on transactions with related parties, adopted by resolution no. 17221 of March 12, 2010, subsequently amended by resolution no. 17389 of June 23, 2010 – subject to a favourable opinion expressed by the Board of Statutory Auditors and the OPC Committee.

On December 22, 2020 the Bank approved the update of the conflict of interest management policy and the OPC Regulation in order to update the new regulatory references resulting from the integration of Circular no. 263 in the Supervisory Provisions for banks.

On June 30, 2021 the Bank approved the update of the conflict of interest management policy, the RPT Regulation and the RPT Committee Regulation in order to update them in compliance with the amendments made to Consob Regulation no. 17221/2010 with resolution no. 21624 of December 10, 2020, which entered into force on July 1, 2021.

The Policy on the management of conflicts of interest governs the control processes aimed at ensuring the correct measurement, monitoring and management of the risks assumed by the Group with respect to Associated Parties.

The RPT Regulation is aimed at overseeing the risk that proximity, if any, of such parties to the Banking Group's decision-making centres may compromise the objectivity and impartiality of the decisions taken on transactions involving those parties, with possible distortions in the resource allocation process, exposure of the parent to risks not adequately measured or supervised, and potential damage for shareholders and stakeholders.

The Regulation for the management of transactions with parties that may be in a conflict of interest and the Group Policy to manage conflicts of interest are communicated to the public via the parent's website under the section Governance > Procedures and Regulations > Related-Party Transactions.

Information on related party transactions is provided in Part H of the Notes to the Interim Consolidated Financial Statements.

Derogation from obligations to publish disclosure documents pursuant to Article 70, paragraph 8 and Article 71, paragraph 1-bis of the Issuers' Regulations

The parent complied with the provisions of Article 70, paragraph 8 and Article 71, paragraph 1-bis of the Issuers' Regulations adopted by Consob Resolution no. 11971 of May 14, 1999, as subsequently amended, and therefore derogated from the obligations to publish disclosure documents required in the event of mergers, demergers, capital increases by contribution in kind, acquisitions and disposals.

Disclosure of compliance with codes of conducts pursuant to Article 89-bis of the Issuers' Regulations

The Bank has signed on to the new Corporate Governance Code (formerly the Code of Conduct) for listed companies as defined by the Corporate Governance Committee established by the business associations (ABI, ANIA, Assonime, Confindustria), the association of professional investors (Assogestioni) and Borsa Italiana, approved on January 31, 2020 and in force as of January 1, 2021.

Already in December 2020, the Bank adopted the new Corporate Governance Code, by updating its internal regulations to incorporate – in the terms represented in the 2021 Report on Corporate Governance – the new features introduced by such Code.

Research and Development

The projects initiated within the Group during the first half of 2022 are mainly aimed at business development, the efficiency of internal processes and the reinforcement of IT systems.

More specifically, the following important projects were carried out:

- the launch of new factoring services, both aimed at existing customers and at a gradual expansion of business with SMEs.
- the revision of the main credit management and recovery processes aimed at increasing both efficiency and effectiveness with customers and risk control.
- development of new technological solutions for regulatory compliance management.

During the period, new initiatives were also launched to make administrative, personnel management and document management processes even more efficient.

Unusual or atypical transactions

The Bank did not carry out any unusual or atypical transactions, as reported in Consob Communication no. 6064293 of July 28, 2006, during the reporting period.

Events after the reporting period

MONETARY POLICY DECISIONS OF THE EUROPEAN CENTRAL BANK

In July 2022 the European Central Bank raised interest rates for the first time in ten years with the aim of counteracting soaring inflation. Reference rates were raised by half a point, more than the 25 basis points announced by the Frankfurt Institute in June, ending the era of negative rates. The deposit rate was raised from -0.50% to 0.00%.

MONETARY POLICY DECISIONS BY THE NATIONAL BANK OF POLAND (NBP)

During the first half of the year, the Polish Central Bank continued its manoeuvre to raise official interest rates with the aim of counteracting the continued rise in inflation. Following the end of the first half of the year, the Polish Central Bank increased the official interest rate from 6.0% to 6.5% .

RESIGNATION OF THE DRAGHI GOVERNMENT

In Italy in July 2022 the government headed by Mario Draghi resigned, having lost the support of some political forces that made up the majority.
The government remains in office to conduct current business until the next elections, set for September 25, 2022.
The phase of uncertainty generated relatively moderate tensions in the market, with the Btp-Bund spread rising to 229 basis points on July 22 from 193 in the previous month (June 20). The increase in Italy-risk was contained by the decision to schedule the elections at short notice and the ECB's determination to avoid disorderly spread increases through the launch of the Transmission Protection Instrument (TPI), a discretionary tool designed to facilitate an effective transmission of monetary policy.

Business outlook

As per the five-year strategic plan, approved by the BFF Board of Directors on May 29, 2019 ("BFF 2023" or the "Plan"), the Group's objectives for 2023 – confirmed by the updating of the 2021-2023 financials of the business plan following the closing of the transaction with DEPObank on March 1, 2021 and the approval of the combined budgets for both 2021 and 2022 – are:

1) Continue to develop the current core business, i.e. factoring, Securities Services and payments, further improving operating efficiency and strengthening the leadership position in Italy and abroad.
2) Maintain the focus on limiting the cost of funding, leveraging what has already been achieved in 2021 in terms of synergies resulting from the DEPObank operation.
3) Consolidate the existing business and/or expand into other market niches via acquisitions.

In view of the above, and in the face of a gradual reduction in the pandemic effects and despite the Russia/Ukraine crisis, the parent expects a recovery in terms of business volumes and operations, and with growth in intermediation margin, also due to the effect of the synergies of the integration with DEPObank.

With regard to the credit risk, the nature of the parent's loans makes the risk of losses on Financial Assets extremely low, with regard to the existing business model.

Note also that the issuance of the eligible instrument in Tier I allows the Group to optimise the concentration limit on large exposures and leverage.

02

Condensed Interim Consolidated Financial Statements

at June 30, 2022

Statement of Financial Position

(Values in euro units)

Assets		06.30.2022	12.31.2021
10.	Cash and cash equivalents	387,238,167	554,467,803
20.	Financial assets measured at fair value through profit or loss	38,751,089	36,598,343
	a) financial assets held for trading	*6,979,826*	*4,094,816*
	c) other financial assets subject to mandatory fair value measurement	*31,771,263*	*32,503,527*
30.	Financial assets measured at fair value through other comprehensive income	128,506,575	83,505,780
40.	Financial assets measured at amortized cost	11,262,863,896	10,069,496,866
	a) loans and receivables with banks	*693,305,352*	*404,099,101*
	b) loans and receivables with customers	*10,569,558,543*	*9,665,397,765*
50.	Hedging derivatives	8,754,610	13,098
70.	Equity investments	13,619,411	13,483,781
90.	Property, equipment and investment property	50,351,529	36,451,859
100.	Intangible assets	65,845,523	67,547,298
	of which		
	- *goodwill*	*30,874,236*	*30,874,236*
110.	Tax assets	79,121,443	100,518,550
	a) current	*23,595,707*	*41,389,440*
	b) deferred	*55,525,736*	*59,129,110*
130.	Other assets	411,759,211	214,613,950
TOTAL ASSETS		**12,446,811,453**	**11,176,697,328**

(Values in euro units)

Liabilities and equity		06.30.2022	12.31.2021
10.	Financial liabilities measured at amortized cost	11,094,568,522	10,010,352,805
	a) due to banks	*685,894,626*	*795,053,359*
	b) due to customers	*10,370,037,263*	*9,029,014,284*
	c) debt securities issued	*38,636,633*	*186,285,162*
20.	Financial liabilities held for trading	1,954,296	2,724,511
40.	Hedging derivatives	13,808	4,814,350
60.	Tax liabilities	100,845,613	100,684,173
	a) current	*2,075,397*	*5,027,559*
	b) deferred	*98,770,216*	*95,656,614*
80.	Other liabilities	569,656,101	460,855,826
90.	Post-employment benefits	3,180,782	3,709,582
100.	Provision for risks and charges:	22,510,718	21,959,653
	a) commitments and guarantees given	*33,817*	*293,721*
	b) post-employment benefits and similar obligations	*7,852,998*	*6,132,998*
	c) other provisions for risks and charges	*14,623,903*	*15,532,934*
120.	Valuation reserves	5,954,114	5,268,845
140.	Equity instruments	150,000,000	-
150.	Reserves	237,162,225	166,903,826
160.	Share premium reserve	66,492,997	66,492,997
170.	Share capital	142,849,688	142,690,771
180.	Treasury shares	(5,027,219)	(7,132,434)
200.	Profit for the period/year	56,649,808	197,372,423
TOTAL LIABILITIES AND EQUITY		**12,446,811,453**	**11,176,697,328**

Income Statement

(Values in euro units)

Items		First half 2022	First half 2021
10.	Interest and similar income	136,111,969	102,193,906
	of which: interest income calculated according to the effective interest method	*128,296,535*	*91,005,723*
20.	Interest and similar expense	(13,356,595)	(24,509,564)
30.	**Net interest income**	**122,755,374**	**77,684,342**
40.	Fee and commission income	64,319,920	43,304,618
50.	Fee and commission expense	(18,523,108)	(11,379,916)
60.	**Net fee and commission income**	**45,796,812**	**31,924,702**
70.	Dividends and similar income	7,079,953	3,671,395
80.	Profits (losses) on trading	6,278,724	2,678,391
90.	Profits (losses) on hedging	(14,478,784)	(1,847,826)
100.	Profits (losses) on disposal or repurchase of:	-	(12,662,994)
	a) financial assets measured at amortized cost	-	*(15)*
	b) financial assets measured at fair value through other comprehensive income	-	*(13,109)*
	c) financial liabilities	-	*(12,649,870)*
110.	Profits on other financial assets and liabilities at fair value through profit or loss	4,007,101	992,786
	b) other financial assets subject to mandatory fair value measurement	4,007,101	992,786
120.	**Total income**	**171,439,180**	**102,440,797**
130.	Net impairment losses/gains for credit risks associated with:	(2,442,503)	249,275
	a) financial assets measured at amortized cost	*(2,442,503)*	*395,864*
	b) financial assets measured at fair value through other comprehensive income	-	*(146,589)*
150.	**Net income from banking activities**	**168,996,677**	**102,690,071**
180.	**Net icome from banking and insurance activities**	**168,996,677**	**102,690,071**
190.	Administrative expenses:	(84,984,816)	(82,016,155)
	a) personnel expenses	*(35,600,487)*	*(34,069,284)*
	b) other administrative expenses	*(49,384,329)*	*(47,946,870)*
200.	Net provisions for risks and charges	(3,078,310)	1,690,817
	a) commitments and guarantees given	*251,321*	*313,052*
	b) other net provisions	*(3,329,631)*	*1,377,765*
210.	Depreciation and impairment losses on property, equipment and investment property	(2,591,892)	(2,306,139)
220.	Amortization and impairment losses on intangible assets	(3,062,976)	(4,234,187)
230.	Other net operating income	12,043,043	175,221,995
240.	**Operating costs**	**(81,674,950)**	**88,356,332**
250.	Profits on equity investments	174,906	102,922
290.	**Profit before tax from continuing operations**	**87,496,633**	**191,149,326**
300.	Income taxes on continuing operations	(30,846,825)	19,170,308
310.	**Profit after tax from continuing operations**	**56,649,808**	**210,319,634**
330.	**Profit for the period**	**56,649,808**	**210,319,634**
350.	**Profit for the period attributable to the owners of the parent**	**56,649,808**	**210,319,634**
	Basic earnings per share	**0.30**	**1.14**
	Diluted earnings per share	**0.29**	**1.08**

Statement of Comprehensive Income

(Values in euro units)

	Items	First half 2022	First half 2021
10.	**Profit for the period**	**56,649,808**	**210,319,634**
	Other components net of taxes that may not be reclassified to profit or loss	**-**	**-**
20.	Equity instruments designated at fair value through other comprehensive income		
30.	Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)	-	-
40.	Hedging of equity instruments carried at fair value through other comprehensive income	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	401,999	(17,267)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserves connected with equity-accounted investments	-	-
	Other income components net of taxes reclassified to profit or loss	**-**	**-**
100.	Hedging of foreign investments		
110.	Foreign exchange differences	282,530	60,168
120.	Cash flow hedges		
130.	Hedging instruments (undesignated elements)		
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	740	4,820,728
150.	Non-current assets held for sale and discontinued operations	-	-
160.	Share of valuation reserves connected with equity-accounted investments	-	-
170.	**Total other comprehensive income net of tax**	**685,270**	**4,863,629**
180.	**Comprehensive income (Items 10+170)**	**57,335,077**	**215,183,263**
190.	Comprehensive income attributable to non-controlling interests	-	-
200.	**Comprehensive income attributable to the owners of the parent**	**57,335,077**	**215,183,263**

Statement of Changes in Equity

H1 2022	Balances as at 12.31.2021	Change to opening balances	Balances as at 01.01.2022	Allocation of profit for the previous year	
				Reserves	Dividends and other allocations
Share capital:					
- ordinary shares	142,690,771		142,690,771		
- other shares					
Share premium reserve	66,492,997		66,492,997		
Reserves:					
- earnings-related	158,260,237		158,260,237	72,092,024	
- others	8,643,589		8,643,589		
Valuation reserves	5,268,845		5,268,845		
Equity instruments					
Treasury shares	(7,132,434)		(7,132,434)		
Profit for the year	197,372,423		197,372,423	(72,092,024)	(125,280,399)
Equity attributable to the owners of the parent	571,596,430	-	571,596,430	-	(125,280,399)
Non-controlling interests	-		-		

H1 2021	Balances as at 12.31.2020	Change to opening balances	Balances as at 01.01.2021	Allocation of profit for the previous year	
				Reserves	Dividends and other allocations
Share capital:					
- ordinary shares	131,400,994		131,400,994		
- other shares					
Share premium reserve	693,106		693,106		
Reserves:					
- earnings	234,058,930		234,058,930	87,841,192	
- others	7,414,381		7,414,381		
Valuation reserves	1,456,095		1,456,095		
Equity instruments					
Treasury shares	(3,517,312)		(3,517,312)		
Profit for the year	91,072,580		91,072,580	(87,841,192)	(3,231,388)
Equity attributable to the owners of the parent	462,578,775	-	462,578,775	-	(3,231,388)
Non-controlling interests	-		-		

(Values in euro units)

	Changes in the period									Equity attributable to the owners of the parent as at 06.30.2022	Equity attributable to non-controlling interests as at 06.30.2022
	Change in reserves	Equity transactions							Consolidated comprehensive income 2022		
		Issue of new shares	Repurchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	*Stock options*	Changes in equity interests			
		158,917								142,849,688	-
											-
										66,492,997	-
	(2,416,398)									227,935,863	-
	(641,760)						1,224,533			9,226,362	-
									685,270	5,954,114	-
					150,000,000					150,000,000	-
	2,105,215									(5,027,219)	-
									56,649,808	56,649,808	-
	(952,943)	158,917	-	-	150,000,000	-	1,224,533	-	57,335,077	654,081,614	
											-

(Values in euro units)

	Changes in the period									Equity attributable to the owners of the parent as at 06.30.2021	Equity attributable to non-controlling interests as at 06.30.2021
	Change in reserves	Equity transactions							Consolidated comprehensive income 2021		
		Issue of new shares	Repurchase of treasury shares	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	*Stock options*	Changes in equity interests			
		11,224,680								142,625,674	-
										-	-
		65,749,435								66,442,541	-
	3,356,056									325,256,177	-
	35,222						(2,229,122)			5,220,481	-
									4,863,629	6,319,724	-
											-
	2,125,106									(1,392,207)	-
									210,319,634	210,319,634	-
	5,516,383	76,974,114	-	-	-	-	(2,229,122)	-	215,183,263	754,792,025	
									-		-

Statement of Cash Flows

Indirect method

(Values in euro units)

	Amount	
	First half 2022	**First half 2021**
A. OPERATING ACTIVITIES		
1. Operations	**96,331,621**	**217,195,617**
- profit for the period (+/-)	56,649,808	210,319,634
- gains/losses on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+)	1,004	(1,837,690)
- profits/losses on hedging operations (-/+)	1,665,604	1,847,826
- net impairment losses/gains for credit risk (+/-)	2,442,503	(249,274)
- depreciation, amortization and net impairment losses on property, equipment and investment property and intangible assets (+/-)	5,654,867	6,540,325
- net allocations to provisions for risks and charges and other costs/income (+/-)	3,078,310	(1,690,817)
- net premiums not collected (-)		
- other income/expenses from insurance activities not collected (-/+)		
- taxes, duties and unpaid tax credits (+/-)	30,846,825	2,368,535
- net impairment losses/reversals of impairment losses on discontinued operations, net of the tax effect (+/-)		
- other adjustments (+/-)	(4,007,301)	(102,922)
2. Cash flow generated/absorbed by financial assets	**(1,425,112,045)**	**(3,939,246,950)**
- financial assets held for trading	(2,886,015)	(4,372,347)
- financial assets designated at fair value	-	-
- other financial assets subject to mandatory fair value measurement	4,739,365	(33,401,136)
- financial assets measured at fair value through other comprehensive income	(45,000,795)	(83,396,845)
- financial assets measured at amortized cost	(1,195,809,534)	(3,557,293,781)
- other assets	(186,155,067)	(260,782,840)
3. Cash flow generated/absorbed by financial liabilities	**1,154,819,581**	**4,687,721,648**
- financial liabilities measured at amortized cost	1,084,215,717	3,976,669,591
- financial liabilities held for trading	(770,215)	24,003
- financial liabilities carried at fair value		
- other liabilities	71,374,079	711,028,054
Net cash generated/absorbed by operating activities	**(173,960,843)**	**965,670,315**

(CONT'D)

(Values in euro units)

	Amount	
	06.30.2021	**06.30.2020**
B. INVESTING ACTIVITIES		
1. Liquidity generated by	**-**	**3,672,387**
- sales of equity investments	-	992
- dividends collected on equity investments	-	3,671,395
- sales of tangible assets		
- sales of property, plant and equipment		
- sales of subsidiaries and business units		
2. Liquidity absorbed by	**(17,988,393)**	**(140,463,196)**
- purchases of equity investments	(135,631)	(13,120,825)
- purchases of property, plant and equipment	(16,491,562)	(25,333,812)
- purchases of intangible assets	(1,361,201)	(102,008,559)
- purchases of subsidiaries and business units		
Net cash absorbed by investing activities	**(17,988,393)**	**(136,790,809)**
C. FINANCING ACTIVITIES		
- issue / repurchase of treasury shares		
- issue/purchase of equity instruments	150,000,000	77,048,699
- distribution of dividends and other purposes	(125,280,399)	(3,231,388)
- sale/purchase of ownership interests in subsidiaries	-	-
Net cash generated by funding activities	**24,719,601**	**73,817,311**
NET CASH GENERATED/ABSORBED DURING THE PERIOD	**(167,229,635)**	**902,696,818**

Reconciliation

(Values in euro units)

Financial statements items	**06.30.2022**	**06.30.2021**
Cash and cash equivalents at start of the period	554,467,803	189,601,179
Total net cash generated/absorbed during the period	(167,229,635)	902,696,818
Cash and cash equivalents: effect of changes in exchange rates		
Cash and cash equivalents at end of the period	**387,238,167**	**1,092,297,997**

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Shareholders,
The Notes are broken down into the following parts:

Part A – Accounting policies
Part B – Information on the Statement of Financial Position
Part C – Information on the Income Statement
Part D – Comprehensive Income
Part E – Information on risks and related hedging policies
Part F – Information on equity
Part G – Business Combinations of companies or business units
Part H – Transactions with related parties
Part I – Share-Based Payments
Part L – Segment reporting
Part M – Lease Reporting

Part A - Accounting policies

A.1 GENERAL

Section 1 - Statement of compliance with International Financial Reporting Standards

The condensed interim consolidated financial statements (hereinafter also referred to as the "interim consolidated financial statements") at June 30, 2022 were prepared in accordance with article 154-ter of Italian Legislative Decree 58/1998 and in accordance with the International Financial Reporting Standards (IASs/IFRSs) issued by the IASB, endorsed by the European Commission, as provided for by Regulation (EC) No 1606 of July 19, 2002 governing the application of IASs/IFRSs and related interpretations (IFRIC interpretations), endorsed by the European Commission and in force at the end of the reporting period.

The application of IFRSs is done by observing the "systematic framework" for the preparation and presentation of consolidated financial statements (the Framework), with particular reference to the fundamental principle of substance over legal form and the concept of materiality or significance of the information.

Specifically, these condensed interim consolidated financial statements were prepared in compliance with IAS 34 "Interim Financial Statements", which indicates avoiding the repetition of information that has already been recorded in the last Annual Financial Statements, including with regard to the accounting policies continued from the previous year.

Consequently, this document must be read in conjunction with BFF Banking Group's last annual consolidated financial statements at December 31, 2021.

Although it does not include all the information required for full disclosure in accordance with IFRSs, specific explanatory notes are included to explain the events and transactions that are relevant to understanding the changes in the Group's financial position and performance since the last annual financial statements.

Section 2 - Basis of presentation

The interim consolidated financial statements were prepared in accordance with the instructions provided by the Bank of Italy with Circular no. 262 of December 22, 2005 "Banks' financial statements: layout and preparation", as subsequently amended.

The interim consolidated financial statements include the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the condensed interim consolidated financial statements, and are accompanied by the Directors' report on operations.

In accordance with the provisions of Article 5, paragraph 2, of Italian Legislative Decree no. 38 of February 28, 2005, the interim consolidated financial statements are drafted in euros, when not specified otherwise, and also show the corresponding comparisons with the same period of the previous year. Specifically, the statement of financial position has been compared with the data reported in the Consolidated Financial Statements at December 31, 2021, while the Income Statement, the Statement of Comprehensive Income, the Statement of

Changes in Equity and the Statement of Cash Flows are compared with the corresponding data for the first half of the previous year, presented in the Interim Financial Report at June 30, 2021.

The interim consolidated financial statements were prepared based on the general principle of prudence and on an accruals and going concern basis, since, with reference to the operations and the financial position of the Group, and after examining the risks to which it is exposed, the Directors have not identified any issue that could raise doubts on the Group's ability to meet its obligations in the foreseeable future.

Standards, amendments and interpretations effective from 2022

During the first six months of 2022, the following standards, amendments and interpretations endorsed by the European Commission came into force and are applicable to the financial statements for periods beginning on or after January 1, 2022:

- Amendments to IAS 16 - Property, plant and equipment;
- Amendments to IAS 37 - Provisions, contingent liabilities and contingent assets;
- Amendments to IFRS 3 - Business combinations;
- Annual improvements to IFRSs 2018-2020 cycle (Reg. EU 2021/1080), specifically amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

To the extent applicable, these standards, amendments and interpretations had no impact on the Group's financial position at June 30, 2022, results of operations and cash flows for the six months then ended.

Standards, amendments and interpretations effective from 2023 or amended and not yet endorsed

As of the date of these Interim Consolidated Financial Statements, the following standards or revisions thereof have been endorsed and are applicable as of January 1, 2023:

- IFRS 17 - Insurance Contracts (Reg. EU 2021/2036);
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Reg. EU 2022/357);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of accounting policies (Reg. EU 2022/357);

Finally, the IASB issued the following standards and interpretations or amendments, the application of which is however still subject to the completion of the endorsement process by the competent bodies of the European Union, which has not yet been concluded:

- Amendments to IAS 1 - Presentation of Financial Statements: Classification of liabilities as current and non-current - Deferral of effective date (January 2020 and July 2020, respectively);
- Amendments to IAS 12 Income Taxes: Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (May 2021)
- Amendments to IFRS 17 Initial application of IFRS 17 and IFRS 9: Comparative information (December 2021).

The possible effects of the future adoption of these standards, interpretations and amendments, to the extent applicable and relevant to the Group, are reasonably estimated to be immaterial.

Section 3 - Scope and basis of consolidation

The criteria adopted by BFF Banking Group to define the area and the relevant consolidation principles are described below.

Subsidiaries

Subsidiaries are companies over which BFF Banking Group exercises control. BFF Banking Group controls a company when it is exposed to the variable returns generated by it and has the ability to affect such returns through its power over the company. Generally, control is deemed to exist when more than half of the voting rights are directly or indirectly held, taking also into account potentially exercisable or convertible voting rights.

All subsidiaries are consolidated on a line-by-line basis from the date on which control is transferred to BFF Banking Group. Conversely, they are excluded from the scope of consolidation when such control ceases.

The financial statements of the companies that are consolidated on a line-by-line basis are prepared in accordance with the IASs/IFRSs used for the preparation of the interim consolidated financial statements.

The criteria adopted for line-by-line consolidation are as follows:

- assets and liabilities, revenues and costs of the entities that are fully consolidated are recognized on a line-by-line basis, attributing to non-controlling interests, if applicable, their share of equity and profit (loss) for the period, which are disclosed separately in equity and in the income statement;
- gains and losses, including the related tax effects, arising from transactions between companies consolidated on a line-by-line basis and not yet realized with reference to third parties, are eliminated, except for losses, which are not eliminated when the transaction provides evidence that the transferred asset is impaired. Reciprocal amounts receivable and payable, revenue and expenses, as well as financial income and costs, are also eliminated;
- financial statements of subsidiaries with a functional currency other than the euro are translated into euro as follows: assets and liabilities, at the exchange rate recorded at the end of the reporting period; income statement items, at the average exchange rate for the period;
- exchange differences arising on translation of the financial statements of these subsidiaries, resulting from the application of the period-end rate for assets and liabilities and the average rate for the period for income statement items, are recognized in the revaluation reserves in equity, as are exchange differences on the subsidiaries' equity. All exchange differences are recognized in profit or loss in the period in which the investment is disposed of.

Acquisitions of companies are accounted for according to the "acquisition method" provided for in IFRS 3, as amended by Regulation No 495/2009, on the basis of which the identifiable assets acquired and the identifiable liabilities assumed (including contingent liabilities) are to be recognized at their respective acquisition date fair values.

The amount, if any, by which the consideration exchanged (represented by the fair value of the assets transferred, liabilities assumed and equity instruments issued) exceeds the fair value of the assets acquired and liabilities assumed is recognized as goodwill; where the price is lower, the difference is charged to the income statement.

The "acquisition method" is applied with effect from the acquisition date, i.e., the moment in which control of the acquiree is effectively obtained. Accordingly, the income and expenses of a subsidiary acquired during the reporting period are included in the consolidated financial statements with effect from its acquisition date. Likewise, the income and expenses of a subsidiary that has been sold are included in the consolidated financial statements until the date on which control ceases to be held.

1 - Shares in companies within the scope of consolidation

At June 30, 2022, BFF Banking Group included the Parent BFF Bank S.p.A. and the following companies:

Company name	Registered and operating office	Relationship type(1)	Ownership relationship		Voting rights %(2)
			Held by	Holding %	
1. BFF Immobiliare S.r.l.	Milan, Via Domenichino 5	1	BFF Bank S.p.A.	100%	100%
2. BFF Finance Iberia, S.A.U.	Madrid - Paseo de la Castellana 81	1	BFF Bank S.p.A.	100%	100%
3. BFF Polska S.A.	Łodz - Jana Kilińskiego, 66	1	BFF Bank S.p.A.	100%	100%
4. BFF Medfinance S.A.	Łodz - Jana Kilińskiego, 66	1	BFF Polska S.A.	100%	100%
5. BFF Česká republika s.r.o.	Prague - Roztylská 1860/1	1	BFF Polska S.A.	100%	100%
6. BFF Central Europe s.r.o.	Bratislava - Mostova 2	1	BFF Polska S.A.	100%	100%
7. Debt-Rnt sp. Z O.O.	Łodz - Al. Marszalka Jozefa Piłsudskiego 76	1	BFF Polska S.A.	100%	100%
8. Komunalny Fundusz Inwestycyjng Zamknięty	Warsaw - Plac Dąbrowskiego 1	4	BFF Polska S.A.	100%	100%
9. MEDICO Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty	Warsaw - Plac Dąbrowskiego 1	4	BFF Polska S.A.	100%	100%
10. Kancelaria Prawnicza Karnowski i Wspólnik sp.k.	Łodz - Jana Kilińskiego, 66	4	BFF Polska S.A.	99%	99%
11. Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspolnik sp.k.	Łodz - Al. Marszalka Jozefa Piłsudskiego 76	4	Debt-Rnt sp. Z O.O.	99%	99%

As far as points 8 and 9 are concerned, voting rights refer to the investors' right to vote at the Meeting.

The companies in points 10 and 11 above are limited partnerships and are consolidated according to the equity method since their total asset figures are not significant.

On January 19, 2022, the company BFF Immobiliare S.r.l., a wholly owned subsidiary of BFF Bank S.p.A., was established. This company was established with a view to finalizing the Casa BFF operation, which involved the purchase of a buildable area and the subsequent development of an office building which will become the new registered office of the BFF Group and will house all of the Bank's personnel present in the city of Milan, who are currently divided between three different buildings.
BFF Bank also holds a 26.46% stake in Unione Fiduciaria S.p.A., which is consolidated with the equity method (and not in its entirety), as it is a company subject to significant influence.

Key:

(1) Type of relationship:
1 = having the majority of voting rights at ordinary shareholders' meetings
2 = dominant influence at the ordinary shareholders' meeting
3 = arrangements with other shareholders
4 = other forms of control

(2) Voting rights at ordinary shareholders' meetings, distinguishing between actual and potential voting rights or percentage of shares.

The measurement criteria are adopted with a view to a going concern and comply with the principles of accruals, relevance and materiality of accounting information and the precedence of economic substance over legal form.

Section 4 - Events after the reporting period

Monetary policy decisions by the European Central Bank

In July 2022, the European Central Bank raised official interest rates for the first time since 2011, with the aim of counteracting soaring inflation. Reference rates were raised by half a point, more than the 25 basis points announced by the Frankfurt Institute in June, which put an end to the era of negative rates (the deposit rate was in fact raised from -0.50% to 0.00%).

Monetary policy decisions by the National Bank of Poland (NBP)

During the first half of the year, the Polish Central Bank continued its manoeuvre to raise official interest rates with the aim of counteracting the continued rise in inflation. Following the end of the first half of the year, the Polish Central Bank increased the official interest rate from 6.0% to 6.5% .

Resignation of the Draghi government

In Italy in July 2022 the government headed by Mario Draghi resigned, having lost the support of some political forces that made up the majority.

The government remains in office to conduct current business until the next elections, set for September 25, 2022.

The phase of uncertainty generated relatively moderate tensions in the market, with the Btp-Bund spread rising to 229 basis points on July 22 from 193 in the previous month (June 20). The increase in Italy-risk was contained by the decision to schedule the elections at short notice and the ECB's determination to avoid disorderly spread increases through the launch of the Transmission Protection Instrument (TPI), a discretionary tool designed to facilitate an effective transmission of monetary policy.

Section 5 - Other issues

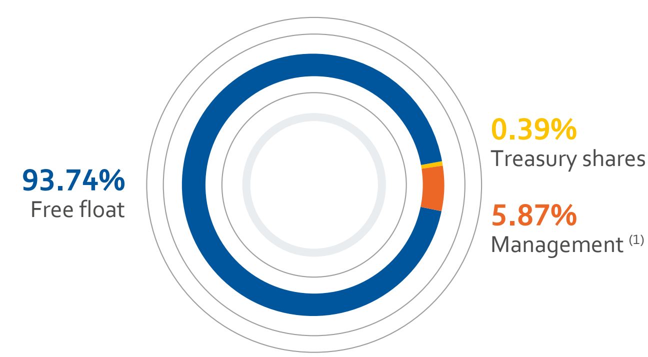
Shareholder Structure

The composition of BFF's shareholding structure as at June 30, 2022, as a result of the Accelerated Book-Building procedure concluded on March 9, 2022 on approximately 14 million ordinary shares of BFF held by Equinova UK HoldCo Limited, and the share capital increases to service the stock option plans that took place in the first half of the year and were disclosed to the market.

As of June 30, 2022, therefore, the parent's free float, already over 80% as of December 31, 2021, had reached 100% of the share capital, confirming its position as one of the few truly shareholder-driven businesses in Italy.

As of June 30, 2022, Management (Chief Executive Officer, Key Management Personnel and their Closely Associated Persons) held 5.87% of the share capital, up from 5.59% as of December 31, 2021. Treasury shares held by the parent – totalling 717,731 – amount to 0.39% of the share capital.

TOTAL NUMBER OF SHARES ISSUED: 185,519,076



Source: Forms 120A - 120B - 120D and Internal Dealing communications. Percentage is calculated based on the total number of shares issued at 06/30/2022

(1) As at 06/30/2022 the Chief Executive Officer Massimiliano Belingheri and his Closely Associated Persons (Bray Cross Ltd. and Scalve S.à. r.l., The Bomi Trust and Bomi S.a.r.l.) held 10.60 million BFF shares, for a quota equal to 5.72% of the share capital, the remaining quota of the management refers to the BFF shares held by the 4 vice presidents in office at that date and by their respective Closely Associated Persons.

With regard to the options granted under the 2016 Stock Option Plan, as at June 30, 2022 1,465,780 options had been granted, of which 232,000 were not yet exercisable. The number of options outstanding as at December 31, 2021 was 2,524,684. Note that 1,035,896 options were exercised during the first half of 2022.

With regard to the 2020 Stock Option Plan, 8,384,500 options were granted, exercisable starting in 2023, while with regard to the 2022 Stock Option Plan 2,204,000 options were granted in the month of July 2022, exercisable starting in the second half of 2025.

Risks, uncertainties and impacts of the Covid-19 epidemic and the Russia/Ukraine conflict

Significant events during H1 2022 include the tensions in the global geo-political environment arising from the conflict between Russia and Ukraine, which is having serious repercussions on the European and global macro-economic situation.

Also looking ahead, the conflict represents a factor of instability that, in general, can significantly affect the macroeconomic landscapes of the countries that BFF operates in and their growth prospects. Consequently, at a consolidated level the parent has put in place continuous monitoring of the risks that the BFF Group could possibly be exposed to and carried out the necessary business impact analyses, the results of which are summarised below.

- With regard to the credit risk arising from impacts on financed companies that have significant commercial operations with Russia, Belarus or Ukraine or that are more exposed to changes in commodity prices, the parent carried out a specific assessment identifying only certain counterparties that could potentially be impacted by commodity price increases. As part of this, additional monitoring was put in place. Furthermore, no customers with significant business operations with Russia, Belarus or Ukraine were identified.
- With regard to securities trading, the parent does not hold securities issued by issuers particularly exposed to risks arising from the current geo-political environment and conflict.
- With regard to profitability, note that custodian bank fees are calculated on the basis of the funds' AuM, and therefore the depreciation of these securities in the funds' portfolio had an insignificant impact compared to, for example, normal market volatilities.
- With regard to operational risks related to cyberattacks, note that the parent has not recorded any attacks of this nature, and moreover there are no operations in the countries affected by the conflict.

Moreover, the Compliance & AML Function, with the involvement and support of the competent functions, continuously (i) monitors regulatory developments with regard to the restrictive and sanctioning regime applied at the EU level to subjects, entities and banks in Russia and Belarus involved in the conflict; (ii) disseminates information alerts to the various BUs whenever there are updates and (iii) supports the various BUs in analysing the compliance of specific operational requirements.

The continued emergence and spread of Covid-19 (hereinafter referred to as Coronavirus) was also experienced in the first half of 2022.

With regard to the parent's operations, note that the impacts for the first half of 2022 of both the Russia/Ukraine conflict and the continuing emergency and dissemination of Covid-19 were contained also thanks to development of the business, as discussed in the part relating to commercial aspects.

In light of the parent's business model and the nature of its risk counterparties, neither the Covid-19 epidemic nor the Russia/Ukraine conflict entailed changes to the model for determining expected credit losses. However, actions have been taken starting from last year that have led the parent to update the macroeconomic scenarios in order to include the effects of the pandemic within the ECL estimates, and in the first months of 2022 discussions were initiated with the external infoprovider to monitor the evolution of the risk parameters in light of the evolution of the conflict in order to understand any impact on the determination of the expected credit losses (for more details please see the paragraph "IFRS 9 - Update to reflect the financial crisis due to Covid-19 and the Russia/Ukraine conflict"). The following issues and actions taken in the first half of 2022 are disclosed:

- Business continuity: the parent has continuously monitored the situation and its operations have been guaranteed without any critical issues. In this context, particular attention has been paid to operational risks and those deriving from the conflict, with appropriate measures to guarantee operations. To date there have not been any business continuity issues. In fact, the IT structure was already reinforced last year.
  Staff are now fully operational, working both remotely and in person, and are equipped with the tools needed to telework. The services provided by suppliers and outsourcers have not suffered any deterioration in terms of quality or quantity, nor has service been disrupted. Any deterioration in the quality of the service – which in any case is not able to compromise the Group's operations – is in fact subject to tracking and evaluation/resolution in a specific internal application.
- Commercial aspects: with regard to the Factoring and Lending BU, a significant rebound in non-recourse factoring and/or customer financing volumes should be noted thanks to the commercial effort and the gradual return to normalcy of the countries the Group operates in, despite the fact that they are still managing the long wave of the effects of the Covid-19 pandemic that arose in the first quarter of 2020.
  With regard to the Securities Services BU, business development made it possible to counterbalance the weakness of the financial markets affected first by the effects of Covid-19 and then by the Russia-Ukraine crisis. Of particular note was the AIF segment and the benefit from an M&A transaction executed by an existing client.
  With regard to the Payment BU , it is finally worth mentioning the good performance of almost all segments, especially that of card settlement and with the exception of cheques and bills, which continue to trend downwards.
- Liquidity: despite the current macroeconomic scenario, characterized by the continuation of the Covid-19 pandemic and the Russia/Ukraine conflict, the Bank has maintained the necessary measures to monitor and control the liquidity position. The parent:
  (i) when deemed necessary, reserves the right to perform stress analyses that are more frequent and more detailed as well as with increasing and variable impacts;
  (ii) maintains a significant share of assets freely available to meet unforeseen liquidity needs, also thanks to the contribution deriving from the operation concluded during the month of March 2021 with DEPObank;
  (iii) monitors the markets, including through continuous comparison with market operators and related banks; and
  (iv) continues to closely monitor the collection trends of Public Administration debtors.
- Capital requirements: there is no particular impact on equity and regulatory requirements as a result of the current macroeconomic and geopolitical environment; in the first half of the year, capital ratios were still well above the minimum requirements set by the Regulator.
  The health emergency has not affected lease contracts (IFRS 16), actuarial gains/losses related to post-employment benefits (IAS 19) and the vesting conditions of share-based payments (IFRS 2).

Contractual amendments due to Covid-19

In line with the EBA guidance of December 2, 2020 "*Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis*", the Group, through contractual agreements, has granted some of its counterparties moratoria of a strictly voluntary character. The amendments related solely to deferral of principal amounts, without any amendments to interest rates. Moreover, no reduction in the Group's credit exposures was foreseen in terms of either principal or interest. The amendments were considered non-substantial and therefore did not result in the derecognition from the statement of financial position of the positions subject to moratoria.

All the counterparties, for a total amount of €1.9 million that benefited from moratoria are based in Poland, Slovakia and the Czech Republic and are primarily represented by corporate clients (approximately 45%), public-sector entities (approximately 22%) and retail clients (approximately 33%).

Statutory audit

The Shareholders' Meeting of Banca Farmafactoring S.p.A. (now BFF Bank S.p.A.) held on April 2, 2020 appointed the auditing firm KPMG S.p.A. to audit the financial statements from 2021 to 2029, pursuant to the provisions of Article 2409-bis of the Italian Civil Code and Italian Legislative Decree 39/2010.

A.2 MAIN ITEMS OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements were prepared using the same accounting policies already in use for the preparation of the consolidated financial statements at December 31, 2021, in accordance with IAS 1 and the instructions contained in Bank of Italy Circular no. 262 of December 22, 2005, as amended.

These accounting policies include the main criteria for recognizing, classifying, measuring and derecognizing the main assets and liabilities as well as for recognizing revenue and costs, along with other information.

Share-based payment arrangements

The share-based personnel remuneration plans (stock option plans) are recorded in the accounts according to the provisions of IFRS 2. They are recorded by charging to the income statement, with a corresponding increase in equity, a cost set on the basis of the fair value of the financial instruments allocated on the assignment date and divided over the plan's vesting period. The fair value of any options is calculated using a model which considers – besides information such as the exercise price and duration of the option, the current price of the shares and their expected volatility, the expected dividends, and the risk-free interest rate – the specific characteristics of the current plan. In the valuation model, the option and the probability of realization of the conditions under which the options were assigned are assessed separately. The combination of the two values provides the fair value of the assigned instrument.

Any reduction in the number of financial instruments allocated shall be accounted for as cancellation of part of them. This derecognition will have no impact on the income statement, but will take place with a balancing entry in the retained earnings reserve.

In compliance with the provisions as set out in the First Part, Title IV, Chapter 2, Section III, paragraph 2.1, 3 of Bank of Italy's Circular no. 285, Art. 8.4 of the "Remuneration and incentive policy for members of the bodies with strategic supervision, management and control, and personnel of BFF Banking Group" establishes that at least 50% of variable remuneration of so-called "Key Personnel" (Risk Takers) must be paid in financial instruments, specifically:

(i) BFF's shares and related instruments, including the stock option plan; and

(ii) where possible, the other instruments identified in Delegated Regulation (EU) no. 527 of March 12, 2014.

The definition of "variable remuneration" includes payments which, for various reasons, are connected to and dependent on the activities/performance of the recipients or on other parameters (e.g., length of service) and which may be due in the future from BFF to the Risk Takers,

i) both pursuant to the incentive system based on company and individual objectives (so-called "MBO"),

ii) and in order to meet any payment obligations pursuant to non-competition agreements ("NCAs"), should in the future Risk Takers who have signed such agreements leave the Group.

2016 Stock-Option Plan of the Banca Farmafactoring Banking Group

On December 5, 2016, the Bank's Ordinary Shareholders' Meeting approved the adoption of a stock option plan for employees and members of the corporate boards. The plan has the following features:

- *Purpose*: the plan involves the award of a maximum of 8,960,000 options in three tranches; each one provides the beneficiary with the right to subscribe for newly issued ordinary shares of the Bank or shares that have already been issued and are included in the company portfolio when the option is exercised. At June 30, 2022 the number of stock options assigned and not exercised amounted to 1,465,788. The vesting period has matured for 1,187,948 of these, which are thus exercisable.
- *Beneficiaries*: the identification of beneficiaries and the granting of options are decided by:
    a) The Board of Directors, after consulting with the Remuneration Committee, with reference to directors, senior executives and executives directly reporting to the Chief Executive Officer;
    b) The Chief Executive Officer, within the limits of his/her powers, with reference to other beneficiaries whose remuneration falls within his/her duties;
- *Type of exercise*: ordinary or cashless exercise. On March 28, 2019 the Ordinary Shareholders' Meeting approved the introduction of an alternative method for exercising options under the plan, in addition to the ordinary option (so-called cashless). According to the new exercise option, authorized beneficiaries who requested it can be allocated a number of shares determined based on the market value of the shares at the exercise date, with no obligation for them to pay the exercise price.

2020 Stock-Option Plan of the Banca Farmafactoring Banking Group

On April 2, 2020, the Ordinary Shareholders' Meeting approved a new Stock Option Plan ("2020 Plan") for employees and directors holding executive positions in the Bank and/or its subsidiaries, having the following characteristics:

- *Purpose*: the plan involves the award of a maximum of 8,960,000 options in three tranches; each one provides the beneficiary with the right to subscribe for newly issued ordinary shares of the Bank or shares that have already been issued and are included in the Bank's portfolio when the option is exercised.
- *Recipients*: the beneficiaries are identified by the Board of Directors and/or the CEO at their sole discretion – within the limits envisaged by the applicable legislation and the plan – among the employees and/or Directors with executive positions in the Company and/or its subsidiaries;
- *Type of exercise*: ordinary or cashless exercise.

At June 30, 2022 the number of stock options assigned amounted to 8,384,500, of which none yet exercisable.

BFF Banking Group 2022 Long-Term Incentive Plan

On March 31, 2022, the Ordinary Shareholders' Meeting approved a new "2022 Long-Term Incentive Plan" for employees and directors holding executive positions in the parent and/or its subsidiaries, having the following characteristics.

- *Subject*: the plan provides for the allocation of a maximum of 9,700,000 options divided into three tranches. The options can be of two types: (i) Class A options, which grant the right to receive ordinary shares of the Company, i.e. "equity settled", and (ii) Class B options, which grant the right to receive phantom shares, to be converted into cash in accordance with the provisions of the plan, i.e. cash settled.
- *Vesting conditions (exercise)*: options granted under each tranche vest upon completion of the three-year period from the relevant grant date. Vesting is also subject to the fulfilment of the following conditions: (i) continuation of employment with the Group and/or office in the Board of Directors and absence of notice of resignation or dismissal; and (ii) achievement of KPIs (i.e. company performance indicators), without prejudice to the deferral and lock-up provisions applicable to the most significant personnel (i.e. Risk Takers) of the Bank and the other detailed forecasts of the plan, already disclosed to the market in accordance with applicable regulations.

Authorization to repurchase and dispose of treasury shares and revocation, for the part not yet executed, of the authorization granted by the Shareholders' Meeting on March 25, 2021

The parent's Ordinary Shareholders' Meeting of March 31, 2022, after examining the relevant illustrative Report by the Board of Directors, decided to revoke the previous authorization, granted by the Shareholders' Meeting of March 25, 2021, for the part not yet executed, and to authorize the Board of Directors to proceed with the repurchase of BFF ordinary shares, on one or more occasions and for a period of 18 months from the date of the Shareholders' Meeting, in pursuit of the purposes set out in the aforementioned illustrative Report; the maximum number of shares to be purchased is 8,294,520, representative of 5% of the 185,315,280 shares without a nominal amount representing the entire subscribed and paid-up share capital of the parent as of March 10, 2022, amounting to €142,692,765.52 (taking into account the treasury shares already in stock).

Use of estimates and assumptions in the preparation of financial reporting

As part of the preparation of the interim consolidated financial statements, the parent had to make valuations and estimates that influence the application of accounting policies and the amounts of assets, liabilities, costs and revenues recognized in the financial statements.
The significant assessments of the parent in the application of the accounting policies and the main sources of estimation uncertainty are unchanged from those already illustrated in the parent's and Group's last annual financial statements, closed at December 31, 2021.

In accordance with IFRS, the elaboration of estimates by management is a prerequisite for the preparation of the interim consolidated financial statements at June 30, 2022. This process involves the use of available information and subjective assessments, also based on historical experience, in order to formulate reasonable assumptions for the analysis of operations. These estimates and assumptions may vary from one period to the next, and therefore it cannot be ruled out that in subsequent periods, including in light of the current Covid-19 ("Coronavirus") emergency situation and the Russia/Ukraine conflict, the current values recognized in the interim consolidated financial statements at June 30, 2022 may differ – even significantly – owing to a change in the subjective assessments.

Estimates and assumptions are reviewed on a regular basis. Any changes resulting from such reviews are recognized in the period in which the review is made, provided that the review involves only that period. Should the review involve both current and future periods, the change is recognized in the period in which the review is made, and in the related future periods.

The risk of uncertainty in estimates is essentially related to:

- The degree of recoverability and estimated collection times for late payment interest accrued on non-recourse trade receivables due to BFF, based on an analysis of historical multi-year company data;
- Impairment losses on loans and receivables and other financial assets in general;
- The fair value of financial instruments used for financial disclosure purposes;
- The fair value of financial instruments not traded in active markets, determined with measurement models;
- Expenses recorded on the basis of provisional values that are not definitive at the date on which these interim consolidated financial statements were prepared;
- Employee benefits based on actuarial assumptions, and provisions for risks and charges;
- The recoverability of deferred tax assets;
- Any impairment of equity investments, goodwill recognized and customer relationships. In light of the results at June 30, 2022, there are no trigger events that could impact the valuation of equity investments and goodwill recorded in the financial statements.

Measurement of impairment losses on financial assets

At each annual or interim reporting date, in accordance with IFRS 9, financial assets other than those measured at fair value through profit or loss are tested to assess whether there is evidence that the carrying amount of the assets may not be fully recoverable. A similar analysis is conducted also for loan commitments and guarantees provided that fall within the scope subject to impairment in accordance with IFRS 9. If such evidence exists (so-called "evidence of impairment"), the financial assets concerned – consistently with any remaining assets of the same counterparty – are considered to be impaired and classified in Stage 3. The Group shall recognize adjustments equal to lifetime expected credit losses for these exposures, consisting in financial assets classified as bad loans, unlikely to pay, and exposures past due and/or in arrears as per the Bank of Italy's Circular no. 262/2005.

The impairment model is characterized by:

- The allocation of the transactions in the portfolio to different stages, based on an assessment of the increase in the level of exposure/counterparty risk, considering the "staging allocation criteria";
- The use of multi-period risk parameters (e.g., lifetime PD, LGD and EAD) to quantify expected credit losses (ECL) for financial instruments subject to a significant increase in credit risk since initial recognition.

IFRS 9 - Update to reflect the financial crisis due to Covid-19 and the Russia/ Ukraine conflict

The annual update of the risk parameters (PD and LGD) allows taking into account the evolution of the effects of Covid-19 within the estimates of expected credit losses, and starting from March 2022 the effects of the Russia/Ukraine conflict. The Baseline, High Growth and Mild Recession forecasts supplied by the external infoprovider were updated in June 2022 and provide the forecasted default rates for the 20 quarters following the updating date. In February 2022, the outbreak of the Russia/Ukraine conflict significantly changed the geo-political scenario with direct consequences on the European and global macro economy. In view of the new macroeconomic scenarios, the Risk Management Function conducted a sensitivity analysis for the second quarter of the year between the macroeconomic scenarios in use for ECL estimates and the macroeconomic scenarios published by the infoprovider in June 2021, the last date for updating the risk parameters. The analysis revealed a worsening trend in macroeconomic estimates compared to the previous estimates of June 2021. Although GDP grew in the first two quarters of the year, concerns remain about the soaring inflation rate due to high commodity and energy prices, which in turn cause supply chain disruptions. Consequently, economic growth estimates have been revised downwards for the rest of the year. Moreover, the Risk Management Function compared the macroeconomic estimates released by the external infoprovider with those of the European Central Bank (ECB) and showed a substantial alignment of the estimates in the base scenario and a slight deterioration of the ECB's estimates in the adverse scenario. In this regard, the Risk Management Function performed a backtesting analysis of the portfolio in order to quantify the impact in terms of Expected Credit Loss resulting from changing macroeconomic scenarios. The analysis shows that the impact of this update amounts to approximately €907,000 in terms of higher value adjustments resulting from the tightening of the macroeconomic environment. However, the impact is concentrated on private portfolios, which are most affected by the consequences of the war.

A.4 - INFORMATION ON FAIR VALUE

Qualitative information

IASs/IFRSs require that financial instruments classified as "Financial assets at fair value through profit or loss", "Financial assets at fair value through other comprehensive income" and "Financial liabilities held for trading" be measured at fair value.

The fair value is the price that would be received for a sale of an asset or which would be paid for the transfer of a liability in a normal transaction between market operators (in other words, not a forced liquidation or sale below cost) on the measurement date. The fair value is a market measurement criterion not specific to the entity. An entity needs to assess the fair value of an asset or liability by adopting the assumptions that the market operators would use when determining the price of the asset or liability, assuming that the market operators act to satisfy their own economic interests in the best possible way.

In determining the fair value of a financial instrument, IFRS 13 establishes a hierarchy of criteria in terms of the reliability of the fair value according to the degree of discretion applied by entities, giving priority to the use of observable market parameters that reflect the assumptions that market participants would use in valuing (pricing) an asset/liability. Three different input levels are identified:

- Level 1: inputs represented by (unmodified) quoted prices in active markets for identical assets or liabilities, which can be accessed on the measurement date;
- Level 2: inputs other than quoted prices included in Level 1 that are directly (as in the case of prices) or indirectly (i.e. as derived from prices) observable for the assets or liabilities to be measured;
- Level 3: unobservable inputs for the asset or liability.

The choice between the aforementioned methods is not optional since they must be applied in hierarchical order. Absolute priority is given to the official prices available in active markets for the assets and liabilities to be measured (Level 1) or for assets and liabilities measured using valuation techniques based on observable market parameters other than the prices of the financial instrument (Level 2), and lower priority is given to assets and liabilities whose fair value is calculated using valuation techniques based on parameters that are not observable in the market and are therefore more discretionary (Level 3).

In compliance with the rules described above, the market price recorded at the end of the reporting period is used for instruments quoted in active markets (Level 1). The fair value of financial instruments not listed on active markets has been determined by using valuation techniques based mainly on the discounting of cash flows. The valuation techniques used incorporate all the factors considered by the market when setting the price and are based mainly on observable market inputs (Level 2).

Specifically:

- bonds are measured by discounting the future cash flows envisaged in the contractual plan of the security, using the market rates adjusted for counterparty risk;
- derivative contracts, consisting of overnight interest rate swaps (OISs), are measured based on market valuation models using market rates as the prevailing parameters, adjusted for counterparty risk. Where relevant, this risk includes both changes in the counterparty's creditworthiness and changes in the issuer's creditworthiness (own credit risk);

- for equities, there is a hierarchy and an order of application of measurement methods that considers, first of all, any transactions in the security recorded over a sufficiently short period of time compared to the valuation period, comparable transactions of companies operating in the same sector and the application of analytical financial, income-based and equity-based valuation methods. The measurement method for a financial instrument is adopted on a continuing basis, and is only changed if there are significant variations in the market or subjective conditions of the issuer of the financial instrument. The Bank does not hold any Level 3 financial instruments, except for those of an immaterial value.

A.4.1 Fair value levels 2 and 3: valuation techniques and input used

The valuation techniques used are adapted to the specific characteristics of the assets and liabilities being valued. The choice of inputs is aimed at maximising the use of those that can be observed directly on the market, minimising the use of internal estimates.

With regard to Level 2 financial instruments, mainly represented by SWAPS and loans to customers and to banks measured at amortized cost, the valuations as at June 30, 2022 were based on interest rates and volatility factors derived from the market. In view of the bank's limited dealings in the over-the-counter derivatives segment and its dealings mainly with the most relevant counterparties based on risk-mitigating collateralization agreements, the adjustments made to the measurement of Level 2 instruments to incorporate counterparty risk were not significant.
With regard to Level 2 UCI units, the value is determined using the official NAV.
The only instrument classified as Level 3 is the amount due from the Interbank Deposit Protection Fund's voluntary scheme.

A.4.2 Processes and sensitivity of valuations

At June 30, 2022, as mentioned above, the only instrument classified as Level 3 is the amount due from the Interbank Deposit Protection Fund's voluntary scheme. The most recent fair value estimate received by the Fund and prepared by a major consulting firm has been adopted.

A.4.3 Fair value hierarchy

At June 30, 2022, as in 2021, there were no transfers between Level 1, Level 2 and Level 3.

Quantitative information

A.4.5 Fair value hierarchy

A.4.5.1 Assets and liabilities measured at fair value on a recurring basis: breakdown by levels of fair value

(Values in thousand euros)

	06.30.2022			12.31.2021		
Financial assets / liabilities measured at fair value	**L1**	**L2**	**L3**	**L1**	**L2**	**L3**
1. Financial assets measured at fair value through profit or loss:	7	38,640	104	9	36,487	104
a) financial assets held for trading	7	6,973	-	9	4,087	-
b) financial assets carried at fair value				-	-	-
c) other financial assets subject to mandatory fair value valuation	-	31,667	104	-	32,399	104
2. Financial assets measured at fair value through other comprehensive income	193	128,313	-	167	83,339	
3. Hedging derivatives	-	8,755	-	-	13	-
4. Property, equipment and investment property				-	-	-
5. Intangible assets				-	-	-
Total	**200**	**175,708**	**104**	**176**	**119,838**	**104**
1. Financial liabilities held for trading		1,954			2,725	
2. Financial Liabilities at fair value					-	
3. Hedging derivatives		14			4,814	
Total		**1,968**			**7,539**	

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.4.5.4 Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis: breakdown by levels of fair value

(Values in thousand euros)

Assets and liabilities not measured at fair value or measured at fair value on a non-recurring basis	06.30.2022				12.31.2021			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortized cost	11,262,864	5,911,715	-	5,262,550	10,069,497	5,839,220	-	4,276,876
2. Property and equipment held for investment								
3. Non-current assets held for sale and disposal groups								
Total	**11,262,864**	**5,911,715**	**-**	**5,262,550**	**10,069,497**	**5,839,220**	**-**	**4,276,876**
1. Financial liabilities measured at amortized cost	11,094,569	38,710	-	11,055,921	10,010,353	188,861	-	9,824,068
2. Liabilities associated with assets held for sale								
Total	**11,094,569**	**38,710**	**-**	**11,055,921**	**10,010,353**	**188,861**	**-**	**9,824,068**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

A.5 INFORMATION ON THE "DAY ONE PROFIT/LOSS"

The Group does not hold, nor has it held, any financial assets to which this disclosure is applicable, pursuant to IFRS 7, paragraph 28.

Part B - Information on the Statement of Financial Position

All amounts in the tables are stated in thousands of euros.

ASSETS

Section 1 - Cash and cash equivalents - Item 10

€387,238 thousand

1.1 Cash and cash equivalents: breakdown

(Values in thousand euros)

	Total 06.30.2022	Total 12.31.2021
a) Cash	209	192
b) Current accounts and sight deposits at Central Banks	184,950	360,142
c) Current accounts and sight deposits at banks	202,079	194,134
Total	**387,238**	**554,468**

Starting from December 31, 2021, in line with what is set forth in the 7th update of Bank of Italy circular 262/2005, the item in question, aside from cash and sight deposits at Central Banks, with the exception of the compulsory reserve, also includes current accounts, as well as sight r loans and eceivables (current accounts and sight deposits) from banks.

As of June 30, 2022, this item mainly includes unrestricted deposits with the Bank of Italy, amounting to €185 million, as well as current accounts held the Bank and its subsidiaries at third-party banks at June 30, 2022, amounting to €202 million. Specifically, "Current accounts and sight deposits at banks" mainly refer for €197 million to BFF Bank, for €4.6 million to BFF Polska Group and for €507 thousand to BFF Finance Iberia.

Section 2 - Financial assets measured at fair value through profit or loss - Item 20

€38,751 thousand

This item is broken down as follows:

- Financial assets held for trading of €6,980 thousand, which primarily includes the positive fair value of derivative instruments classified as trading assets but used for the operational hedges of interest rate risk that the Group is exposed to;

- Other financial assets subject to mandatory fair-value valuation of €31,771 thousand, which mainly include the "UCI units" (equal to €31,667 thousand) managed for the most part by the "Italian SGR Investment Fund" and, to a lesser extent, by the "Atlante Fund". The value of these units has been updated to the latest available NAV.

2.1 Financial assets held for trading: breakdown by type

(Values in thousand euros)

Items/values	Total 06.30.2022			Total 12.31.2021		
	L1	L2	L3	L1	L2	L3
A. On statement of financial position assets	7			9		
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities	6			8		
2. Equity securities	1			1		
3. UCI units						
4. Loans						
4.1 Reverse repurchase agreements						
4.2 Others						
Total (A)	**7**	**-**	**-**	**9**	**-**	**-**
B. Derivatives		6,973			4,086	
1. Financial derivatives						
1.1 held for trading		6,973			4,086	
1.2 connected to the fair value option						
1.3 others						
2. Credit derivatives						
2.1 held for trading						
2.2 connected to the fair value option						
2.3 others						
Total (B)	**-**	**6,973**	**-**	**-**	**4,086**	**-**
Total (A+B)	**7**	**6,973**	**-**	**9**	**4,086**	**-**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

2.2 Financial assets held for trading: breakdown by borrower/issuer/counterparty

(Values in thousand euros)

Items/values	Total 06.30.2022	Total 12.31.2021
A. On statement of financial position assets	6	8
1. Debt securities	**6**	**8**
a) Central Banks		
b) Public administrations	3	4
c) Banks	2	4
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
2. Equity securities	**1**	**1**
a) Banks		
b) Other financial companies:		
of which: insurance companies		
c) Non-financial companies	1	1
d) Other issuers		
3. UCI units	-	-
4. Loans	-	-
a) Central Banks		
b) Public administrations		
c) Banks		
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
f) Households		
Total (A)	**7**	**9**
B. Derivatives	-	-
a) Central counterparties		
b) Others	6,973	4,086
Total (B)	**6,973**	**4,086**
Total (A+B)	**6,980**	**4,095**

2.5 Other financial assets subject to mandatory fair-value measurement: breakdown by type

(Values in thousand euros)

Items/values	Total 06.30.2022			Total 12.31.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities			104			104
3. UCI units		31,667			32,399	
4. Loans						
4.1 Reverse repurchase agreements						
4.2 Others						
Total	-	31,667	104	-	32,399	104

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

2.6 Other financial assets subject to mandatory fair-value measurement: breakdown by borrower/issuer

(Values in thousand euros)

	Total 06.30.2022	Total 12.31.2021
1. Equity securities		
of which: banks		
of which: other financial companies	104	104
of which: other non-financial companies		
2. Debt securities		
a) Central Banks		
b) Public administrations		
c) Banks		
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
3. UCI units	**31,667**	**32,399**
4. Loans		
a) Central Banks		
b) Public administrations		
c) Banks		
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
f) Households		
Total	**31,771**	**32,503**

Section 3 - Financial assets measured at fair value through other comprehensive income - Item 30

€128,507 thousand

At June 30, 2022 this item included:

- the stake in the Bank of Italy of €125 million;
- the shares relating to the Visa Class C security equal to €2,512 thousand, not listed, whose fair value is determined by the comparison with Visa Series A listed shares (according to the conversion plan defined in 2016 on the occasion of the integration with Visa Europe);
- other minor investments worth approximately €995 thousand.

During the first half of 2022, BFF Bank acquired an additional stake in the Bank of Italy, increasing it from €80 million in 2021 to €125 million as at June 30, 2022. The shareholding increased from 1.07% to 1.67%.

3.1 Financial assets measured at fair value through other comprehensive income: breakdown by commodity type

(Values in thousand euros)

Items/values	Total 06.30.2022			Total 12.31.2021		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities						
1.2 Other debt securities						
2. Equity securities	194	128,313		167	**83,339**	
3. Loans						
Total	**194**	**128,313**	**-**	**167**	**83,339**	**-**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

3.2 Financial assets measured at fair value through other comprehensive income: breakdown by borrower/issuer

(Values in thousand euros)

Items/values	Total 06.30.2022	Total 12.31.2021
1. Debt securities		
a) Central Banks		
b) Public administrations		
c) Banks		
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
2. Equity securities	**128,507**	**83,506**
a) Banks	125,401	80,374
b) Other issuers:	3,106	3,132
- other financial companies	2,819	2,844
of which: insurance companies		
- non-financial companies	287	288
- others		
3. Loans		
a) Central Banks		
b) Public administrations		
c) Banks		
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
f) Households		
Total	**128,507**	**83,506**

Section 4 - Financial assets measured at amortized cost - Item 40

€11,262,864 thousand

This item is broken down as follows:

- Loans and receivables with banks of €693,305 thousand;
- Loans and receivables with customers of €10,569,559 thousand, which, based on the guidance in the new IFRS 9, from January 1, 2018 also includes the Held to Collect (HTC) securities portfolio of €6,000,314 thousand.

Loans and receivables due with banks

€693,305 thousand

4.1 Financial assets measured at amortized cost: breakdown by type of amounts due from banks

(Values in thousand euros)

Type of operations/ Values	Total 06.30.2022						Total 12.31.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage one and Stage two	Stage three	Purchased or originated credit impaired	L1	L2	L3	Stage one and Stage two	Stage three	Purchased or originated credit impaired	L1	L2	L3
A. Loans and receivables with Central Banks	**167,935**					**167,935**	**156,038**					**156,038**
1. Time deposits	4,122			X	X	X	153			X	X	X
2. Mandatory reserve	163,812			X	X	X	155,885			X	X	X
3. Reverse repurchase agreements	-			X	X	X				X	X	X
4. Others	-			X	X	X				X	X	X
B. Loans and receivables with banks	**525,370**					**525,370**	**248,061**					**248,061**
1. Loans	525,370					525,370	248,061					248,061
1.1 Current accounts	X			X	X	X				X	X	X
1.2 Time deposits	1,541			X	X	X	2,643			X	X	X
1.3 Other loans:	523,829			X	X	X	245,418			X	X	X
- Reverse repurchase agreements	436,889			X	X	X	160,438			X	X	X
- Loans for leases				X	X	X				X	X	X
- Others	86,941			X	X	X	84,980			X	X	X
2. Debt securities												
2.1 Structured securities												
2.2 Other debt securities												
Total	**693,305**	**-**	**-**			**693,305**	**404,099**	**-**	**-**			**404,099**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

As mentioned above, starting from December 31, 2021, in line with what is set forth in the 7th update of Bank of Italy Circular 262/205, all sight deposits at Central Banks, with the exception of the mandatory reserve, as well as current accounts and sight loans and receivables (current accounts and sight deposits) with banks have been reclassified to Statement of Financial position item 10 "Cash and cash equivalents".

As at June 30, 2022, therefore, "Loans and receivables with banks - term deposits" referred for €1,541 thousand to the amount deposited with *Banco de España* as CRM (*Coeficiente de Reservas Mínimas*), in relation to the funding carried out by the Bank's Spanish branch through "Cuenta Facto".

The item "Loans and receivables with Central Banks - Mandatory Reserve", amounting to €164 million, also includes the amounts deposited in compliance with the reserve requirement of client banks, for which the parent BFF provides the service indirectly, while time deposits include the balance of the amount deposited with the national bank of Poland (Narodowy Bank Polski) for the funding made by the Polish branch through "Lokata Facto", amounting to €4,122 thousand.

The item " Loans and receivables with banks – Reverse repurchase agreements" refers to contracts governed by Global Master Repurchase Agreements (GMRAs) with other banks.

"Loans and receivables due with banks – Other" consist mainly of trade receivables, i.e. trade receivables for transactions connected to the provision of services, and in particular of daily positions connected to the provision of payment card settlement services.

This item does not include any impaired assets.

Loans to customers

€10,569,559 thousand, including Held to Collect securities of €6,000,314 thousand

The item "Financial assets measured at amortized cost – Loans and receivables due with customers" includes debt securities in the Held to Collect (HTC) portfolio in addition to loans to customers, pursuant to the updates of Bank of Italy Circular no. 262, in compliance with the new IFRS 9.

This item mainly includes loans to customers of €4,569.2 million (mainly amounts due from debtors in relation to factoring activities) and €6,000.3 million in debt securities in the HTC portfolio.

BFF Banking Group's loans and receivables with customers are measured at amortized cost, determined based on the present value of estimated future cash flows.

BFF Bank and BFF Finance Iberia's non-recourse trade receivables include both principal and late payment interest accruing as from the due date of the trade receivable. In order to compute amortized cost, including late payment interest recognized on an accrual basis, BFF Bank updates the time series of data regarding the late payment interest collection percentages and times on an annual basis, when the financial statements are prepared. However, a prudent decision was made to consider, also for 2022, the use of the same 45% collection percentage and the same collection time, 1,800 days, as used by Banca Farmafactoring.

With regard to the trade receivables purchased by BFF Finance Iberia, the average collection percentage for late payment interest tends to be equal to 100% and, on average, collection times are lower than those recorded for trade receivables due from the Italian National Healthcare System. However, a prudent decision was made to consider, also for 2022, the use of the same 45% collection percentage and the same collection time, 1,800 days, as used by BFF Bank.

As regards BFF Polska Group, with the exception only of BFF Central Europe s.r.o., despite the negligible importance of the component of late payment interest on total loans and receivables, as part of the activities to complete the integration of Group processes, which also include synchronizing the time series of data and the analysis instruments with those used by the Parent, the Group, late payment interest accrued on past-due trade receivables is primarily recognized when it is reasonably certain that it will be collected, on the basis of the agreements reached with the debtor counterparties or what has been agreed to in legal proceedings. As instead regards BFF Central Europe, please note that the amortized cost method is used, and the majority of the revenues recognized relate to commissions received. All additional revenue linked to late payment interest is recognized only in specific cases, for which there is reasonable certainty of recovery and for which a percentage of recovery has been defined based on experience.

The cumulative amount of late payment interest due to BFF Bank (including branches and countries managed in compliance with regulations on the freedom to provide services) and BFF Finance Iberia but not yet collected for non-recourse trade receivables (so-called allowance for late payment interest) amounted to €745 million, of which only €311 million were recognized in the income statement of the period and in previous periods.

The total net amount of impaired exposures for BFF Banking Group is €128.7 million. Of this amount, €80.7 million relates to non-performing loans (including €73.4 million relating to municipalities and provincial governments in financial distress, of which €5.5 million were purchased already impaired) and €14.1 million to unlikely-to-pay exposures. Past due exposures amounted to €33.9 million, of which 97% relating to public counterparties. Measurement of such exposures is carried out at the portfolio level since there are no objective indications of individual impairment.

Debt securities classified in the HTC portfolio, equal to €6 billion, are measured at amortized cost. The relevant interest, calculated using the effective rate of return, is recognized in the income statement using the effective rate of return.
At June 30, 2022, this portfolio consists exclusively of government securities purchased to hedge liquidity risk and to optimize the cost of money. It has a total face value of €5,960 million and fair value of €5,924 million, with a positive difference (before taxes) of around €52 million compared to the carrying amount on the same date, not recognized in the financial statements.

4.2 Financial assets measured at amortized cost: breakdown by type of loans to customers

€10,569,558 thousand

(Values in thousand euros)

Type of operations/values	Total 06.30.2022						Total 12.31.2021					
	Carrying amount			Fair value			Carrying amount			Fair value		
	Stage one and Stage two	Stage three	Purchased or originated credit impaired	L1	L2	L3	Stage one and Stage two	Stage three	Purchased or originated credit impaired	L1	L2	L3
1. Loans	**4,440,584**	**123,170**	**5,490**	**-**	**-**	**4,569,245**	**3,768,695**	**98,788**	**5,287**			**3,872,777**
1.1 Current accounts	46,766	1,307		X	X	X	20,498	1,141		X	X	X
1.2 Reverse repos	254,118			X	X	X	127,452			X	X	X
1.3 Mortgages				X	X	X				X	X	X
1.4 Credit cards and personal loans, including salary-backed loans	299			X	X	X	468			X	X	X
1.5 Finance leases	1,858			X	X	X	2,851			X	X	X
1.6 Factoring	2,635,767	99,575	5,490	X	X	X	2,418,616	76,462	5,287	X	X	X
1.7 Other loans	1,501,776	22,288		X	X	X	1,198,810	21,185		X	X	X
2. Debt securities	**6,000,314**			**5,911,715**			**5,792,627**			**5,839,220**		
2.1 Structured securities												
2.2 Other debt securities	6,000,314			5,911,715			5,792,627			5,839,220		
Total	**10,440,898**	**123,170**	**5,490**	**5,911,715**	**-**	**4,569,245**	**9,561,322**	**98,788**	**5,287**	**5,839,220**	**-**	**3,872,777**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

This item breaks down as follows:

- Performing factoring amounted to a total of €2,635,767 thousand for BFF Banking Group.
  This included non-recourse trade receivables purchased as performing, registered under the name of the assigned debtor, with the conditions for derecognition, and measured at amortized cost, worth a total of €2,222,947 thousand for BFF Bank and €237,126 thousand for the subsidiary BFF Finance Iberia.
  Non-recourse trade receivables are mainly purchased already past due, and their principal portion is deemed collectible. The right to accrued and accruing late payment interest is acquired upon purchase.
  Trade receivables purchased below face value totalled €26,188 thousand.
  Performing factored exposures of BFF Polska Group totalled €175,695 thousand.
  Note that, as indicated by the Bank of Italy, the ecobonus tax assets amounting to €213 million are recorded under "Other assets".

- Other performing loans due from customers amounted to €1,501,776 thousand. They mainly include:
  - accrued late payment interest of about €196,476 thousand, including €172,153 thousand relating to BFF Bank and €24,324 thousand relating to the Spanish subsidiary. This amount has already been recognized in the income statement in the current and prior years and refers only to late payment interest accrued on principal already collected. Therefore, of the €311.4 million late payment interest recognized in the income statement, referring to the allowance existing at June 30, 2022, €196.5 million refers to the item under review, while the remaining amount of €114.9 million was recognized under "factoring";
  - security deposits of approximately €203.4 million for settlement activities related to the transactions typical of the Securities Services and Banking Payments business areas.
  - security deposits for transactions in place with Cassa Compensazione e Garanzia for €166,555 million;
  - financing activities of BFF Polska Group of €824,043 thousand.
- Reverse repurchase agreements amounting to €254,118 thousand. These are exposures arising from contracts with customers regulated by the Global Master Repurchase Agreement (GMRA).
- Current account credit facilities amounting to €46,766 thousand are for the use of lines of credit granted to funds and asset management companies using the custodian bank services (as part of the services offered by the Securities Services business unit) or by corporate customers to whom collection and payment services are provided (as part of the services provided by the Banking Payments Department).
- Performing finance leases of BFF Polska Group totalled €1,858 thousand.
- BFF Banking Group's net impaired assets amounted to a total of €128,661 thousand. They include:
  - Non-performing loans: exposures to parties that are in a state of insolvency or in basically similar situations, regardless of any loss projections made by the Group.
    At June 30, 2022, the overall total of the Banking Group's non-performing loans, net of impairment, amounted to €80,722 thousand, of which €5,490 thousand purchased already impaired. Net non-performing loans concerning Italian municipalities and provincial government in financial distress amounted to €73,387 thousand, accounting for 90.9% of the total.
    Gross non-performing loans amounted to €95,168 thousand. Relevant impairment totalled €14,446 thousand. The portion of the allowance for late payment interest relating to non-performing exposures, recognized at the time of the change in estimate in 2014, was equal to €996 thousand, entirely impaired. Taking account of this amount, too, gross non-performing loans amounted to €96,164 thousand and relevant adjustments totalled €15,442 thousand.
    With reference to the Bank, at June 30, 2022 total non-performing loans, net of any estimated impairment losses, amounted to €75,001 thousand, of which €73,387 thousand concerned Italian municipalities and provincial governments in financial distress; this case is classified as non- performing in accordance with the indications given by the Supervisory Authority, despite the fact that BFF Banking Group has the legal right to receive 100% of the capital and late payment interest at the end of the insolvency procedure.
    Specifically, the amount of €5,490 thousand refers to loans and receivables due from local entities (municipalities, provinces) already in financial distress at the time of purchase and purchased at special conditions.
    The remaining positions referring to BFF Bank are impaired based on subjective assessments arising from legal opinions. Gross non-performing loans relating to BFF Polska Group amounted to €17,993 thousand. After estimated impairment losses of €12,272 thousand they amounted to €5,722 thousand.

- BFF Banking Group's unlikely to pay exposures mainly refer to BFF Polska Group's positions. These exposures reflect the judgement made by the intermediary about the unlikelihood that – excluding such actions as the enforcement of guarantees – the debtor will fully fulfil (for principal and/or interest) its credit obligations. This assessment should be arrived at independently of the existence of any past due and unpaid amounts (or instalments).
  At June 30, 2022, gross exposures classified as unlikely to pay amounted to €18,420 thousand, of which €16,494 thousand attributable to BFF Polska Group, €1,771 thousand to the bank and €155 thousand to BFF Finance Iberia. The total net amount was €14,074 thousand, relating mainly to BFF Polska Group since the gross exposures of BFF Bank and BFF Finance Iberia were almost entirely impaired.

- Net past due exposures of BFF Banking Group amounted to €33,865 thousand. They refer to the parent for €32,790 thousand and to BFF Polska Group of €1,075 thousand. 97.1% of these exposures relate to public counterparties. These consist of exposures with entities for which the conditions for classification as impaired past due exposures are met by presenting one or more credit lines that meet the definition of "Non-performing exposures with forbearance measures" set out in Section V, Part 2, paragraph 262 of the ITS.

With regard to the activities of the BFF Polska Group, voluntary moratoria were granted for a total amount of €1.9 million and are mainly represented by corporate clients (approximately 45%), public-sector entities (approximately 23%) and retail clients (approximately 32%). The main products affected are credit exposures deriving from amounts, accounting for approximately 64%, loans, 25% from loans (MEDLekarz - loans to medical practices), 7% from factoring operations and a residual 4% relating to finance lease operations. Compared to December 31, 2021 there was a decrease of about €200 thousand.

Fair value

The financial statements item "Loans and receivables with customers" mainly refers to non-recourse trade receivables, for which an active and liquid market is not available. In particular, these are past due trade receivables due from public administration agencies, for which the price in a hypothetically independent transaction cannot be easily determined, partly due to difficulties in reasonably assessing the liquidity risk that would be accepted by the market for such transactions.

Consequently, the carrying amount (determined based on the amortized cost and taking into account any individual and collective impairment), in relation to the nature, type, duration of such assets and related collection projections, was deemed to be substantially representative of the fair value of these trade receivables on the reporting date.

4.4 Financial assets measured at amortized cost: gross amount and total adjustments

(Values in thousand euros)

	Gross value					Total value adjustments				
	Stage one	of which: Instruments with low credit risk	Stage two	Stage three	Purchased or originated credit impaired	Stage one	Stage two	Stage three	Purchased or originated credit impaired	Total partial write-offs (*)
Debt securities	6,001,038					(724)				
Loans	4,151,825		984,923	141,856	5,695	(1,948)	(910)	(18,686)	(205)	
Total 06.30.2022	**10,152,863**	**-**	**984,923**	**141,856**	**5,695**	**(2,671)**	**(910)**	**(18,686)**	**(205)**	**–**
Total 12.31.2021	**9,106,742**	**-**	**861,118**	**118,965**	**5,493**	**(1,975)**	**(463)**	**(20,176)**	**(206)**	**–**

(*) Value provided for disclosure purposes.

4.4a Loans at amortized cost subject to Covid-19 support measures: gross value and total adjustments

(Values in thousand euros)

	Gross value					Total value adjustments				Total partial write-offs (*)
	Stage one	of which: Instruments with low credit risk	Stage two	Stage three	Purchased or originated credit impaired	Stage one	Stage two	Stage three	Purchased or originated credit impaired	
1. Loans granted in accordance with GL	1,388		168	365						
2. Loans subject to moratorium measures in place no longer in compliance with the GL and not evaluated as forborne										
3. Loans subject to other forbearance measures										
4. New funding										
Total 06.30.2022	**1,388**	**–**	**168**	**365**	-	-	-	-	-	-
Total 12.31.2021	**1,601**	**–**	**232**	**287**	-	-	-	-	-	-

(*) Value provided for disclosure purposes.

Section 5 - Hedging derivatives - Item 50

€8,755 thousand

5.1 Hedging derivatives: breakdown by hedge type and level

(Values in thousand euros)

	Fair value 06.30.2022			NV 06.30.2022	Fair Value 12.31.2021			NV 12.31.2021
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives								
1) Fair value								
2) Cash flows		8,755		561,679		13		17,403
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total	**-**	**8,755**	**-**	**561,679**	**-**	**13**	**-**	**17,403**

Key:
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item includes the positive fair value at June 30, 2022 relating to currency swap hedges with notional in zloty defined with the aim of hedging the loans disbursed in zloty to Polish subsidiaries under current intercompany agreements.

Section 7 - Equity investments - Item 70

€13,619 thousand

The amount refers to the equity investment in two law firms in which BFF Polska is a limited partner, as well as the equity investment in Unione Fiduciaria of 26.46% of the capital thereof, deriving from the financial statements of the former DEPObank. Note that the aforementioned investments are consolidated using the equity method (and not in full).

7.1 Equity investments: information on shareholding relationships

Name	Registered office	Operational headquarters	Type of relationship	Ownership relationship		Voting rights %
				Held by	Holding %	
A. Jointly controlled companies						
B. Companies over which significant influence is exercised						
1. Unione Fiduciaria	Milan (Italy)	Milan (Italy)	Voting right in the Shareholders' Meeting	BFF Bank S.p.A.	26.46%	26.46%
C. Exclusively controlled companies						
2. Kancelaria Prawnicza Karnowski i Wspólnik sp.k.	Łodz (Poland)	Łodz (Poland)	Other forms of control	BFF Polska S.A.	99%	99%
3. Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspolnik sp.k.	Łodz (Poland)	Łodz (Poland)	Other forms of control	Debt-Rnt sp. Z O.O	99%	99%

Section 9 - Property, equipment and investment property - Item 90

€50,352 thousand

9.1 Property and equipment with functional use: breakdown of assets measured at cost

(Values in thousand euros)

Assets/Values	Total 06.30.2022	Total 12.31.2021
1. Proprietary assets	**36,090**	**20,162**
a) land	22,575	6,324
b) buildings	11,387	11,017
c) furniture	371	252
d) electronic systems	1,422	1,516
e) others	335	1,053
2. Rights of use assets	**14,262**	**16,290**
a) land		
b) buildings	13,548	15,290
c) furniture		
d) electronic systems		
e) others	714	1,000
Total	**50,352**	**36,452**
of which: obtained by enforcement of guarantees received	-	-

At June 30, 2022, the item "Property, equipment and investment property" amounted to a total of €50,352 thousand. Of this amount, €30,852 thousand related to BFF Bank, €17,092 thousand related to BFF Immobiliare, €1,325 thousand to BFF Polska Group, and €1,082 thousand to BFF Finance Iberia. At June 30, 2022 the item was mainly composed of:

- Land in the amount of €22,575 thousand, of which €6,325 thousand related to the property owned by BFF Bank and €16,250 thousand related to the purchase of the building area located in Milan by the subsidiary BFF Immobiliare for the purpose of building the future headquarters of BFF Bank;
- Buildings (including capitalized extraordinary maintenance) of €11,387 thousand including the Rome property at Via Elio Chianesi 110/d owned by the former DEPObank, compared to €11,017 thousand at December 31, 2021;
- Right-of-use assets relating to the application of IFRS 16 on leases of €14,262 thousand, of which €13,548 thousand relating to assets leased by the Parent and its subsidiaries. For further information on this topic, please refer to section M of the Notes.

Upon IFRS first-time adoption (January 1, 2005), the buildings owned by BFF and used in its business activities (Milan and Rome) were measured at fair value, which became the new carrying amount of the assets as of that date. Such amount is depreciated at the end of each reporting period based on the assets' estimated useful life.

The measurement at first-time adoption resulted in a revaluation of the buildings for about €4 million, from about €5 million to about €9 million.

In the condensed interim consolidated financial statements, with regard to the scope of BFF, the land and building owned in Milan (Via Domenichino 5) were recognized separately based on an appraisal conducted by the same company that determined their value. The value of the land of the building at Via Bertoloni 1/E in Rome was not separated, as BFF does not own the entire building.

Section 10 - Intangible assets - Item 100

€65,846 thousand (of which €30,874 thousand relating to goodwill)

10.1 Intangible assets: breakdown by type of asset

(Values in thousand euros)

Assets/Values	Total 06.30.2022		Total 12.31.2021	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	X	30,874	X	30,874
A.2 Other intangible assets	34,972		36,673	
of which: software	7,940		7,593	
A.2.1 Assets measured at cost:				
a) Intangible assets created internally				
b) Other assets	34,972		36,673	
A.2.2 Assets measured at fair value:				
a) Intangible assets created internally				
b) Other assets				
Total	**34,972**	**30,874**	**36,673**	**30,874**

The line item largely consists of the goodwill arising from BFF's acquisition of BFF Polska Group in 2016 and the former IOS Finance (now merged into BFF Finance Iberia) in 2019, totalling respectively €22,146 thousand and €8,728 thousand, as well as the Customer Contracts equal to €24,347 thousand (intangible assets with a finite useful life, arising following the finalization of the Purchase Price Allocation on the acquisition of the former DEPObank). For more information refer to Part G "Business combinations" of the Notes to the Condensed Interim Consolidated Financial statements.

With respect to goodwill with an infinite useful life recognized in the financial statements and in line with what is described in IAS 36, for the purpose of preparing the financial statements as of December 31, 2021 an impairment test was performed on goodwill recognized in the financial statements, concerning BFF Polska Group and BFF Iberia (formerly IOS Finance) in order to determine the recoverable amount.

The estimation process requires the appropriate analyses to be performed on the difference between the preliminary figures and the budget to understand the reason underlying these differences. The forecast flows were used for the assessments, once their reasonableness was verified. This reasonableness is checked by analyzing and verifying:

a) the nature of the variances between the budget and the forecast (used for the preparation of the budget) and the incorporation of (permanent) variances in the projections made;

b) that the consolidated projections are in the range expressed by equity analysts.

As of June 30, 2022 the Group did not perform any further verification of the goodwill recorded, as it is believed that the evidence gathered at the end of 2021 is still valid. In line with the provisions of IAS 36, impairment tests will be performed on all goodwill recorded in the financial statements in conjunction with the preparation of the 2022 financial statements.

Specifically, with respect to the BFF Polska CGU, the estimated value in use which emerged at the end of the previous year is €266.3 million against a carrying amount of €159.78 million.
On the other hand, as regards the CGU BFF Finance Iberia, the related estimated value in use that emerged at the end of the previous year amounted to €149.7 million, against a carrying amount of €30.92 million.
With respect to the Customer Contracts emerging during the PPA, following the cancellation received from the customer Arca (effective as of the end of 2022 / start of 2023) which constitutes a trigger event for the purposes of the IFRS, an impairment test was performed on that relating to the Securities Services BU already at the time of preparation of the financial statements at December 31, 2021. The estimated value in use was aligned with what emerged during the PPA and therefore the stability of the value of the intangibles assets recognized in the Financial Statements is confirmed.

In all three cases, there were therefore no impairment losses in, H1 2022.

As regards other intangible assets with a finite life, they refer to investments in new multi-year software, amortized on a straight-line basis over their estimated useful lives (not exceeding five years for the entire Group).

Section 11 - Tax assets and tax liabilities - Item 110 of assets and Item 60 of liabilities

As at June 30, 2022, current tax assets and liabilities amount to €23,596 thousand and €2,075 thousand, respectively, and include the net balance of the Group's tax positions with respect to tax authorities, in accordance with the provisions of IAS 12. In particular, these items include the net balance of current tax liabilities for the year, calculated according to a prudential estimate of the tax charge due for the year, determined on the basis of the current tax code, and current tax assets represented by prepayments made in the course of the year. Current taxes correspond to the amount of income taxes due for the year.

Recall that in 2021 the tax value and carrying amount relating to Banking Payments goodwill deriving from the former DEPObank were aligned (see what is described in the specific item 100 "Intangible Assets" of the statement of financial position Assets of the 2021 financial statements) following the payment of substitute tax equal to €2.4 million, resulting in a net positive effect of €23.7 million on income taxes for the year. Furthermore, the item also includes the share of deferred tax assets deriving from the financial statements of the former DEPObank relating to goodwill and the tax loss realized at the end of 2020.

11.1 Deferred tax assets: breakdown

€55,526 thousand

The main components of deferred tax assets include the portion of amounts deductible in future years of adjustments to loans and receivables, the accrual for deferred benefit employee obligations, and depreciation and amortization the recognition of which is deferred for tax purposes.

11.2 Deferred tax liabilities: composition

€98,770 thousand

Deferred tax liabilities mainly refer to the taxes on BFF Bank's late payment interest, recognized in the financial statements on an accruals basis but which will form part of the taxable income in future years subsequent to collection, in accordance with Article 109, paragraph 7, of Presidential Decree no. 917 of 1986, as well as prior years' allowance for impairment losses.

Section 13 - Other assets - Item 130

€411,759 thousand

13.1 Other assets: breakdown

(Values in thousand euros)

Breakdown	06.30.2022	12.31.2021
Security deposits	3,878	3,883
Invoices issued and to be issued	15,694	16,046
Payment flows to be credited	87,412	110,638
Other assets	60,741	39,051
Accrued income and prepaid expenses	30,545	27,318
Ecobonus tax assets	213,489	17,678
Total	**411,759**	**214,614**

The "Payment flows to be credited" refer to suspense accounts with a debit balance that fall within the scope of bank payment intermediation and include settlements that were suspended in the first business days after the reporting date of these interim consolidated financial statements.
Accrued income and prepaid expenses mainly refer to the deferral of costs relating to administrative expenses.
Other assets refer primarily to non-trade receivables due from sundry debtors, pending items, and legal fees to be recovered.

Ecobonus tax assets relate to tax assets acquired with non-recourse factoring transactions and resulting from existing tax incentives. As set forth by tax regulations in force, the tax assets in question are used to offset the payment of taxes and contributions and are classified in Asset item 130 "Other assets" in line with what has been defined by the Bank of Italy. This item increased significantly compared to December 31, 2021 as a result of the Parent's increased purchases of ecobonuses tax assets in the first half of 2022.

LIABILITIES

Section 1 - Financial liabilities measured at amortized cost - Item 10

€11,094,569 thousand

This item is broken down as follows:

- amounts due to banks of €685,895 thousand;
- amounts due to customers of €10,370,037 thousand;
- debt securities issued of €38,637 thousand.

Amounts due to banks

€685,895 thousand

1.1 Financial liabilities measured at amortized cost: breakdown by type of payables due to banks

(Values in thousand euros)

Type of operations/Values	Total 06.30.2022				Total 12.31.2021			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Amounts due to central banks	**948**	**X**	**X**	**X**	**3,888**	**X**	**X**	**X**
2. Amounts due to banks	**684,947**	**X**	**X**	**X**	**791,165**	**X**	**X**	**X**
2.1 Current accounts and sight deposits	501,938	X	X	X	639,788	X	X	X
2.2 Time deposits	166,017	X	X	X	150,832	X	X	X
2.3 Loans		X	X	X		X	X	X
2.3.1 Repurchase agreements - payable		X	X	X		X	X	X
2.3.2 Others		X	X	X		X	X	X
2.4 Debts for commitments to repurchase equity instruments		X	X	X		X	X	X
2.5 Payables for leases		X	X	X		X	X	X
2.6 Other Payables	16,992	X	X	X	545	X	X	X
Total	**685,895**	**-**	**-**	**-**	**795,053**	**-**	**-**	**-**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item mainly consists of "current accounts and demand deposits" for €501,938, primarily deriving from custodian bank operations, and includes the balances of accounts of bank customers.
The item also includes "Time deposits", which are mainly related to deposits required for the services rendered to client banks, such as indirect compliance with mandatory reserve requirements, an activity deriving from the former DEPObank.

Amounts due to customers

€10,370,037 thousand

1.2 Financial liabilities measured at amortized cost: breakdown by type of amounts due to customers

(Values in thousand euros)

Type of operations/Values	Total 06.30.2022				Total 12.31.2021			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and sight deposits	6,241,855	X	X	X	6,839,795	X	X	X
2. Time deposits	248,643	X	X	X	154,942	X	X	X
3. Loans	3,008,065	X	X	X	1,294,867	X	X	X
3.1 repurchase agreements	2,911,543	X	X	X	1,118,527	X	X	X
3.2 others	96,522	X	X	X	176,340	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Lease liabilities	13,207	X	X	X	17,001	X	X	X
6. Other liabilities	858,266	X	X	X	722,409	X	X	X
Total	**10,370,037**				**9,029,014**			

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

As at June 30, 2022, the item mainly consisted of "current accounts and demand deposits" for an amount of €6,242 million relating to balances on operational accounts, i.e. accounts opened for customers (e.g. funds, asset management companies, corporate customers and other institutions) related to the custodian bank core business and loans from "repurchase agreements" for €2,912 million.

The item includes €307 million for online deposit accounts ("conto facto") offered in Italy, Spain and Germany, the Netherlands, Ireland and Poland (restricted deposits and current accounts), compared to €230 million at December 31, 2021.

Other liabilities mainly refer to collections of managed exposures due to clients, as well as outstanding cashier's cheques issued as part of the service that allows affiliated banks to make available credit instruments issued by BFF Bank as a custodian bank to their customers on the basis of a mandate agreement.

Lease liabilities, totalling €13 million at group level, refer to the recognition of lease liabilities arising from right-of-use assets, included under line item 90 "Property, equipment and investment property" in the statement of financial position, following the application of the new IFRS 16 effective January 1, 2019.
The amount mainly includes the effect of the application of the standard on the leases of the properties leased by the Group, and the lease contracts have a duration between 3 and 6 years. For more information see Part M - "Lease reporting" of the Notes to the Condensed Interim Consolidated Financial Statements.

Securities issued

€38,637 thousand

1.3 Financial liabilities at amortized cost: breakdown by type of securities issued

(Values in thousand euros)

Type of securities/ Values	Total 06.30.2022				Total 12.31.2021			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	38,637	38,710			186,285	188,861		
1.1 structured								
1.2 others	38,637	38,710			186,285	188,861		
2. Other securities								
2.1 structured								
2.2 others								
Total	**38,637**	**38,710**	**-**	**-**	**186,285**	**188,861**	**-**	**-**

Key:
CA = Carrying amount
L1 = Level 1
L2 = Level 2
L3 = Level 3

Debt securities issued consist of bonds issued by the parent, with a total face value of €38.6 million (€181.8 million at December 31, 2021), recognized in the condensed interim consolidated financial statements in the amount of €38.6 million at amortized cost using the effective interest rate method.
During the first half of 2022, the amount of securities outstanding will continue to decrease due to the maturity date of some of them. Specifically, the following bonds matured and were repaid in 2022:

- €100 million subordinated unsecured and unrated Tier 2 bonds (ISIN XS1572408380) issued by BFF Bank in March 2017. The 10-year bonds due March 2027 have the right to an issuer call date (one-off) in the fifth year (in March 2022). The bonds pay an annual coupon of 5.875%. BFF Bank sent the Bank of Italy a request for authorization to exercise the Tier II call option, planned for March 2022, and obtained such authorization on February 11, 2022;
- €42.8 million remaining on senior unsecured and unrated bonds (ISIN XS1639097747) issued by BFF Bank in June 2017, due in June 2022. The bonds pay an annual coupon of 2%.

As a result of the above, as of 30 June 2022, the item includes the senior unsecured bonds (ISIN XS2068241400), with a "Ba1" rating assigned by the Moody's rating agency, issued by BFF Bank in October 2019, for a remaining nominal amount of €38.6 million, due in May 2023. The bonds pay an annual coupon of 1.75%.

Section 2 - Financial liabilities held for trading - Item 20

€1,954 thousand

2.1 Financial liabilities held for trading: breakdown by type

(Values in thousand euros)

Type of operations/Values	Total 06.30.2022					Total 12.31.2021				
	NV	Fair value			Fair value (*)	NV	Fair value			Fair value (*)
		L1	L2	L3			L1	L2	L3	
A. On statement of financial position liabilities										
1. Amounts due to banks										
2. Amounts due to customers										
3. Debt securities										
3.1. Bonds										
3.1.1 Structured					X					X
3.1.2 Other bonds					X					X
3.2. Other securities										
3.2.1 Structured					X					X
3.2.2 Others					X					X
Total (A)	-	-	-	-		-	-	-	-	-
B. Derivatives										
1. Financial derivatives										
1.1 Held for trading	X		1,954		X	X		2,725		X
1.2 Connected to the fair value option	X				X	X				X
1.3 Others	X				X	X				X
2. Credit derivatives										
2.1 Held for trading	X				X	X				X
2.2 Connected to the fair value option	X				X	X				X
2.3 Others	X				X	X				X
Total (B)	**X**	**-**	**1,954**	**-**	**X**	**X**	**-**	**2,725**	**-**	**X**
Total (A+B)	**X**	**-**	**1,954**	**-**	**X**	**X**	**-**	**2,725**	**-**	**X**

Key:
NV = nominal or notional value
L1 = Level 1
L2 = Level 2
L3 = Level 3

The item includes the negative fair value at June 30, 2022 of derivative instruments classified as trading assets but used for the operational hedges of exchange rate risk that the Group is exposed to.

Section 4 - Hedging derivatives - Item 40

€14 thousand

4.1 Hedging derivatives: breakdown by hedge type and level

(Values in thousand euros)

	FV 06.30.2022			NV 06.30.2022	FV 12.31.2021			NV 12.31.2021
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives		**14**		**23,452**		4,814		**671,505**
1) Fair value								
2) Cash flows		14		23,452		4,814		671,505
3) Foreign investments								
B. Credit derivatives								
1) Fair value								
2) Cash flows								
Total	-	**14**	-	**23,452**	-	**4,814**	-	**671,505**

The item includes the negative fair value at June 30, 2022 relating to interest rate swap hedges with notional in zloty defined with the aim of hedging the loans disbursed in zloty to Polish subsidiaries under current intercompany agreements.

Section 6 - Tax liabilities - Item 60

€100,846 thousand

See "Section 11 - Tax assets and liabilities - Item 110" of the consolidated statement of financial position assets.

See "Section 11 - Tax assets and liabilities" of the consolidated statement of financial position assets.

Section 8 - Other liabilities - Item 80

€569,656 thousand

8.1 Other liabilities: breakdown

(Values in thousand euros)

Breakdown	Total 06.30.2022	Total 12.31.2021
Trade payables	13,461	18,499
Invoices to be received	30,710	20,647
Liabilities to tax authorities	5,605	5,654
Liabilities to social security and welfare bodies	1,449	2,351
Liabilities to employees	25,131	28,115
Collections pending allocation	63,118	77,911
Payment flows received to be charged	365,669	202,697
Sundry liabilities	54,161	96,969
Accrued expenses and deferred income	10,352	8,013
Total	**569,656**	**460,856**

"Trade payables" and "invoices to be received" refer to payables for purchases of goods and services. The latter were up largely because of the greater costs recognized in H1 2022 with respect to the one-off transactions carried out by BFF Banking Group.

"Collections pending allocation" refer to payments received by June 30, 2022 but still outstanding since they had not been cleared and recorded by that date.

The "Payment flows to be debited" refer to suspense accounts with a credit balance that fall within the scope of bank payment intermediation and include settlements that were suspended in the first business days after the reporting date of these interim consolidated financial statements.

"Sundry liabilities" include portions of collections to be transferred, stamp duties to be paid, payables to directors and other pending items.

Section 9 - Post-employment benefits - Item 90

€3,181 thousand

9.1 Post-employment benefits: annual changes

The liability recorded in the financial statements at June 30, 2022 in relation to post-employment benefits is equal to the present value of the obligation estimated by an independent actuary on the basis of demographic and economic assumptions.
The amount of the liability decreased as a result of its use and as a result of differences arising from actuarial valuations recognised directly in equity.

Actuarial assumptions used to determine the liability at June 30, 2022 are shown below.

Actuarial assumptions

Annual discount rate

The financial basis used to calculate the present value of the obligation was determined, in compliance with paragraph 83 of IAS 19, by reference to the iBoxx Eurozone Corporate AA 7-10 Index (in line with the duration of the items measured), equal to 2.74%.

Annual increase rate of post-employment benefits

In compliance with Article 2120 of the Italian Civil Code, such rate is equal to 75% of inflation plus 1.5 percentage points, equal to 3.075%.

The demographic assumptions used are as follows:

- Death: mortality tables RG48 published by the Italian State General Accounting Office (Ragioneria Generale dello Stato);
- Disability: INPS 2000 tables broken down by age and sex;
- Retirement: 100% upon reaching AGO requisites, as updated by Decree-Law 4/2019.

Annual frequency of turnover and advances

Executives: 1% advance frequency and 0.50% turnover frequency.

Managers: 2.5% advance frequency and 3.0% turnover frequency.

Employees 2.5% advance frequency and 3.0% turnover frequency.

Section 10 - Provisions for risks and charges - Item 100

€22,511 thousand

10.1 Provisions for risks and charges: breakdown

(Values in thousand euros)

Items/Components	Total 06.30.2022	Total 12.31.2021
1. Provisions for credit risk relating to Commitments and financial guarantees given	34	294
2. Provisions for other commitments and guarantees issued		
3. Pension and similar obligations	7,853	6,133
4. Other provisions for risks and charges	14,624	15,533
4.1 Legal and tax disputes		
4.2 Personnel costs		
4.3 Others	14,624	15,533
Total	**22,511**	**21,960**

10.5 Defined-benefit pension funds

The pension fund refers mainly to the non-compete agreement entered into with BFF Banking Group's managers, amounting to €4.2 million (including the portion allocated to the parent's equity reserve) and the provisions relating to the incentive and deferred payment retention scheme envisaged for specific BFF Bank employees, amounting to €3.6 million. Both obligations to personnel are shown at their present value estimated by an independent actuary based on demographic and economic assumptions.
As of June 30, 2022, the provision in question also includes the provision for the commitment made by the former DEPObank to some employees who have left the bank, amounting to €257 thousand.

Specifically, the system involving deferral of a portion of the annual bonuses envisages, for risk takers, medium-term restrictions, according to which 30% of the annual bonus will be paid after three years, provided that the parent achieves specific targets relating to its profitability, regulatory capital requirements established by existing regulations, and the employee's continued employment at the parent. In accordance with the provisions of IAS 19, accruals were quantified based on an actuarial calculation performed externally by a specialized firm. The parent's obligations were computed using the "Projected Unit Credit Method", which treats each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to compute the final obligation, in accordance with paragraphs 67-69 of IAS 19. This actuarial method entails valuation aimed at determining the average present value of the Bank's obligations.

10.6 Provisions for risks and charges - Other provisions

Other provisions of €14.6 million refer mainly to:

- litigation liabilities for which the Bank has estimated a probable risk of loss for approximately €14 million;
- provision related to possible damages for operational errors as per contract with customers in the amount of approximately €600,000.

The main assumptions made by the external firm when discounting are as follows:

Non-compete agreement

The annual discount rate used to determine the present value of the obligation is taken, in accordance with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 10+ as recorded at December 31, 2021 and equal to 3.22%. The yield with a comparable duration to that of the collective being valued was chosen for this purpose.

Death	RG48 mortality tables published by the State General Accounting Office
Retirement	100% on reaching the AGO requirements
Frequency of voluntary resignation	10.60%
Clawback frequency	0.00%
Withdrawal frequency (where envisaged)	3.00%
Frequency of revocation of mandate to Chief Executive Office	0.00%
Increase in annual remuneration for Executives	2.00%
Increase in annual remuneration for Supervisors	2.00%
Contribution rate	27.40%
Inflation rate	2.10%

Deferred bonus

Discount rate

The financial basis used to calculate the present value of the obligation was
determined in accordance with paragraph 83 of IAS 19, by reference to the iBoxx Eurozone Corporate AA Index (in line with the duration of the plan). Discount rate used was equal to 1.76%.

Mortality and disability

To estimate the phenomenon of mortality, the RG48 survival table used by the Italian State General Accounting Office to estimate the retirement expenses of the Italian population was used. For the probability of total and permanent disability, the tables adopted in the INPS model for the 2010 forecasts were used.

Frequency of resignations and dismissals

Equal to 3.7%.

Section 13 - Equity - Items 120, 130, 140, 150, 160, 170 and 180

€654,082 thousand

13.1 "Share capital" and "Treasury shares": breakdown

(Values in thousand euros)

Type	06.30.2022	12.31.2021
1. Share capital	**142,850**	**142,691**
1.1 Ordinary shares	142,850	142,691
2. Treasury shares	**(5,027)**	**(7,132)**

As regards the repurchase of treasury shares and the disclosure pursuant to Article 78, paragraph 1-bis of the Issuers' Regulation, reference is made to the information given in the Report on Operations, under the section on "Treasury Shares".

13.2 Share capital - Number of parent shares: annual changes

(Values in units)

Items/Type	Ordinary	Others
A. Shares as of the beginning of the year	**185,312,690**	
- fully paid-in	185,312,690	
- not fully paid-in		
A.1 Treasury shares (-)	(974,461)	
A.2 Shares outstanding: initial balance	**184,338,229**	
B. Increases	463,116	
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- others		
- without consideration:		
- to employees	206,386	
- to directors		
- others		
B.2 Sales of treasury shares		
B.3 Other changes	256,730	
C. Decreases		
C.1 Cancellation		
C.2 Purchase of treasury shares		
C.3 Disposal of companies		
C.4 Other changes		
D. Shares outstanding: closing balance	**184,801,345**	
D.1 Treasury shares (+)	(717,731)	
D.2 Shares existing at the end of the year		
- fully paid-in	185,519,076	
- not fully paid-in		

13.4 Earnings-related reserves: other information

In accordance with the provisions of Article 2427, paragraph 7-bis of the Italian Civil Code, the following tables provide a breakdown of the individual components of equity according to their possibility of use, the amount available for distribution, and past use in the previous years (the three-year period before the date of preparation of these interim consolidated financial statements).

(Values in thousand euros)

	06.30.2022	Possibility of use (a)	Portion available	Summary of use in the last three years (*)	
				To cover losses	For other reasons
Share capital	**142,850**				
Reserves	**237,162**				
- Legal reserve (**)	29,759	*B*			
- Extraordinary reserve	89	*A, B, C*	89		
- Retained earnings (***)	194,875	*A, B, C*	194,875		297,005
- Stock option and financial instrument reserves	9,485	*A*			
- Other reserves	2,955				
Valuation reserves	**5,954**				
- HTCS securities	212				
- Others	5,742				
Treasury share reserve	**(5,027)**				
Share premium reserve	**66,492**	*A, B, C*	66,492		
Total share capital and reserves	**447,431**		**261,456**	**-**	**297,005**

Possible uses: A = for share capital increases; B = to cover losses; C = for distribution to shareholders.

(*) Uses in the last three financial years amounting to €297,005 thousand include €3,218 thousand for the exercise of stock options by certain beneficiaries and for the stock grant plan made during 2020 and 2021 and the first six months of 2022, as well as uses in the last three financial years relating to the payment of dividends distributed as per shareholders' resolutions.

(**) Including €26,196 thousand in tax suspension pursuant to Article 110 of Italian Decree-Law 104/2020;

(***) Including €50,387,000 in tax suspension pursuant to Article 110 of Italian Legislative Decree 104/2020.

Changes in reserves that make up equity are shown below:

(Values in thousand euros)

	Legal reserve	Retained earnings	Others	Total
A. Opening balance	**27,417**	**127,542**	**11,945**	**166,904**
B. Increases	2,342	**68,541**	**2,278**	**73,161**
B.1 Allocation of profits	2,342	68,541		70,883
B.2 Other changes			2,278	2,278
C. Decreases		**(1,208)**	**(1,695)**	**(2,903)**
C.1 Uses				
- coverage of losses				
- distribution				
- transfer to share capital				
C.2 Other changes		(1,208)	(1,695)	(2,903)
D. Closing balance	**29,759**	**194,875**	**12,528**	**237,162**

Retained earnings

The increase of €68.5 million is mainly due to the allocation of the profit of the previous year, net of €125 million of dividends distributed in April 2022.

Other reserves

The changes largely refer to the following events occurred during 1h 2022:

- increases for higher provisions of €2.2 million related to the variable remuneration parts of the so-called "Key Personnel" (Risk Takers), in compliance with the provisions as set out in the First Part, Title IV, Chapter 2, Section III, paragraph 2.1, 3 of Bank of Italy Circular 285/2013, as subsequently updated, according to which a portion must be paid in financial instruments;
- decrease for exercises or cancellations related to the "2016 stock option plan" in the amount of approximately €0.9 million and for share grants related to the Bank's incentive scheme in the amount of approximately €0.7 million.

Tax suspension restriction

In 2021 the Bank took advantage of the facilitation provided under Art. 110 of Decree-Law no. 104 of August 14, 2020 and proceeded with the realignment between the carrying and tax amounts of the item goodwill present in the financial statements at December 31, 2019 and 2020 of the former DEPObank, which was merged into BFF Bank on March 5, 2021. This transaction, which was approved by the parent's Board of Directors on June 30, 2021, entailed (i) the alignment of the item goodwill equal to roughly €79 million, (ii) the resulting payment of substitute tax equal to €2.4 million and (iii) the need to place a tax suspension restriction on the reserves of €76.6 million, equal to the difference between the aligned amount and the substitute tax, as set forth in paragraph 8 of Art. 110 of Decree-Law 104/2020.

Considering that the transaction was carried out subsequent to the approval of the financial statements for the year at December 31, 2021 of the former DEPObank and its merger into BFF Bank, the tax suspension restriction was placed as a "Restricted share pursuant to paragraph 8 of Art. 110 of Decree-Law 104/2020" on the following reserves:

- "Retained earnings" for €50,387 thousand;
- "Legal reserve" for €26,196 thousand.

13.5 Equity instruments: composition and annual changes

On January 19, 2022 the issue at par of an Additional Tier 1 Perpetual NC2027 instrument (ISIN XS2404266848) in the amount of €150 million was finalised, with a fixed-rate coupon of 5.875% per annum to be paid on a half-yearly basis.

Other information

1. Commitments and financial guarantees issued

(Values in thousand euros)

	Nominal amount on commitments and financial guarantees issued				Total 06.30.2022	Total 12.31.2021
	Stage one	Stage two	Stage three	Purchased or originated credit impaired		
1. Commitments to disburse funds	**1,249,812**				1,249,812	**1,405,488**
a) Central Banks					-	-
b) Public administrations	62,874				62,874	54,231
c) Banks	1,901				1,901	-
d) Other financial companies	1,167,149				1,167,149	1,190,638
e) Non-financial companies	17,885				17,885	160,618
f) Households	2				2	2
2. Financial guarantees	**49**				49	**49**
a) Central Banks						
b) Public administrations					-	-
c) Banks					-	
d) Other financial companies	49				49	49
e) Non-financial companies					-	-
f) Households					-	-

3. Assets given as collateral for own liabilities and commitments

(Values in thousand euros)

Portfolios	Amount 06.30.2022	Amount 12.31.2021
1. Financial assets measured at fair value through profit or loss	-	-
2. Financial assets measured at fair value through other comprehensive income	-	-
3. Financial assets measured at amortized cost	2,914,848	2,141,210
4. Property, equipment and investment property	-	-
of which: Property, equipment and investment property held as inventories	-	-

"Financial assets measured at amortized cost" consist of government securities used as collateral in operations with the ECB and repos.

5. Administration and brokerage for third parties

(Values in thousand euros)

Type of services	Amount
1. Execution of orders for customers	
a) Purchases	
1. settled	
2. not settled	
b) Sales	
1. settled	
2. not settled	
2. Portfolio management	
a) individual	
b) collective	
3. Custody and administration of securities	**140,243,881**
a) third-party securities deposited: relating to depositary bank activities (excluding portfolio management)	43,739,282
1. securities issued by consolidated companies	3,899
2. other securities	43,735,383
b) other third-party securities deposited (excluding portfolio management): others	90,488,784
1. securities issued by consolidated companies	9,496
2. other securities	90,479,288
c) third party securities deposited with third parties	128,701,629
d) proprietary securities deposited with third parties	6,015,815
4. Other transactions	

Part C - Information on the Income Statement

All amounts in the tables are stated in thousands of euros.

Section 1 - Interest - Items 10 and 20

1.1 Interest and similar income: breakdown

€136,112 thousand (of which interest income calculated using the effective interest rate method: €128,297 thousand)

(Values in thousand euros)

Items/Technical forms	Debt securities	Loans	Other transactions	Total first half 2022	Total first half 2021
1. Financial assets measured at fair value through profit or loss:				-	-
1.1. Financial assets held for trading				-	-
1.2. Financial assets designated at fair value				-	-
1.3. Other financial assets mandatorily measured at fair value				-	-
2. Financial assets measured at fair value through other comprehensive income			X	-	-
3. Financial assets measured at amortized cost:				-	-
3.1 Loans and receivables with banks		5,448	X	5,448	2,009
3.2 Loans and receivables with customers	7,732	103,533	X	111,265	94,937
4. Hedging derivatives	X	X		-	-
5. Other assets	X	X	70	70	309
6. Financial liabilities	X	X	X	19,329	4,940
Total	**7,732**	**108,981**	**70**	**136,112**	**102,194**
of which: interest income on impaired financial assets					
of which: interest income on finance leases	X	46	X	46	79

1.2 Interest and similar income: other information

Interest income relating to "Loans and receivables with banks" mainly refers to temporary credit balances in the account of the Parent and its subsidiaries, income accruing on the amount of bank drafts issued on behalf of banking customers and interest income on the average negative deposits of reciprocal current accounts held by banking customers.

Interest income on "Loans and receivables with customers" for loans amounted to €108,981 thousand and mostly consists of maturity commissions charged to the assignors for the purchase of non-recourse trade receivables, and late payment interest for the year, relating to BFF Bank and BFF Finance Iberia.
BFF Bank and BFF Finance Iberia update the time series of data regarding the late payment interest collection percentages and times on an annual basis, when the financial statements are prepared. The outcome of this analysis has confirmed also for 2022, on the basis of the time series analysis, the recoverability rate of 45% for late payment interest and 1,800 days for collection times.

The amount also includes interest income calculated at amortized cost, generated by BFF Polska Group's portfolio, for a total amount of €38.8 million.

Interest income on debt securities linked to loans from customers and totalling approximately €7.7 million derive from government securities purchased by BFF Bank and resulting from the merger with the former DEPObank, to hedge liquidity risk and to optimize the cost of money relating to the HTC (Held to Collect) portfolio.

The item lastly includes interest income accrued on financial liabilities for €19.3 million, due to the negative interest rates in the market.

1.3 Interest and similar expense: breakdown

€13,357 thousand

(Values in thousand euros)

Items/Technical forms	Debt	Securities	Other transactions	Total 06.30.2022	Total 06.30.2021
1. Financial liabilities measured at amortized cost					
1.1 Amounts due to central banks	2,339	X	X	**2,339**	**3,144**
1.2 Amounts due to banks	421	X	X	**421**	**4,405**
1.3 Amounts due to customers	4,595	X	X	**4,595**	**5,574**
1.4 Securities issued	X	3,062	X	**3,062**	**9,521**
2. Financial liabilities held for trading				-	**(4)**
3. Financial liabilities carried at fair value				-	-
4. Other liabilities and provisions	X	X	5	**5**	**3**
5. Hedging derivatives	X	X		-	-
6. Financial assets	X	X	X	**2,933**	**1,866**
Total	**7,355**	**3,062**	**5**	**13,357**	**24,509**
of which: interest expense relative to lease liabilities	198	X	X	**198**	**213**

Interest expense increased from €24.5 million in the first half of 2021 to €13.4 million in the current half. The decrease is attributable to the closure of loans payable to third-party banks following the creation of post-merger funding synergies, which was completed at the end of the third quarter of last year.

Interest expense on "Amounts due to central banks" refers to the interest accrued on the amounts deposited in the account with the Bank of Italy.

Interest expenses on "Amounts due to banks" mainly refer to interest accruing on current accounts held with BFF Bank and in the name of a bank counterparty.

Interest expenses pertaining to "Amounts due to customers" mainly refer to interest on BFF Bank's online deposit accounts ("Conto Facto" in Italy, "Cuenta Facto" offered in Spain by the Spanish branch of BFF Bank and "Lokata Facto" offered by the branch in Poland) and interest accruing on account balances of corporate customers.

Finally, the item also includes interest expenses for "Outstanding securities" amounting to approximately €3 million, which decreased due to the closure or maturity of some bonds. For more details on transactions involving outstanding bonds, please refer to item 10 c) of the Statement of Financial Position Liabilities "Financial liabilities measured at amortized cost".

Section 2 - Fees and commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

€64,320 thousand

(Values in thousand euros)

Type of service/Amounts	Total first half 2022	Total first half 2021
a) Financial instruments		
1. Placement of securities		
1.1 With firm commitment and/or on the basis of an irrevocable commitment		
1.2 Without irrevocable commitment		
2. Receipt and transmission of orders and execution of orders for customers		
2.1 Receipt and transmission of orders of one or more financial instruments		
2.2 Execution of orders for customers		
3. Other commissions connected to activities linked to financial instruments		
of which: dealing on own account		
of which: individual portfolio management		
b) Corporate Finance		
1. Mergers and acquisitions consulting		
2. Treasury services		
3. Other commissions connected to corporate finance services		
c) Consulting activities related to investments	**28**	**29**
d) Clearing and settlement		
e) Collective portfolio management		
f) Custody and administration	**26,997**	**17,779**
1. Custodian bank	21,952	14,566
2. Other commissions linked to custody and administration activities	5,046	3,213
g) Central administrative services for collective portfolio management		
h) Fiduciary activities		
i) Payment services	**35,605**	**23,498**
1. Current accounts	116	-
2. Credit cards	672	438
3. Debit cards and other payment cards	2,847	1,938
4. Bank transfers and other payment orders	11,660	6,465
5. Other commissions linked to payment services	20,310	14,656
i) Distribution of third-party services		
1. Collective portfolio management		
2. Insurance products		
3. Other products		
of which: individual portfolio management		
k) Structured finance		
l) Servicing activities for securitization transactions		
m) Commitments to disburse funds		
n) Financial guarantees given	**114**	**307**
of which: credit derivatives		
o) Lending transactions		
of which: for factoring transactions		
p) Currency trading		
q) Commodities		
r) Other fee and commission income	**1,576**	**1,692**
of which: for management of multilateral trading systems		
of which: for management of organized trading systems		
Total	**64,320**	**43,305**

The item mainly includes fees and commissions relating to the mandates for the management and collection of receivables deriving from the factoring and management of trade receivables, as well as fees and commissions for custodian banking and payment services, deriving from the merger with the former DEPObank.

2.2 Fee and commission expense: breakdown

€18,523 thousand

(Values in thousand euros)

Service/Values	Total first half 2022	Total first half 2021
a) Financial instruments	-	-
of which: trading in financial instruments		
of which: placement of financial instruments		
of which: individual portfolio management		
Own		
Delegated to third parties		
b) Clearing and settlement	**961**	**618**
c) Custody and administration	**2,839**	**1,868**
d) Collection and payment services	**13,171**	**7,685**
of which: credit cards, debit cards and other payment cards	2,029	1,456
e) Servicing activities for securitization transactions	-	-
f) Commitments to receive funds	-	-
g) Financial guarantees received	**21**	**11**
of which: credit derivatives		
h) Off-site offer of financial instruments, products and services	-	-
i) Currency trading	**1**	**2**
j) Other fee and commission expense	**1,530**	**1,196**
Total	**18,523**	**11,380**

The item mainly includes the custody and administration fees for the custodian bank business and those paid to outsourcers for the use of infrastructure related to payment services.

Section 3 - Dividend income and similar revenue - item 70

3.1 Dividends and similar income: breakdown

€7,080 thousand

(Values in thousand euros)

Items/Income	Total first half 2022		Total first half 2021	
	Dividends	Similar revenue	Dividends	Similar revenue
A. Financial assets held for trading	18		5	
B. Other financial assets subject to mandatory fair-value measurement	1,395			
C. Financial assets measured at fair value through other comprehensive income	5,667		3,667	
D. Equity investments				
Total	**7,080**	**-**	**3,671**	**-**

With respect to the first half of 2022, the item mainly included dividends received in March 2022 from the Bank of Italy amounting to €5.7 million, whose shares subscribed by the Parent BFF Bank is classified under item 30 of Assets "Financial assets measured at fair value through other comprehensive income" and dividends received in June 2022 from Fondo Italiano di Investimento, amounting to €1.4 million, whose UCI units are classified under item 20 of Assets "Financial assets measured at fair value through profit or loss".

Section 4 - Net trading result - Item 80

4.1 Profits (losses) on trading: composition

€6,279 thousand

(Values in thousand euros)

Transaction/Income items	Capital gains	Profits from trading	Capital losses	Losses from trading	Net profit/ loss
	(A)	(B)	(C)	(D)	[(A+B)-(C+D)]
1. Financial assets held for trading	**13**	**456**	**14**	**-**	**455**
1.1 Debt securities	13	456	13	-	455
1.2 Equity securities					
1.3 UCI units					
1.4 Loans					
1.5 Others					
2. Financial liabilities held for trading	-	-	-	-	-
2.1 Debt securities					
2.2 Liabilities					
2.3 Others					
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**5,824**
4. Derivatives	**-**	**-**	**-**	**-**	**-**
3.1 Financial derivatives:					
- On debt securities and interest rates					
- On equity securities and stock indices					
- On currency and gold	X	X	X	X	
- Others					
3.2 Loan derivatives					
of which: natural hedging related to the fair value option	X	X	X	X	-
Total	**13**	**456**	**14**	**-**	**6,279**

The net profit on trading mainly derives from the effect of exchange rate differences related to foreign exchange trading functional to treasury management, in particular to bank and customer deposits in foreign currencies.

Section 5 - Profits (losses) from hedging - Item 90

5.1 Profits (losses) from hedging: breakdown

-€14,479 thousand

(Values in thousand euros)

Income items/Values	Total first half 2022	Total first half 2021
A. Income related to:	**141,647**	**11,503**
A.1 Fair value hedging derivatives		
A.2. Hedged financial assets (fair value)		
A.3. Hedged financial liabilities (fair value)		
A.4 Cash flow hedging derivatives		
A.5 Assets and liabilities denominated in currency	141,647	11,503
Total income from hedging (A)	**141,647**	**11,503**
B. Charges related to:	(156,126)	(13,351)
B.1 Fair value hedging derivatives		
B.2. Hedged financial assets (fair value)		
B.3. Hedged financial liabilities (fair value)		
B.4 Cash flow hedging derivatives		
B.5 Assets and liabilities denominated in currency	(156,126)	(13,351)
Total charges from hedging (B)	**(156,126)**	**(13,351)**
C. Losses on hedging (A-B)	**(14,479)**	**(1,848)**
of which: result of hedging of net positions	-	-

The net loss on hedging derives from the net effect of exchange rate differences related to revaluations of hedged assets and fair value fluctuations of hedging derivatives according to the hedge accounting method.

Section 6 - Profits (losses) on disposals/repurchases - Item 100

Equal to zero

6.1 Profits (Losses) on disposals/repurchases: breakdown

(Values in thousand euros)

Items/Income items	Total first half 2022			Total first half 2021		
	Profits	Loss	Net profit/loss	Profits	Loss	Net profit/loss
Financial assets						
1. Financial assets measured at amortized cost						
1.1 Loans to banks						
1.2 Loans to customers						
2. Financial assets measured at fair value through other comprehensive income						
2.1 Debt securities				(13)		(13)
2.2 Loans						
Total assets (A)	-	-	-	(13)	-	(13)
Financial liabilities measured at amortized cost						
1. Amounts due to banks						
2. Amounts due to customers						
3. Securities issued				(12,650)		(12,650)
Total liabilities (B)	-	-	-	(12,650)	-	(12,650)

In the first half of 2022, this item was equal to zero. Note that in the same period last year the loss on outstanding securities amounting to €12.6 million had been recorded following the cash buyback transaction executed at the end of June 2021.

Section 7 - Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss - Item 110

€4,007 thousand

7.2 Net change of value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets and liabilities mandatorily measured at fair value

(Values in thousand euros)

Transaction/Income items	Capital gains	Realized gains	Capital losses	Losses on disposal	Net profit
	(A)	(B)	(C)	(D)	[(A+B)-(C+D)]
1. Financial assets	**4,007**	-	-	-	**4,007**
1.1 Debt securities					-
1.2 Equity securities					-
1.3 UCI units	4,007				4,007
1.4 Loans					-
2. Financial assets in foreign currency: foreign exchange differences	X	X	X	X	-
Total	**4,007**	**-**	**-**	**-**	**4,007**

The item refers to the revaluation of the UCI units held by the parent at the last NAV made available by the relevant investment funds.

Section 8 - Net impairment losses/gains - Item 130

-€2,442 thousand

8.1 Net impairment losses/gains for credit risk associated with financial assets measured at amortized cost: breakdown

(Values in thousand euros)

Transaction/ Income items	Impairment losses						Impairment gains				Total first half 2022	Total first half 2021
	Stage one	Stage two	Stage three		*Purchased* or originated credit impaired		Stage one	Stage two	Stage three	Purchased or originated credit impaired		
			Write-offs	Others	*Write-offs*	Others						
A. Loans and receivables with banks	(1)						4				4	6
- Loans	(1)						4				4	6
- Debt securities												
B. Loans and receivables with customers	(857)	(448)	(20)	(1,343)			115		106	2	(2,446)	390
- Loans	(518)	(448)	(20)	(1,343)			115		106	2	(2,107)	(110)
- Debt securities	(340)										(340)	500
Total	**(858)**	**(448)**	**(20)**	**(1,343)**	**-**	**-**	**119**	**-**	**106**	**2**	**(2,442)**	**396**

8.2 Net impairment losses/gains for credit risk associated with financial assets measured at fair value through other comprehensive income: breakdown

(Values in thousand euros)

Transaction/Income items	Impairment losses						Total first half 2022	Total first half 2021
	Stage one	Stage two	Stage three		Purchased or originated credit impaired			
			Write-offs	Others	*Write-offs*	Others		
1. Loans granted in accordance with GL							-	147
2. Loans subject to moratorium measures in place no longer in compliance with the GL and not evaluated as forborne							-	-
3. Loans subject to other forbearance measures							-	-
4. New funding							-	-
Total first half 2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Total first half 2021	**-**	**-**	**147**	**-**	**-**	**-**	**-**	**147**

Section 12 - Administrative expenses - item 190

€84,985 thousand

12.1 Personnel expenses: breakdown

€35,600 thousand

(Values in thousand euros)

Type of expense/Sectors	Total first half 2022	Total first half 2021
1) Employees	**33,471**	**32,115**
a) wages and salaries	22,615	22,672
b) social security contributions	6,515	5,608
c) severance indemnity		29
d) pension costs		8
e) provision for post-employment benefits	942	519
f) provision for pensions and similar obligations:		231
- defined contribution plans		231
- defined benefit plans		
g) payments to external complementary pension funds:		
- defined contribution plans		
- defined benefit plans	166	135
h) costs related to share-based payments	1,729	1,056
i) other employee benefits	1,504	1,857
2) Other personnel in service	**117**	**85**
3) Directors and statutory auditors	**2,012**	**1,869**
4) Early retirement costs		
Total	**35,600**	**34,069**

The item "personnel expenses" includes, in addition to the amount of expenses and contributions paid to employees, including the provisions of the group incentive system, expenses for stock options for certain employees of the Group for the first half of 2022, equal to approximately €2.7 million before taxes, offset by the related equity reserve, as well as the cost incurred by the parent for the payment of withholding taxes on financial years carried out during the year on a cashless basis.

12.5 Other administrative expenses: breakdown

€49,384 thousand

(Values in thousand euros)

Breakdown	Total first half 2022	Total first half 2021
Legal fees	1,249	1,044
Data processing services	8,566	6,968
External credit management services	403	383
Supervisory Body fees	20	43
Legal fees for loans and receivables under management	72	124
Notary fees	156	294
Notary fees to be recovered	729	465
Entertainment expenses and donations	1,302	714
Maintenance expenses	2,556	2,260
Non-deductible VAT	5,026	4,159
Other taxes	3,473	2,788
Consulting services	11,595	7,672
Head office operating expenses	1,323	1,265
Resolution Fund and FITD	3,607	11,519
Other expenses	9,310	8,250
Total	**49,384**	**47,947**

Note that, with regard to contributions to the deposit guarantee fund, at June 30, 2022, a cost of about €3.7 million before taxes was recorded for the Resolution Fund as a regular annual contribution.
This amount was recognized under other administrative expenses, as indicated in the Bank of Italy note of January 19, 2016 "Contributions to Resolution Funds: treatment in the financial statements and in regulatory reporting".

Section 13 - Net provisions for risks and charges - item 200

-€3,078 thousand

13.1 Net provisions for credit risk relating to loan commitments and financial guarantees given: breakdown

€251 thousand

(Values in thousand euros)

Breakdown	Total first half 2022	Total first half 2021
Provision for risk on commitments and guarantees	251	313
Total	**251**	**313**

13.3 Net provisions for risks and charges: breakdown

-€3,329 thousand

The accrual to the provisions, compared to the prior year, shows the following breakdown:

(Values in thousand euros)

Breakdown	Total first half 2022	Total first half 2021
Pension and similar obligations	(2,935)	(741)
Other provisions	(394)	2,119
Total	**(3,329)**	**1,378**

The allocation to “Pension and similar obligations” refers to deferred employee benefits.

Section 14 - Depreciation and impairment losses on property, equipment and investment property - item 210

€2,592 thousand

14.1 Depreciation and impairment losses on property, equipment and investment property: composition

The item refers to depreciation for the period relating to property, equipment and intangible assets.
As of 2019, following the application of IFRS 16, the item "Depreciation and impairment losses on property, equipment and investment property" also includes the depreciation of right-of-use assets amounting to €1,868 thousand, the counterpart of which is recognized under property, equipment and intangible assets.

Section 15 - Amortization and impairment losses on intangible assets - Item 220

€3,063 thousand

The item refers to amortization for the period relating to intangible assets with finite useful lives, which also include the "Customer Contracts" emerging following the finalization of the Purchase Price Allocation of the acquisition of the former DEPObank in 2021.

Section 16 - Other net operating income - Item 230

€12,043 thousand

16.1 Other operating expenses: breakdown

-€1,414 thousand

(Values in thousand euros)

Breakdown	Total first half 2022	Total first half 2021
Prior year expenses	(953)	(1,841)
Rounding and allowances	(2)	(5)
Other charges	(386)	(8)
Deposit guarantee scheme expenses	-	-
Registry tax expenses	(72)	(93)
Total	**(1,414)**	**(1,948)**

16.2 Other operating income: breakdown

€13,457 thousand

(Values in thousand euros)

Breakdown	Total first half 2022	Total first half 2021
Recovery of legal fees for purchases of non-recourse trade receivables	613	664
Recovery of legal fees for credit management	30	117
Other recoveries	820	491
Prior year income	2,350	6,145
Recovery of assignor notary expenses	718	440
Other income	8,925	169,313
Total	**13,457**	**177,170**

Note that in 2021, the item "Other operating income" included the amount of provisional badwill arising from the merger transaction with the former DEPObank, which took place in March 2021.

Section 21 - Income taxes on continuing operations - item 300

€30,847 thousand

21.1 Income taxes on continuing operations: breakdown

(Values in thousand euros)

Income items/Sectors	Total first half 2022	Total first half 2021
1. Current taxes (-)	23,751	8,061
2. Adjustment to current tax of prior years (+/-)		
3. Reduction of current tax for the year (+)		
3.bis Reduction of current taxes for the year for tax credits pursuant to Italian Law no. 214/2011 (+)		
4. Change in deferred tax assets (+/-)	1,695	(31,059)
5. Change in deferred tax liabilities (+/-)	5,401	3,828
6. Taxes for the period (-) (-1+/-2+3+ 3 bis +/-4+/-5)	**30,847**	**(19,170)**

Section 25 - Earnings per share

25.1 Average number of ordinary shares with diluted capital

(Values in units)

Breakdown	Total first half 2022	Total first half 2021
Average number of shares outstanding	185,519,076	185,228,148
Average number of potentially dilutive shares	9,132,557	8,762,316
Average number of diluted shares	194,651,633	193,990,464

25.2 Other information

(Amounts in units, unless otherwise stated)

Breakdown	Total first half 2022	Total first half 2021
Profit for the period (in euros)	56,649,808	210,319,634
Average number of shares outstanding (*)	185,519,076	185,228,148
Average number of potentially dilutive shares	9,132,557	8,762,316
Average number of diluted shares (*)	194,651,633	193,990,464
Basic earnings per share (in euro units) (**)	**0.30**	**1.12**
Diluted earnings per share (in euro units) (**)	**0.29**	**1.08**

Part D - Comprehensive Income

Statement of Comprehensive Income

(Values in euro units)

	Items	First half 2022	First half 2021
10.	**Profit for the period**	**56,649,808**	**210,319,634**
	Other components net of taxes that may not be reclassified to profit or loss		
20.	Equity instruments designated at fair value through other comprehensive income		
30.	Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)		
40.	Hedging of equity instruments carried at fair value through other comprehensive income		
50.	Property, equipment and investment property		
60.	Intangible assets		
70.	Defined benefit plans	401,999	(17,267)
80.	Non-current assets held for sale and discontinued operations		
90.	Share of valuation reserves connected with equity-accounted investments		
	Other components net of taxes reclassified to profit or loss		
100.	Hedging of foreign investments		
110.	Foreign exchange differences	282,530	60,168
120.	Cash flow hedges	-	-
130.	Hedging instruments (undesignated elements)		
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	740	4,820,728
150.	Non-current assets held for sale and discontinued operations		
160.	Share of valuation reserves connected with equity-accounted investments	-	
170.	**Total other comprehensive income net of tax**	**685,270**	**4,863,629**
180.	**Comprehensive income (Items 10+170)**	**57,335,077**	**215,183,263**
190.	Comprehensive income attributable to non-controlling interests		
200.	**Comprehensive income attributable to the owners of the parent**	**57,335,077**	**215,183,263**

Part E - Information on risks and related hedging policies

Introduction

BFF Banking Group has adopted suitable corporate governance tools and adequate management and control mechanisms in order to mitigate the risks to which it is exposed. These measures are part of the governance of the organization and of the internal control system, aimed at ensuring management practices grounded in efficiency, effectiveness and fairness, covering every type of business risk, consistently with the characteristics, dimensions and complexity of the business activities carried out by the Group.

With this in mind, the Group formalized its risk management policies and periodically reviews them to ensure their effectiveness over time. It constantly monitors the functioning of the risk management and control processes.

Such policies define:

- The governance of risks and the responsibilities of the Organizational Units involved in the management process;
- The mapping of the risks to which the Group is exposed, the measuring and stress testing methods, and the information flows that summarize the monitoring activities;
- The annual assessment process on the adequacy of internal capital and of the liquidity risk governance and management system;
- The activities for the assessment of prospective capital adequacy, associated with the strategic planning process.

The corporate governance bodies of the Bank-as BFF Banking Group's Parent define the risk governance and management model at the Group level, taking into account the specific types of operations and the related risk profiles characterizing all the Group's entities, with the aim of creating an integrated and consistent risk management policy.

Within this framework, the Parent's corporate governance bodies perform the functions entrusted to them not only with regard to their specific business activities, but also taking into account the Group's operations as a whole and the risks to which it is exposed, and involving, as appropriate, the governance bodies of the subsidiaries in the decisions concerning risk management procedures and policies.

At the Group level, the Risk Management Function cooperates in the process of defining and implementing the risk governance policies through an adequate risk management process. The Function Head is not involved in the operating activities he or she has to monitor, and his or her tasks and responsibilities are governed by specific Internal Regulations.

In addition to other tasks, the Risk Management Function is responsible for:

- Cooperating with the corporate governance bodies in defining the overall risk management system and the entire reference framework relating to the assumption and control of Group risks (Risk Appetite Framework);
- Establishing adequate risk management processes through the adoption and maintenance of suit- able risk management systems, in order to map, measure, control or mitigate all relevant risks;

- Providing an assessment of the capital absorbed, also under stress conditions, and of the related present and prospective capital adequacy, by defining processes and procedures to meet every type of present and future risk, which take into account strategies and context changes; overseeing the implementation of the risk management process and ascertaining that it is being complied with;
- Overseeing the implementation of the risk management process and ascertaining that it is being complied with;
- Monitoring the adequacy and effectiveness of the actions taken to resolve any weaknesses found in the risk management system;
- Submitting periodical reports to the corporate governance bodies on the activities carried out and providing them with consulting support on risk management issues.

The Risk Management Function reports to the Chief Executive Officer, the person responsible for the Banking Group's Internal Control system. It is independent of the Internal Audit Function, and subject to its control.

Section 1 - Accounting consolidation risks

Quantitative information

A. Credit quality

A.1 Impaired and performing credit exposures: amounts, adjustments, trends and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (carrying amount)

(Values in thousand euros)

Portfolios/quality	Non-performing exposures	Unlikely-to-pay exposures	Impaired past due exposures	Other impaired exposures	Performing exposures	Total
1. Financial assets measured at amortized cost	80,722	14,074	33,865	1,927,237	9,206,967	11,262,864
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets designated at fair value						
4. Other financial assets mandatorily measured at fair value						
5. Financial assets held for sale						
Total 06.30.2022	**80,722**	**14,074**	**33,865**	**1,927,237**	**9,206,967**	**11,262,864**
Total 12.31.2021	**72,233**	**12,413**	**19,428**	**1,714,944**	**8,250,479**	**10,069,497**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

(Values in thousand euros)

Portfolios/quality	Impaired				Performing			Total (net exposure)
	Gross exposure	Total adjustments	Net exposure	Total partial write-offs (*)	Gross exposure	Total adjustments	Net exposure	
1. Financial assets measured at amortized cost	147,551	18,890	128,661	-	11,137,785	3,582	11,134,203	11,262,864
2. Financial assets measured at fair value through other comprehensive income								
3. Financial assets designated at fair value					X	X		
4. Other financial assets mandatorily measured at fair value					X	X		
5. Financial assets held for sale					-	-		
Total 06.30.2022	**147,551**	**18,890**	**128,661**	**-**	**11,137,785**	**3,582**	**11,134,203**	**11,262,864**
Total 12.31.2021	**124,458**	**20,383**	**104,075**	**-**	**9,967,860**	**2,439**	**9,965,422**	**10,069,497**

* Value presented for informative purposes.

(Values in thousand euros)

Portfolios/quality	Assets of evident poor credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading			6,980
2. Hedging derivatives			8,755
Total 06.30.2022	**–**	**–**	**15,733**
Total 12.31.2021	**–**	**–**	**4,107**

(*) Value for disclosure purposes.

Section 2 - Prudential consolidation risks

1.1 Credit risk

Qualitative information

1. General aspects

The main activity of the Banking Group in that area is factoring, which is governed, in Italy, by the Italian Civil Code (Book IV - Title I, Chapter V, Articles 1260-1267) and Law No. 52 of February 21, 1991 and subsequent amendments, and which consists of a plurality of financial services that can be structured in various ways, mainly through the sale of trade receivables. The Group mainly offers non-recourse factoring services with debtors belonging to the public administration, in addition to other lending products always with a focus on the public administration. From March 2021, with the integration of DEPObank, the Group began to provide credit as an instrumental activity in addition to specific treasury activities (managed through the granting of operating limits) and securities services (mainly managed through the granting of account overdraft facilities).

Moreover, for the purpose of diversifying its business and its geographical presence, the Banking Group comprises the companies of BFF Polska Group, which mostly provide financial services to companies operating in the healthcare sector and to public administration agencies in the countries in which they operate.

At this time, non-recourse factoring represents approximately 60% of all the exposures to customers of the Group excluding the securities component.

With regard to the measures in response to Covid-19, the Group follows the applicable provisions contained in the EBA Guidelines ("Guidelines on reporting and disclosure of exposures subject to measures applied in response to the Covid-19 crisis – EBA/GL/2020/07").

Impacts of the Covid-19 pandemic

In light of the BFF Banking Group's business model and the nature of its counterparties, the Covid-19 epidemic did not entail a change to the objectives and management strategy or to the systems for measuring and controlling risks.

Impacts of the Ukraine-Russia crisis

Following the crisis between Russia and Ukraine, which culminated in the military intervention initiated by Russia on February 24, and the resulting countermeasures undertaken by the international community and parties in the international financial sector (e.g. sanctions against Russian natural persons or legal entities, limitations on transactions with Russian parties and/or regarding financial instruments issued by Russian parties and/or denominated in Russian currency), the BFF Group has carried out a detailed review of risk positions and transactions that could be directly or indirectly impacted by the aforementioned restrictions on operations, where necessary taking appropriate actions in order to fully comply with regulatory provisions and/or to avoid situations that could be considered risky. The parent's various corporate functions (e.g. CFO area, Risk Management, Compliance & AML) reported to the Parent Board of Directors on the management's assessment of the potential impacts on the Group resulting from this and the actions taken. In the first part of April, BFF Bank also responded to the survey conducted by the Bank of Italy on an initial assessment of the impact that unfavourable developments related to the current crisis could have on the banking system. The results of the analysis showed that the BFF Group has no direct exposure to the Russian and Ukrainian markets, and there are no Russian client companies, client companies controlled by Russian companies, beneficial owners or legal representatives of Russian nationality in the client portfolio of either BFF or its foreign subsidiaries. With regard to positions held in RUB (Russian roubles) and the possible exposure to exchange rate risk following the sharp fluctuation in the exchange rate of the currency in question, the asset and liability positions denominated in that currency held by BFF are of a very limited overall amount, relating exclusively to bank account balances (balances of bank accounts with BFF of counterparties of the Transaction Services Business Line, transferred to accounts held by BFF with Bank of New York, BFF's treasurer in that currency, and Euroclear Bank, an international settlement bank, while spot transactions, maturity deposits and currency swaps in that currency have been suspended since the start of the crisis) and substantially balanced.

Following the onset of the crisis between Russia and Ukraine, there was also an intensification of cyber warfare globally, mainly targeting infrastructure networks. In this regard, the BFF Group has raised the level of attention of the SOC (security operation centre) and strengthened the perimeter defence rules, as well as continuing to monitor the situation through reliable sources, such as CERTFin. On the business continuity and backup front, recent updates and tests of the Disaster Recovery plan have confirmed BFF Group's resilience. Awareness-raising campaigns on phishing and security events are provided internally. Finally, primary outsourcers and suppliers were contacted in order to ascertain whether they too had raised their level of attention on the cybersecurity front and to receive more logs from defence systems in order to carry out more extensive monitoring through SIEM (security information and event management). To date, no attacks or disruptions following the Ukraine crisis have been recorded by BFF or its outsourcers or suppliers.

2. Credit risk management policies

2.1 Organizational aspects

The assessment of a transaction, for the different products offered by the Banking Group, is conducted through the analysis of a number of factors, ranging from the degree of risk fragmentation to the characteristics of the commercial relationship underlying the credit quality and the customer/ debtor's ability to repay.

The guidelines and procedures to monitor and control credit risk are set forth in the current "Credit Regulation," approved by the Board of Directors on June 30, 2021, and by the "Credit Regulation" of subsidiaries. A further organizational measure tackling credit risk is provided by the internal regulation for monitoring credit quality, which describes the credit control process on the debtor and is an integral part of the aforementioned "Credit Regulation".

Credit risk is therefore monitored at various levels within the framework of the multiple operating processes.

2.2 Management, measurement and control systems

The management, measurement and control system relating to credit risk has been created to ensure control over the main types of risks belonging to the credit risk category.

For this purpose, it must be noted that the core business carried out by the Group consists, as mentioned above, of the purchase of non-recourse trade receivables on a non-recourse basis due from debtors belonging to public administration agencies, and that with regard to exposures related to the custodian bank operations, these are mainly towards banks.

Based on the above, in particular, credit risk is linked to the possibility that an unexpected change in the creditworthiness of a counterparty to which the Group is exposed may generate a corresponding decrease in the value of the credit position. It can be broken down as follows:

- Credit risk in the strict sense: the risk of default of counterparties to which the Group is exposed, which is fairly limited considering the nature of the Group's counterparties, the majority of which are not subject to bankruptcy proceedings or other procedures that could undermine their substantial solvency;
- Dilution risk: the risk that the amounts owed by the assigned debtor are reduced due to allowances or offsets arising from returns and/or disputes concerning the quality of the product or service or any other issue;
- Factorability risk: the risk related to the nature and characteristics of the commercial relationship subject to factoring/sale, affecting the ability of the trade receivable sold to self-liquidate (e.g., risk of direct payments from the debtor to the potentially insolvent assignor);
- Risk of late payment: the risk of a delay in the collection times of the trade receivables sold compared to those expected by the Group.

In light of the risks detailed above, the Group has internal regulations that describe the phases that industry regulations identify as components of the credit process:

- Background check;
- Decision;
- Disbursement;
- Monitoring and review;
- Dispute.

Non-recourse factoring by its very nature represents the service that is most exposed to credit risk. For this reason, the background check for the credit line application is carried out with the utmost care.

With regard to the granting of credit to counterparties using the custodian bank service, credit risk is very low, as it is mainly concentrated on bank counterparties, SGRs (Asset Management Company) and funds.

The Group also marginally offers the following two types of services: "loans and receivables management only" and "recourse factoring".

In the "loans and receivables management only" service, credit risk is considerably reduced because it is limited to the Group's exposure to the customer for payment of the agreed fees and commissions, that is, the reimbursement of legal fees incurred. The granting of a credit line for "loans and receivables management only" follows the normal procedures used in the credit process, although the credit line can be approved by a single-person body.

Recourse factoring is a marginal activity for BFF Banking Group, since this type of factoring is only included in BFF Polska S.A.'s product portfolio.

With specific reference to BFF Polska, it should be noted that the company operates in Poland, and also in Slovakia and the Czech Republic through its subsidiaries.

BFF Polska S.A. mainly operates in three sectors:

- Financing the working capital of suppliers to the public administration;
- Financing current and future trade receivables in the public and healthcare sector;
- Financing investments in the public and healthcare sector.

Also with regards to the specific types of investment by BFF Polska S.A. and its subsidiaries, Group credit risk management aims at building a robust and balanced financial asset portfolio to reduce to a minimum the risk of impaired exposures and at the same time generate the expected profit margin and loan portfolio value. As a general rule, the Banking Group's customers have a suitable credit standing and, if necessary, adequate guarantees are requested to mitigate the risk of financial losses arising from customers' non-performance.

With regard to the allocation of operating limits and/or "intermediation" caps, there is no specific request from customers and the assessment is initiated at the initiative of the Finance and Treasury OU or the relevant organizational units.

As part of the management of counterparties providing retail intermediation services, specific operating limits have been established, aimed at monitoring and controlling the operations of these entities. In some cases, guarantees have been requested to mitigate the risk assumed for these activities. Exposure to the customers' credit risk is constantly monitored. The credit quality of public sector entities is analyzed within the framework of the risk of delay in repaying liabilities.

The assessment of credit risk is part of an overall analysis of the adequacy of the Group's capital in relation to the risks connected with lending.

With this in mind, the Group uses the "standardized" approach to measure credit risk, as governed by Regulation (EU) No. 575/2013 (CRR) and adopted by the Bank of Italy Circular No. 285 "Supervisory provisions for banks" and Circular No. 286 "Instructions for the preparation of supervisory reporting by banks and securities intermediaries," both dated December 17, 2013, and subsequent amendments. This approach involves the classification of exposures into different classes ("portfolios"), depending on the type of counterparty, and the application of diversified weighted ratios to each portfolio.

In particular, BFF Banking Group applies the following main weighting factors, envisaged by the CRR:

- 0% for exposures to government agencies and central banks with offices in a European Union member state and financed in the local currency, as well as for exposure to other public administration agencies in compliance with specific requirements of relevant supervisory provisions. This category also includes exposures to Spanish public sector entities and other local authorities as provided for by EBA lists "*EU regional governments and local authorities treated as exposures to central governments in accordance with Article 115(2) of Regulation (EU) 575/2013" and "EU public-sector entities treated in exceptional circumstances as exposures to the central government, regional government or local authority in whose jurisdiction they are established in accordance with Article 116(4) of Regulation (EU) 575/2013*";

- 20% for *(i)* exposures to regional government agencies and local authorities with offices in a European Union member state denominated and financed in the local currency, *(ii)* exposures to public sector entities of countries with Credit Quality Step 1, *(iii)* exposures to public sector entities and supervised intermediaries with an original duration of three months or less;
- 50% for exposures to the public administration agencies of countries with Credit Quality Step 2, which include the exposures to entities of the Polish and Slovakian public sector;
- 100% for (i) exposures to the public administration agencies of countries with Credit Quality Step 3, 4 and 5 (including Italy, Portugal and Greece-please note that on May 3, 2019 DBRS upgraded Greece from BH to BBL, thus improving the credit quality step from 5 to 4, but leaving the capital absorption percentage unchanged at 100%) and (ii) exposures to the public administration agencies of countries where government agencies are not rated and no credit quality steps are available (including Czech Republic and Croatia);
- 50% or 100% for amounts due from supervised intermediaries, according to the credit quality step of the country in which they have their offices;
- 75% for retail exposures and exposures to SMEs;
- 100% for exposures to private debtors (i.e., businesses), Funds, and SGRs;
- 100% for property, equipment and investment property, equity investments, collective investment undertakings and other;
- 150% for non-performing exposures, if the specific adjustments are 20% less than the non-collateralized portion, before any adjustments;
- 100% for non-performing exposures, if the specific adjustments are 20% or more than the non-collateralized portion, before any adjustments;
- 250% to deferred tax assets not deducted from own funds.

BFF Banking Group constantly maintains, as a capital requirement for credit risk, an amount of regulatory capital equal to at least 8% of the weighted exposures for credit risk. The Risk Weighted Amount is determined by the sum of the risk weighted assets of the various classes.

Based on the method described above, the capital requirement for credit and counterparty risk at June 30, 2022 is €146.3 million for BFF Banking Group.

Furthermore, the credit risk management process abides by external regulations (CRR, Bank of Italy Circulars No. 285 "Supervisory provisions for banks" and No. 286 "Instructions for the preparation of supervisory reporting by banks and securities intermediaries" and subsequent amendments) regarding risk concentration.

Specifically:

- "Large exposure" means any risk position equal to or greater than 10% of the eligible capital, as defined in CRR II (equal to Tier 1 capital);
- for banking groups, each risk position must not be greater than 25% of the eligible capital.

Considering the fact that the Group's exposure consists almost entirely of exposures purchased on a non-recourse basis and due from individual public administration entities, portfolio risk is considered limited, since the derecognition of exposures entails the allocation of the exposure to a higher number of counterparties (i.e., the assigned debtors), which, in the case of certain exposures, receive preferential treatment in terms of weighting for large exposures.

Credit quality assessment

The Group performs an impairment test on the loan portfolio, aimed at identifying any impairment of its assets, in line with the provisions of the applicable standards and the prudential criteria required by supervisory regulations and the internal policies adopted by BFF Banking Group.

This assessment is based on the distinction between these two categories of exposures:

- *exposures subject to generic adjustments ("collective impairment").*
- *exposures subject to specific adjustments.*

Note that IFRS 9 entered into force on January 1, 2018. This standard replaces the concept of incurred losses, envisaged by IAS 39, with that of expected credit losses.

The approach adopted by the Group is based on a prospective model that may require the recognition of expected credit losses over the lifetime of the exposure on the basis of supportable information that is available without undue cost or effort and includes historical, current and forward-looking data. In this context, an approach based on the use of credit risk parameters (Probability of Default – PD, Loss Given Default – LGD, Exposure at Default – EAD) has been adopted, redefined based on a multi-period perspective.
More specifically, in accordance with IFRS 9, impairment of exposures is recognized in three stages, each with different methods for calculating the losses to be recorded.
As for Stage 1, expected credit losses are measured over a 12-month period. As for Stage 2 (including financial assets whose credit risk increased significantly since initial recognition), expected credit losses are measured over the full lifetime of the instrument (lifetime expected losses). Stage 3 includes all financial assets that show objective impairment at the reporting date (non-performing exposures).

2.3 Methods of measuring expected credit losses

Exposures subject to generic adjustments ("collective impairment")

The impairment model is characterized by:

- the allocation of the transactions in the portfolio to different buckets, based on an assessment of the increase in the level of exposure/counterparty risk;
- the use of multi-period risk parameters (e.g., lifetime PD, LGD and EAD) to quantify expected credit losses (ECL) for financial instruments subject to a significant increase in credit risk since initial recognition.

For the purposes of calculating impairment, IFRS 9 sets out general requirements for calculating ECLs and designing stage allocation criteria, without providing specific guidelines on the modelling approach. Therefore, by analysing the data provided as input, the assessment and design of the project for the conversion to IFRS 9 allowed to develop a methodological framework to accommodate the peculiarities of the Group's business consistently with the assets it owns as well as available information, in accordance with the guidelines in the standard.

The key concepts introduced by IFRS 9 and required for the purpose of calculating impairment compared to previous standards are as follows:

- a forward-looking model, allowing the immediate recognition of all expected credit losses over the life of the exposure, thus replacing the "incurred loss" criterion. According to the latter, impairment losses were recognized only when there was evidence that they existed (based on the identification of a trigger event). According to IFRS 9, losses shall be recognized based on supportable information that is available without undue cost or effort and includes historical, current and forward-looking data;
- ECL recalculated at each reporting date to reflect changes in credit risk since initial recognition of the financial instrument;
- use of forward-looking information and macroeconomic factors to determine ECL;
- introduction of an additional status with respect to the binary classification of performing and non-performing counterparties, to take account of the increase in credit risk.

The ECL calculation model requires a quantitative assessment of future cash flows and assumes that they can be reliably estimated. This requires the identification of certain elements, namely:

- probability of default (PD) models and assumptions about the forward distribution of default events, for the calculation of multi-period PDs used to determine the lifetime expected credit loss;
- LGD model;
- a deterministic and stochastic EAD model allowing to define a multi-period distribution as well as a 12-month horizon.

The risk parameters that should be modelled to comply with the rationale of considering the full life- time of the financial instrument are as follows:

- Multi-period PD;
- Multi-period LGD;
- Multi-period EAD.

Furthermore, in compliance with IFRS 9, the ECL calculation shall include Point-in-Time (PIT) adjustments and Forward-Looking Information (FLI).

Exposures subject to specific adjustments ("specific impairment")

As required by IFRS 9 and in line with current supervisory provisions, the Group carried out a review of the assets classified as impaired in order to identify any objective impairment of individual positions.

It should be noted that, with reference to past due exposures, although classified as impaired financial assets and therefore subject to specific impairment, the same assessments that apply for the performing exposures referred to in this section were carried out. This decision is supported by the fact that, in consideration of the Group's core business, impaired past due positions, identified according to objective criteria, do not necessarily represent actual deterioration. However, this approach does not provide an exemption to the competent functions from performing a precise/analytical assessment ("case-by-case assessment") of positions classified as past due if the adjustment calculated is not adequate.

- BFF Banking Group's impaired exposures consist of NPLs, unlikely to pay and past due exposures, for a total of €128,661 thousand – net of individual impairment – and are broken down as follows:
- non-performing loans of €80,722 thousand (gross exposure in the financial statements of €95,168 thousand with an adjustment of €14,446 thousand);

- unlikely-to-pay exposures amounting to €14,074 thousand (gross exposure in the financial statements equal to €18,420 thousand with adjustments equal to €4,346 thousand);
- impaired past due exposures of €33,865 thousand (gross exposure in the financial statements of €33,963 thousand with an adjustment of €98.4 thousand).

As regards the impairment policies adopted, BFF Polska Group and BFF Finance Iberia submit specific periodic reports to the Parent, so that the corresponding functions of the parent can report on the activities conducted in this area and check the correctness of the conclusions.

Changes due to Covid-19

Assessment of the significant increase in credit risk (SICR)

In light of the BFF Group's business model and the nature of its risk counterparties, the Covid-19 epidemic did not entail changes to the model of the significant increase in credit risk (SICR). However, also in line with the EBA guidelines of December 2, 2020 "Guidelines amending EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis", the Group has granted some of its counterparties based in Poland moratoria of a strictly voluntary character. For more details on the amount granted and the type of counterparties involved, refer to paragraph 4 "Financial assets subject to commercial negotiations and forborne exposures".

Measuring expected credit losses

The model for determining risk parameters was also unchanged following the spread of Covid-19.

However, the annual update of the risk parameters (PD and LGD) allows taking into account the evolution of the effects of Covid-19 within the estimates of expected losses.

To this end, as at June 30, 2022 the Bank updated the macroeconomic scenarios provided by the external infoprovider. These scenarios are constructed considering the evolution of the unemployment rate and the High Yield Spread in a geo-political context characterised by both the ongoing effects of Covid-19 and the tensions of the Russia-Ukraine conflict, which has significantly changed the macroeconomic scenario since February 2022.

The Risk Management Function's analyses for the second quarter of the year show a worsening trend in the macroeconomic estimates compared to the previous estimates of June 2021, the last date for updating the risk parameters. Although GDP grew in the first two quarters of the year, concerns remain about the soaring inflation rate due to high commodity and energy prices, which in turn cause supply chain disruptions. Consequently, economic growth estimates have been revised downwards for the rest of the year. Moreover, the Risk Management Function compared the macroeconomic estimates released by the external infoprovider with those of the European Central Bank (ECB) and showed a substantial alignment of the estimates in the base scenario and a slight deterioration of the ECB's estimates in the adverse scenario. In this regard, the Risk Management Function performed a backtesting analysis of the portfolio in order to quantify the impact in terms of Expected Credit Loss resulting from changing macroeconomic scenarios. The analysis shows that the impact of this update amounts to approximately €907,000 in terms of higher adjustments resulting from the tightening of the macroeconomic environment. However, the impact is concentrated on private portfolios, which are most affected by the consequences of the war.

However, this analysis does not take into account the impact on the specific corrections as, by their nature, it is difficult to estimate the quantification of the greater impact due to the macroeconomic environment.

2.4 Credit risk mitigation techniques

In order to make non-recourse exposures compatible with the derecognition principle, the risk mitigation clauses that could in some way invalidate the effective transfer of risks and rewards were eliminated from the respective contracts.
With regard to exposures to counterparties to which treasury and security services are offered, risk mitigation techniques also include netting (ISDA) and collateral management (CSA) agreements consistent with EMIR regulations. For repurchase agreements for which the Bank has signed specific GMRA contracts, credit risk is transferred from the counterparty to the underlying of the repurchase agreement.

3. Impaired credit exposures

In compliance with Bank of Italy Circular no. 272, BFF Banking Group's net "Impaired assets" amounted to a total of €104,076 thousand. They include:

- non-performing loans: these are exposures to parties that are in a state of insolvency or in basically similar situations, regardless of any loss projections made by the Group.
  At June 30, 2022, the overall total of the Banking Group's non-performing loans, net of impairment, amounted to €80,722 thousand, of which €5,490 thousand purchased already impaired. Net non-performing loans concerning Italian municipalities and provincial government in financial distress amounted to €73,387 thousand, accounting for 90.9% of the total.
  Gross non-performing loans amounted to €95,168 thousand. The related impairment totalled €14,446 thousand. The portion of the provision for late payment interest relating to non-performing exposures, recognized at the time of the change in estimate in 2014, was equal to €996 thousand, entirely impaired. Taking account of this amount, too, gross non-performing loans amounted to €96,164 thousand and relevant adjustments totalled €15,442 thousand.
  With reference to the parent, at June 30, 2022 total non-performing loans, net of any estimated impairment losses, amounted to €75,001 thousand, of which €73,387 thousand concerned Italian municipalities and provincial governments in financial distress; this case is classified as non- performing in accordance with the indications given by the Supervisory Authority, despite the fact that BFF Banking Group has the legal right to receive 100% of the capital and late payment interest at the end of the insolvency procedure.
  Specifically, the amount of €5,490 thousand refers to exposures due from local entities (municipalities, provinces) already in financial distress at the time of purchase and purchased at special conditions.
  The remaining positions referring to BFF Bank are impaired based on subjective assessments arising from legal opinions. Gross non-performing loans relating to BFF Polska Group amounted to €17,993 thousand. After estimated impairment losses of €12,272 thousand they amounted to €5,722 thousand.
- BFF Banking Group's ***unlikely to pay exposures*** mainly refer to BFF Polska Group's positions. These exposures reflect the judgement made by the intermediary about the unlikelihood that – excluding such actions as the enforcement of guarantees – the debtor will fully fulfil (for principal and/or interest) its credit obligations. This assessment should be arrived at independently of the existence of any past due and unpaid amounts (or instalments).
  At June 30, 2022, gross exposures classified as unlikely to pay amounted to €18,420 thousand, of which €16,494 thousand attributable to BFF Polska Group, €1,771 to the bank and €155 thousand to BFF Finance Iberia. The total net amount was €14,074 thousand, relating mainly to BFF Polska Group since the gross exposures of BFF Bank and BFF Finance Iberia were almost entirely impaired.

- net ***past due exposures*** of BFF Banking Group amounted to €33,865 thousand. They refer to the parent for €32,790 thousand and to BFF Polska Group of €1,075 thousand. 97.1% of these exposures relate to public counterparties. These consist of exposures with entities for which the conditions for classification as impaired past due exposures are met by presenting one or more credit lines that meet the definition of "Non-performing exposures with forbearance measures" set out in Section V, Part 2, paragraph 262 of the ITS.

4. Financial assets subject to commercial negotiations and forborne exposures

In line with the EBA guidance of December 2, 2020 "Guidelines amending Guidelines EBA/GL/2020/02 on legislative and non legislative moratoria on loan repayments applied in the light of the Covid-19 crisis", the Group, through contractual agreements, has granted some of its counterparties moratoria of a strictly voluntary character. The amendments related solely to deferral of principal amounts, without any amendments to interest rates. Moreover, no reduction in the Group's credit exposures was foreseen in terms of either principal or interest. The amendments were considered non-substantial and therefore did not result in the derecognition from the statement of financial position of the positions subject to moratoria.

With regard to the activities of the BFF Polska Group, voluntary moratoria were granted for a total amount of €1.9 million and are mainly represented by corporate clients (approximately 45%), public-sector entities (approximately 23%) and retail clients (approximately 32%). The main products affected are credit exposures deriving from amounts, accounting for approximately 64%, loans, 25% from loans (MEDLekarz - loans to medical practices), 7% from factoring operations and a residual 4% relating to finance lease operations. Compared to December 31, 2021 there was a decrease of about €200 thousand.

A.1.5a Loans subject to Covid-19 support measures: transfers between the various credit risk stages (gross values)

(Values in thousand euros)

Portfolios/risk stages	Gross values /nominal amount					
	Transfers between stage 1 and stage 2		Transfers between stage 2 and stage 3		Transfers between stage 1 and stage 3	
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
A. Loans measured at amortized cost	31	52	24	4	72	4
A.1 subject to forbearance in accordance with GL	31	52	24	4	72	4
A.2 subject to moratorium measures in place no longer in compliance with the GL and not evaluated as forborne						
A.3 subject to other forbearance measures						
A.4 new loans						
B. Loans measured at fair value through other comprehensive income						
B.1 subject to forbearance in accordance with GL						
B.2 subject to moratorium measures in place no longer in compliance with the GL and not evaluated as forborne						
B.3 subject to other forbearance measures						
B.4 new loans						
Total 06.30.2022	**31**	**52**	**24**	**4**	**72**	**4**
Total 12.31.2021	**101**	**63**	**223**	**-**	**31**	**2**

A.1.7a Financing subject to Covid-19 support measures: gross and net values

(Values in thousand euros)

Type of financing/values	Gross exposure					Total adjustments				Net exposure	Total partial write-offs (*)
		Stage one	Stage two	Stage three	Purchased or originated credit impaired	Stage one	Stage two	Stage three	Purchased or originated credit impaired		
A. Non-performing loans:	**202**			**202**							
a) Subject to forbearance in accordance with GL	**202**			202							
b) Subject to moratorium measures in place no longer in compliance with the GL and not evaluated as forborne											
c) Subject to other forbearance measures											
d) New loans											
B. Unlikely to pay exposures:	139			139							
a) Subject to forbearance in accordance with GL	139			139							
b) Subject to other forbearance measures in place no longer in compliance with the GL and not evaluated as forborne											
c) Subject to other forbearance measures											
d) New loans											
C. Impaired past due loans:	**25**			25							
a) Subject to forbearance in accordance with GL	25			25							
b) Subject to moratorium measures in place no longer in compliance with the GL and not evaluated as forborne											
c) Subject to other forbearance measures											
d) New loans											
D. Other past due performing loans:	**645**	**645**									
a) Subject to forbearance in accordance with GL	645	645									
b) Subject to moratorium measures in place no longer in compliance with the GL and not evaluated as forborne											
c) Subject to other forbearance measures											
d) New loans											
E. Other performing loans:	**912**	**743**	**168**								
a) Subject to forbearance in accordance with GL	912	743	168								
b) Subject to moratorium measures in place no longer in compliance with the GL and not evaluated as forborne											
c) Subject to other forbearance measures											
d) New loans											
Total (A+B+C+D+E)	**1,922**	**1,388**	**168**	**365**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

(*) Value provided for disclosure purposes.

E. Prudential consolidation - credit risk assessment models

1.2 Market risk

1.2. 1 Interest rate risk and price risk – regulatory trading portfolio

Qualitative information

A. General aspects

Impacts of the Covid-19 pandemic
In light of the BFF Banking Group's business model and the nature of its counterparties, the Covid-19 epidemic did not entail a change to the objectives and management strategy or to the systems for measuring and controlling risks.

1.2.2 Interest rate risk and price risk – banking portfolio

Qualitative information

General aspects, management processes and measurement methods for interest rate risk and price risk

Banking portfolio interest rate risk is the risk of a decrease in the value of the portfolio due to potential changes in interest rates. The main source of this type of interest rate risk is repricing risk, i.e. the risk deriving from time mismatches between the maturity and repricing of assets and liabilities, the main aspects of which are:

- *yield curve risk*, the risk deriving from the exposure of the Group's positions to changes in the slopes and shape of the yield curve;
- *basis risk*, risk deriving from the imperfect correlation in changes in the rates payable and receivable on different instruments that may also have similar repricing characteristics.

Exposure to interest rate risk is expressed from two different perspectives: volatility of economic value and volatility of profits (and, in particular, the interest margin).

Specifically:

- measurement in terms of economic value makes it possible to quantify the long-term effects of changes in interest rates. Indeed, this measurement fully expresses the effects of the above-mentioned change on items sensitive to shifts in interest rates and, therefore, provides indications functional to the strategic decisions and levels of capitalization deemed adequate over a long-term time horizon;
- measurement in terms of economic performance makes it possible to quantify the short-term effects on the Group's interest margin deriving from changes in interest rates and, as a result, on capital adequacy.

The Group therefore performs the following measurements:

- *shift sensitivity* by classifying items sensitive to the changes in interest rates in time bands, on the basis of repricing dates for items at an index-linked rate and the maturity date for fixed-rate items. In order to quantify the exposure to interest rate risk, assets and liabilities are multiplied by weighting factors, obtained as the product of a hypothetical variation in rates and an approximation of the modified duration for each single period. This measurement is performed at least quarterly. Through shift sensitivity, an estimate is determined of the change in the present value of capital in simplified form, by adopting the methodology established by the supervisory regulations. In this regard, it is specified that this measurement is referred to for the monitoring of internal capital to be held to cover interest rate risk;
- the change in the interest rate over a time span equal to the subsequent 12 months and 3 years, respectively, following an assumed change in the interest rate curve (the shocks applied are the same as those used for the change in economic value). This measurement is performed at least quarterly, adopting the simplified methodology established by the provisions, with the exception of the treatment of on demand items, which are measured with a more complex methodology that takes into account the actual repricing of the individual items.

Note that the exposure to interest rate risk expressed in terms of economic value sensitivity is measured with respect to the banking portfolio assets and liabilities (this therefore excludes positions in the trading portfolio - Other).
This method is applied based on the annual changes in interest rates on a daily basis, recorded during an observation period of six years, considering alternatively the 1st percentile (decrease) or the 99th percentile (increase), as laid out in Circular 285. Internal capital is determined by the worst-case result obtained between the two 1st/99th percentile scenarios.

The Bank also measures the exposure to interest rate risk using additional interest rate shock scenarios. Specifically:

- the parallel ± 200 bps scenarios, for the determination of the risk index, given by the "interest rate risk exposure/own funds" ratio;
- the six interest rate shock scenarios required by the EBA Guidelines, used to calculate internal capital under stress and to determine the operating limit defined by the "interest rate risk exposure/Tier 1" ratio. To respect the limit, the scenario with the worst result is considered.

The Group relies on the option provided by Circular 285 with respect to the refinement of the simplified methodologies as regards payable on demand items resulting from Transaction Services activities, while for receivable on demand items, what is set forth in regulations is applied (therefore, they are all classified in the "on demand" segment). The behavioural models used take into account the identification of the core share of funding, or the amount that could represent a stable source of funding despite the short contractual duration, even in the presence of significant changes in the interest rate context. As regards factoring, on the other hand, a forecast collection curve is applied.

1.2.3 Currency risk

Qualitative information

A. General aspects, management processes and measurement methods for currency risk

Exposure to currency risk – determined on the basis of the net foreign exchange position using a method based on the supervisory regulations – is monitored in real time by the Finance and Administration Department and managed in compliance with the limits established by specific internal rules.
Positions exposed to currency risk may only be maintained within very limited limits of maximum overall exposure, as well as for single currency and RA.

At June 30, 2022, hedging assets and liabilities realized through derivative instruments amounted to €8.8 million and €14 thousand, respectively, relating to the main currencies in which the Group's funding and lending are expressed and which include transactions aimed at hedging the stake in Polish zloty held in BFF Polska Group.

B. Currency hedging

Currency risk is mitigated by making recourse to linear derivative instruments lacking optional components, such as currency swaps, which allow the Group to perform optimized management of its equity investments and loans provided in currencies other than the euro in which the Group operates, also through its subsidiaries.

Quantitative information

The portfolio of Group assets is expressed in currencies other than the euro; as a result a methodology for the measurement and management of this risk has been adopted. Exchange risk is monitored by the Risk Management Function, in line with the requirements of European regulations (EU Regulation No. 575/2013 - CRR).

1. Breakdown by currency of assets, liabilities and derivatives

(Values in thousand euros)

Items	Currencies					
	US Dollar	Pounds	Yen	Canadian Dollar	Swiss francs	Other currencies
A. Financial assets	**185,357**	**10,310**	**4,175**	**3,792**	**3,712**	**823,790**
A.1 Debt instruments	144,666					
A.2 Equity instruments	2,512					207
A.3 Loans and receivables with banks	34,876	9,386	3,506	3,790	3,712	29,026
A.4 Loans and receivables with customers	3,303	924	669	1		794,557
A.5 Other financial assets						
B. Other assets	**2**	**4**	**1**	**3**	**2**	**3,935**
C. Financial liabilities	**421,499**	**139,026**	**108,497**	**69,559**	**56,929**	**301,594**
C.1 Amounts due to banks	71,345	11,338	3,523	7,049	9,816	19,815
C.2 Deposits from customers	350,154	127,688	104,975	62,511	47,113	281,779
C.3 Debt instruments						
C.4 Other financial liabilities						
D. Other liabilities		**28**	**-**	**-**	**-**	**11,417**
E. Financial derivatives	**384,051**	**128,930**	**108,292**	**65,812**	**57,437**	**729,999**
- Options						
+ long positions						
+ short positions						
- Other derivatives	384,051	128,930	108,292	65,812	57,437	729,999
+ long positions	310,364	128,919	106,288	65,812	55,276	109,400
+ short positions	73,687	12	2,004	0	2,161	620,599
Total assets	**495,722**	**139,232**	**110,464**	**69,606**	**58,991**	**937,126**
Total liabilities	**495,187**	**139,065**	**110,502**	**69,559**	**59,090**	**933,609**
Difference (+/-)	**536**	**167**	**(38)**	**47**	**(99)**	**3,516**

1.3 Derivative instruments and hedging policies

1.3.1 Trading derivatives

A. Financial derivatives

A.1 Trading financial derivatives: notional end-of-period values

FX transactions essentially regard trading activities carried out on behalf of customers and transactions in derivative instruments on exchange rates (currency swaps) carried out by the parent to optimize the management of available liquidity and functional to Group activities, as well as for hedging the equity investment in Polish zloty held in BFF Polska Group. Note that BFF Bank does not hold innovative or complex financial products, so the Group makes recourse to linear instruments lacking optional components such as currency swaps.

(Values in thousand euros)

Underlying assets/Derivative types	Total 06.30.2022				Total 12.31.2021			
	Over the counter			Organized markets	*Over the counter*			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
2. Equity securities and stock indices			**12**				**12**	
a) Options			12				12	
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
3. Currency and gold			**699,580**				**935,711**	
a) Options								
b) Swaps								
c) Forwards			699,580				935,711	
d) Futures								
e) Others								
4. Commodities								
5. Others								
Total	-	-	**699,592**	-	-	-	**935,723**	-

A.2 Trading financial derivatives: positive and negative gross fair value – breakdown by products

(Values in thousand euros)

Derivative types	06.30.2022				31/12/2021			
	Over the counter			Organized markets	*Over the counter*			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options								
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps								
e) Forwards			6,973				4,086	
f) Futures								
g) Others								
Total			**6,973**				**4,086**	
2. Negative fair value								
a) Options								
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps								
e) Forwards			1,954				2,725	
f) Futures								
g) Others								
Total			**1,954**				**2,725**	

1.3.2 Accounting hedges

Qualitative information

The Group operates in hedging derivatives through linear instruments lacking optional components, such as currency swaps, which make it possible to guarantee optimized management of equity investments and loans provided in currencies other than the euro in which the Group operates, also through its subsidiaries, financed through intra-group finance solutions in currencies such as the zloty and the Czech koruna.

Quantitative information

Financial derivatives held for hedging

A.1 Financial derivatives held for hedging: notional end-of-period values

(Values in thousand euros)

	Total 06.30.2022				Total 12.31.2021			
	Over the counter			Organized markets	*Over the counter*			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
2. Equity securities and stock indices								
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
3. Currency and gold			**585,131**				**688,908**	
a) Options								
b) Swaps								
c) Forwards			585,131				688,908	
d) Futures								
e) Others								
4. Commodities								
5. Others								
Total			**585,131**				**688,908**	

A.2 Hedging financial derivatives: positive and negative gross fair value – breakdown by products

(Values in thousand euros)

Derivative types	Total 06.30.2022				Total 12.31.2021			
	Over the counter			Organized markets	*Over the counter*			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options								
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps								
e) Forwards			8,755				13	
f) Futures								
g) Others								
Total			**8,755**				**13**	
2. Negative fair value								
a) Options								
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps								
e) Forwards			14				4814	
f) Futures								
g) Others								
Total			**14**				**4814**	

1.4 Liquidity risk

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk is defined as the risk that the Group will be unable to meet its obligations at maturity and/or that it will have to bear non-market financing costs in relation to an unbalanced net financial position due to the inability to raise funds (funding liquidity risk) or due to the presence of limits on the disposal of assets (market liquidity risk), forcing the Group to slow or halt the development of its business, or sustain excessive funding costs to meet its obligations, with significant negative impacts on the profitability of its activities.

In defining liquidity risk, a distinction is drawn between short-term ("liquidity risk") and long-term ("funding risk" or "structural liquidity risk") risks:

- "liquidity risk", the current or potential risk that the entity is incapable of effectively managing its liquidity requirements in the short term;
- "funding risk", the risk that the entity does not have stable sources of funds in the medium and long term, with the resulting current or potential risk of not being able to meet its financial obligations, without an excessive increase in funding costs.

As required by the provisions of the prudential supervision regulation issued by the Bank of Italy, the Group adopted a Group Risk Management Policy and a Group Treasury and Finance Regulation, with a view to monitoring liquidity risk, and identifying the governance and control principles and the organizational units responsible for the operational and structural management of liquidity risk.

The governance policy, described in the "Group Liquidity Risk Management Policy ", which incorporates the latest regulatory updates (see Bank of Italy Circular 285/2013), is approved by the Board of Directors and defined in a manner consistent with:

- the Group's strategic objectives;
- the risk/reward objectives defined in the Risk Appetite Framework;
- the monitoring processes and strategies to be adopted in the event of a state of tension or liquidity crisis, as defined in the "Contingency Funding Plan" document.

What is set forth in the above-mentioned "Group Liquidity Risk Management Policy" is consistent with what is set forth in the "Group Risk Management Policy", in which the scopes and responsibilities of the company structures are set forth in detail at global level for all risks, including liquidity risk.

As part of the Risk Appetite Framework specific liquidity metrics have been defined, both regulatory, Liquidity Coverage Ratio - LCR and Net Stable Funding Ratio - NSFR, and internal, "minimum cumulative balance on total assets", calculated as the lowest weekly value in the quarter of reference of the ratio of the minimum cumulative balance recorded in the time periods within one month to the total assets of the last available group, in order to better represent the Group's operational reality.

To ensure the implementation of the liquidity risk management and control processes, the Group adopted a governance model based on the following principles:

- separation of processes for the management of liquidity and processes for the control of liquidity risk;
- development of processes to manage and control liquidity risk, consistent with the hierarchical structure and through a process for the delegation of powers;
- sharing of decisions and clear responsibilities among management, control and operational bodies;
- making liquidity risk management and monitoring processes consistent with prudential supervisory requirements.

The liquidity management process (liquidity management and control of the relevant risks) of the BFF Group is centralized in the Parent. In this governance model, the Parent defines the Group strategy and the guidelines that must be applied to the subsidiaries, at the same time ensuring the management and control of the liquidity position at consolidated level. The subsidiaries participate in liquidity management and risk control with the local functions, each taking into account the specific nature of its core business, but always in compliance with the guidelines defined by the Parent. The operational and structural liquidity risk governance and management system is based on the general principles that all Group companies must pursue, aligned with the indications of the Supervisory Authority.

Liquidity risk also includes the intraday risk deriving from the temporal mismatch between outflows (settled at daily cut-offs or when orders are received from customers) and inflows (settled at different intraday cut-offs), which may render it impossible for the Group to discharge its payment obligations when they are called in due to a temporary lack of funds. To hedge intraday liquidity risk, rules are defined for the maintenance of a minimum portfolio of eligible securities necessary to meet requirements for intraday and periodic refinancing from central banks.

Liquidity monitoring, which is carried out in accordance with the maximum risk tolerance threshold, and therefore also with the nature, objectives and operational complexity of the Group, aims to ensure the ability to meet expected or unforeseen cash payment commitments.
The parent also conducts liquidity risk stress tests to assess the prospective impacts of stress scenarios on the Group's solvency conditions.

The Risk Management Function identifies the scenarios that may impact the Group's current or forward-looking liquidity risk profile. By way of example, the following different drivers are described, which are taken into consideration in the definition of stress scenarios:

- market-driven scenarios refer to stress events exogenous to the Group, such as situations of uncertainty in the financial and/or political markets that lead to difficulties in accessing the market;
- bank-specific scenarios, which concern stress events endogenous to the Group typically linked to a reputational loss with possible deterioration of creditworthiness;
- combined scenarios, or the market and idiosyncratic scenarios developed in a single framework to evaluate the overall effect of stress on the Group.

The Group's liquidity position, which is healthy and constantly monitored, has in any case always remained solid thanks to the extensive availability of liquid reserves deriving also from funding, so that the liquidity indicators – Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) – show values as at June 30, 2022 of 220.058% and 162.372%, respectively, well above the regulatory limits.

Impacts of the Covid-19 pandemic
In light of the business model, the Covid-19 epidemic did not entail a change to the objectives and management strategy or to the systems for measuring and controlling risks.

1.5 Operational risks

Qualitative information

A. General aspects, management processes and methods used to measure operational risk

Operational risk is the risk of incurring a loss due to inadequacy or failures of procedures, human resources and internal systems or as a result of external events. This category includes, amongst other items, losses caused by fraud, human error, business interruption, system failure, breach of contracts and natural disasters; operational risk includes legal risk but excludes strategic and reputational risks.

With regard to the Banking Group, exposure to this category of risk is generated predominantly by failure in work processes, in organization, governance - human errors, computer software malfunctions, inadequate organization and control measures - as well as by any loss of human resources in key corporate management positions. Exposure to operational risks deriving from external sources appears to be of negligible importance, partly due to the mitigation tools adopted to address such adverse events (such as, by way of example: the business continuity plan, data storage processes, back up tools, insurance policies, etc.).

The process adopted by the Group to manage and control operational risks is founded on the principle of promoting a corporate culture for managing risk and defining the appropriate standards and incentives with the aim of fostering the adoption of professional and responsible behaviour at all operational levels, as well as designing, implementing and managing an integrated system for operational risk management that is adequate in relation to the nature, activities, size and risk profile.

The operational risk assessment model adopted by the Group consists of five stages: (i) identification, (ii) measurement, (iii) monitoring, (iv) management and (v) reporting.

The stage of identifying operational risks involves collecting operational risk information through the consistent, coordinated treatment of all relevant sources of information. The goal is to establish a complete information base. The necessary information is internal loss data accompanied by all information relevant for management purposes and subjective assessments acquired through risk self-assessment and control processes. This information is collected based on specific classification models, designed to ensure a uniform representation of the data. The identification stage consists of the following processes:

- Identification of operational risks within company procedures (operational risk map for controls): this activity consists in identifying operational risk through an in-depth analysis of company organizational processes and the mapping of potential risks. The assessment approach is expressed by the process/activity owner – specified within the procedures – through a predominantly qualitative analysis, which allows the identification of the activities at risk, the controls, the level of risk associated with each activity at risk mapped in the operating procedures, and thus the actions to be taken in order to make the process as closely monitored as possible;
- Loss data collection (LDC): the operational risk measurement and management system defined by the Parent Company's Risk Management Function also allows the Group to have a database of operational losses generated by risk events (Event Type), useful for identifying risk factors, mitigation actions and retention and transfer strategies, as well as for the possible development over time of internal operational risk measurement systems;
- Risk Self Assessment (RSA): the Group performs an annual overall assessment of the level of exposure to Operational Risks using the RSA process. The Risk Self Assessment (RSA) is an annual self-assessment of the prospective exposure to the operational risk inherent in business processes, aimed at enhancing the perception of risk by the key figures (Business Experts) who govern the execution of these processes, taking into account the expected evolution of the business and the organizational and control measures already in place.
- Identification of operational risks related to IT risk: furthermore, on an annual basis, in order to determine the exposure to ICT risk, the Bank has defined a specific model for the evaluation of IT risk that is in accordance with national and European legislation that responds to the needs for the identification of the specific risks inherent in the ICT sphere, internal or dependent on the outsourcers, and for the better qualification of operational risks through the evaluation of the specific elements involved in the automatic processing of information;

- Identification of operational risks in connection with the introduction of relevant new products, activities, processes and systems. The Group also assesses operational risks in connection with the introduction of relevant new products, activities, processes and systems, and mitigates the consequent operational risk that may arise through the preventive involvement of the corporate Control Functions and the definition of specific policies and regulations on various subjects and topics.
- Identification of operational risks associated with Major Transactions (MT): the risk resulting from an MT is assessed by assessing the consistency of the MT's risk profile with the risk appetite defined in the RAF.

The measurement phase consists of computing the capital requirements for operational risk using the Basic Indicator Approach (BIA), according to which capital requirements are computed by applying a regulatory coefficient to an indicator of the volume of business activity (Relevant Indicator). Moreover, for a better assessment of risk exposure, the Bank has implemented a quantitative operational risk assessment process (OpVaR) that monitors the Group's operational risk calculated to the 99.9th percentile.

The monitoring stage consists of the adoption of an articulated control system that provides for the analysis of the causes of loss events and the monitoring of the trend of loss events, in terms of evaluating the trend of losses deriving from the LDC and RSA processes. Within the framework of the measures adopted regarding the exposure to operational risk, the following specific risks are also monitored by the Group:

- Money laundering risk: the risk that the Bank's financial and commercial counterparties, suppliers, partners, associates and consultants may be parties to transactions that might potentially facilitate the laundering of money coming from illegal or criminal activities.
- Compliance risk, concerning the risk of legal and administrative penalties, significant financial losses or reputational damage due to failure to comply not only with laws and regulations but also with internal and conduct standards applicable to corporate activities. For this type of risk, a periodic update of the relevant assessment methodology is performed. Such methodology is developed for all activities falling within the parent's regulatory framework, in accordance with a risk-based approach. More specifically, as for the relevant provisions that do not envisage the establishment of specialized control measures (i.e., privacy and occupational health and safety), the Compliance Function provides consulting support to the parent's functions (ex ante) and assesses the adequacy of the organizational measures and control activities adopted (ex post). As for laws and regulations monitored by specialized functions, the Compliance Function carries out an indirect control by cooperating with the specialized functions in defining compliance risk assessment methods in addition to mapping risks and the corresponding control measures (Compliance Risk Control Matrix).

The stage of managing operational risk seeks to continually assess the risk control and reduction strategies, deciding – based on the nature and scale of the risk and in relation to the risk propensity expressed by senior managers – whether to accept it and therefore assume it, on the part of the person in charge of the process, to refuse it and therefore reduce activities, to implement mitigation policies or to transfer it to third parties by way of insurance policies. In addition, in order to control the above mentioned risks, the Group adopts specific Organization Models for the management of the risks regarding money laundering, occupational health and safety and information and payment service security.

Finally, the reporting stage aims to ensure timely and appropriate communication in support of management decisions of corporate bodies and organizational functions.

Impacts of the Covid-19 pandemic

In light of the business model, the Covid-19 epidemic did not entail a change to the objectives and management strategy or to the systems for measuring and controlling risks.

Section 4 - Risks of the other companies

Qualitative information

The consolidated financial statements include the aggregated statement of financial position items of BFF Bank S.p.A., BFF Finance Iberia and BFF Polska Group.
These companies do not show further and relevant risk factors other than those mentioned in the preceding paragraphs.

Part F - Information on Equity

In accordance with the provisions of Regulation (EU) no. 575/2013 (CRR), the prudential scope of consolidation coincides with the accounting scope except for the exclusion of the securitization vehicle, and establishes BFF Bank S.p.A. as the parent.

Section 1 - Equity

A. Qualitative information

The equity of the Banking Group includes the aggregated share capital, reserves, valuation reserves and profit for the period of the companies in the Group.

B. Quantitative information

B.1 Equity: breakdown by type of enterprise

(Values in thousand euros)

Items in equity	Prudential consolidation	Insurance companies	Other companies	Eliminations and adjustments from consolidation	Total
1. Share capital	142,850				142,850
2. Share premium reserve	66,493				66,493
3. Reserves	237,162				237,162
4. Equity instruments	150,000				150,000
5. (Treasury shares)	(5,027)				(5,027)
6. Valuation reserves:	5,954				5,954
- Equity instruments measured at fair value through other comprehensive income					
- Hedging of equity instruments measured at fair value through other comprehensive income					
- Financial assets (other than equity instruments) at fair value through other comprehensive income	212				212
- Property, equipment and investment property					
- Intangible assets					
- Hedging of foreign investments					
- Cash flow hedges	-				-
- Hedging instruments [undesignated elements]					
- Foreign exchange differences	(3,437)				(3,437)
- Non-current assets held for sale and discontinued operations					
- Financial liabilities measured at fair value through profit or loss (changes in creditworthiness)					
- Actuarial gains (losses) relating to defined benefit plans	212				212
- Share of valuation reserves for equity-accounted investments					
- Special revaluation laws	8,967				8,967
7. Profit (+/-) for the period attributable to the owners of the parent and non-controlling interests	56,650				56,650
Total	**654,082**				**654,082**

Section 2 - Own funds and regulatory ratios

Scope of application of the regulation

Own funds are computed – starting from January 1, 2014, in accordance with Bank of Italy Circular no. 285 "Supervisory provisions for banks" and Circular no. 286 "Instructions for the preparation of supervisory reporting by banks and securities intermediaries", both dated December 17, 2013 – based on Regulation (EU) no. 575/2013, relating to the new harmonized regulations for banks and investment companies, included in the EU Capital Requirements Regulation (CRR) and in the EU Capital Requirements Directive (CRD IV) of June 26, 2013.

These regulations include the standards set forth by the Basel Committee on Banking Supervision (Basel 3 framework), whose implementation, pursuant to the Consolidated Law on Banking, is the responsibility of the Bank of Italy, and define the ways in which the powers attributed by EU regulations to national authorities were exercised.

In accordance with the provisions of Regulation (EU) no. 575/2013 (CRR), the scope of consolidation at June 30, 2022 envisages that BFF Bank S.p.A. is the parent.

Own funds

Qualitative information

Own funds represent the first line of defence against risks associated with the complexity of financial activities and constitute the main reference parameter for the assessment of the Group's capital adequacy.

The purpose of prudential supervision regulations is to ensure that all credit intermediaries have a minimum mandatory capitalization in relation to the risks assumed.

The Group constantly assesses its capital structure by developing and employing techniques for monitoring and managing regulated risks, also through a Control and Risks Committee created within the Board of Directors.

Own funds are the sum of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) capital, net of items to be deducted and IAS/IFRS prudential filters.

The main components of the Group's own funds are computed in Common Equity Tier 1 (CET1), and are the following:

- Paid-in share capital;
- Reserves (legal reserve, extraordinary reserve, retained earnings, stock option reserve, and financial instruments reserve);
- Any undistributed portion of profit for the period;
- Valuation reserves (IASs/IFRS 9 transition reserve, actuarial reserve and valuation reserve for HTC&S securities);
- Any non-controlling interests eligible for inclusion in the computation of CET1.

Intangible assets, including any goodwill, as well as certain categories of tax assets should be deducted from these items in accordance with the requirements of CRR II.

Additional Tier 1 (AT1) capital includes Tier 1 instruments issued.

Note that during the first half of the year, with a view to optimising funding, the Bank finalised the issuance of a subordinated Additional Tier 1 Perpetual NC 2027 instrument with a nominal amount of €150 million, and exercised the call option for the redemption of the subordinated Tier2 10YNC5 instrument issued in March 2017 with a nominal amount of €100 million.

Quantitative information

Own funds of the Banking Group pursuant to the Consolidated Law on Banking are presented as follows.

(Values in thousand euros)

ITEMS/VALUES	Total 06.30.2022	Total 12.31.2021
A. Common Equity Tier 1 (CET1) pre-application of prudential filters	**431,125**	**446,316**
of which CET1 instruments subject to transitional provisions		
B. Prudential CET1 filters (+/-)	**(178)**	**(128)**
C. CET1 gross of elements to be deducted and effects of transitional rules (A +/- B)	430,947	446,188
D. Elements to be deducted from CET1	(60,628)	(63,355)
E. Transitional period - Impact on CET1 (+/-), including non-controlling interests subject to transitional provisions		
F. Total Common Equity Tier 1 (CET1) (C - D +/-E)	**370,320**	**382,833**
G. Tier 1 (Additional Tier 1 - AT1) inclusive of elements to be deducted and effects of transitional rules	**150,000**	
of which AT1 instruments subject to transitional provisions		
H. Elements to be deducted from AT1		
I. Transitional period - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to transitional provisions		
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**150,000**	
M. Tier 2 (T2) inclusive of elements to be deducted and effects of transitional rules		**98,224**
of which T2 instruments subject to transitional provisions		
N. Elements to be deducted from T2		
O. Transitional period - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to transitional provisions		
P. Total Tier 2 (T2) capital (M - N +/- O)		**98,224**
Q. Total Own Funds (F+L+P)	**520,320**	**481,057**

2.3 Capital adequacy

A. Qualitative information

Compliance with Group capital adequacy limits for the CET1 Capital Ratio, Tier 1 Capital Ratio, and Total Capital Ratio is constantly monitored by the relevant corporate bodies.

The CET1 Capital Ratio is the ratio of Common Equity Tier 1 capital to Risk-Weighted Assets.

The Tier 1 Capital Ratio is the ratio of Tier 1 Capital to Risk-Weighted Assets.

The Total Capital Ratio is the ratio of Total Own Funds to Risk-Weighted Assets.

In accordance with the provisions of Bank of Italy Circular No. 262 of December 22, 2005 "Banks' financial statements: layout and preparation", the amount of risk-weighted assets was determined as the product of the total of prudential capital requirements and 12.5 (inverse of the minimum obligatory ratio equal to 8%).

The Group's total exposure to risks at June 30, 2022, in relation to its business, is adequate according to the level of capitalization and the risk profile identified.

With regard to the Banking Group, the CET1 is 15.1% and the Tier 1 Capital Ratio and the Total Capital Ratio are 21.2%.

Pillar I - Capital adequacy to meet the typical risks associated with financial operations

From the standpoint of operations, the absorption of risks is calculated using various methods:

- "Standardized approach" for credit risk;
- "Standardized approach" for counterparty risk;
- "Basic approach" for operational risk;
- "Standardized approach" for market risk.

Credit risk

This risk is thoroughly described in Part E of this document.

Counterparty risk

Counterparty risk represents a particular type of credit risk, characterized by the fact that the exposure, owing to the financial nature of the contract executed between the parties, is uncertain and can change over time in relation to the evolution of the underlying market factors.

For BFF, counterparty risk can be generated by repurchase agreements and derivatives. Counterparty risk is measured using the original exposure method.

Operational risk

Operational risk is the risk of incurring a loss due to inadequacy or failure of procedures, human resources and internal systems or as a result of external events. This category includes, amongst other items, losses caused by fraud, human error, business interruption, system failure, breach of contracts and natural disasters; operational risk includes legal risk but excludes strategic and reputational risks.

Operational risk, therefore, refers to various types of events that would not be significant unless analyzed together and quantified for the entire risk category.

The Group measures operational risk using the "Basic" approach: the capital requirement is deter- mined by applying a 15% coefficient to the three-year average of the relevant indicator, calculated on the financial statements items of the last three years, in accordance with Regulation (EU) No. 575/2013.

Market risk

Market risk is the risk relating to positions held for trading, that is, positions intentionally held for sale in the short term, acquired in order to take advantage of purchase and sale price differences, or other changes in prices or interest rates.

The regulation identifies and regulates the treatment of the various types of market risk in reference to the regulatory trading portfolio. The Group measures market risk using the "Standardized" approach.

Pillar II - The ICAAP/ILAAP Report

The supervisory regulations require intermediaries to adopt control strategies and processes for determining the adequacy of current and future capital. It is the Supervisory Authority's responsibility to verify the reliability and accuracy of the results generated and, where necessary, to take appropriate corrective action.
BFF Banking Group annually submits the "ICAAP/ILAAP Report" to the Bank of Italy, thus providing an update on the internal processes for determining adequacy of capital and of liquidity risk governance and management systems of the Group. In accordance with prudential supervisory provisions, the Group has prepared the "ICAAP/ILAAP Report" approved by the BFF Board of Directors on April 29, 2022. The Report has been prepared in compliance with the requirements envisaged in Circular no. 285 of the Bank of Italy.

In relation to the "Supervisory Review and Evaluation Process" (SREP), the Group must comply with a CET1 Ratio of 7.85%, a Tier 1 Ratio of 9.65% and a Total Capital Ratio of 12.05%.

Quantitative information

The following table provides the capital requirements, at the reporting date, relative to the scope of consolidation of the Banking Group pursuant to the Consolidated Law on Banking.

(Values in thousand euros)

Categories/values	Non-weighted amounts		Weighted amounts / requirements	
	06.30.2022	12.31.2021	06.30.2022	12.31.2021
A. RISK ASSETS				
A.1 Credit and counterparty risk				
1. Standardized methodology	12,487,140	11,261,862	1,828,182	1,525,292
2. Methodology based on internal ratings				
2.1 Basic				
2.2 Advanced				
3. Securitizations				
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			146,255	122,023
B.2 Credit valuation adjustment risk			114	1,207
B.3 Settlement risks				
B.4 Market risks				
1. Standard methodology			-	262
2. Internal models				
3. Concentration risk				
B.5 Operational risk				
1. Basic approach			50,198	50,199
2. Standardized methodology				
3. Advanced method				
B.6 Other calculation factors				
B.7 Total prudential requirements			**196,567**	**173,691**
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			**2,457,087**	**2,171,141**
C.2 CET 1/Risk-weighted assets (CET1 capital ratio) (%)			**15.07%**	**17.63%**
C.3 Tier 1 Capital/Risk-weighted assets (Tier 1 capital ratio) (%)			**21.18%**	**17.63%**
C.4 Total Own Funds/Risk-weighted assets (Total capital ratio) (%)			**21.18%**	**22.16%**

Part G - Business combinations of companies or business units

Section 1 - Transactions executed at the date of the interim consolidated financial statements

On May 12 BFF signed an agreement to acquire MC3 Informatica S.r.l., an IT consulting company based in Brescia. BFF has been working with MC3 for ten years, mainly in the area of factoring systems. In fact, MC3 supported BFF in the initial implementation and subsequent evolution of the bank's current core-factoring system. The transaction is consistent with the growth path outlined by the Bank in the 2023 Business Plan, as it allows the vertical integration of all MC3's development activities related to the management and evolution of the information system in the Factoring & Lending business unit.
The closing is scheduled to take place in September 2022, following the Bank of Italy's authorisation received on July 12.

Section 2 - Transactions executed after the close of the interim consolidated financial statements

After the end of the first half of 2022, there were no business combinations falling under the definition of the revised IFRS 3.

Part H - Transactions with related parties

Related parties, as defined by IAS 24, include:

- The parent;
- Subsidiaries;
- Directors and key management personnel and their close family.

The following table provides the income statement and statement of financial position amounts arising from related party transactions performed by the Group at June 30, 2022, broken down by type of related party pursuant to IAS 24, and the percentage to their respective financial statements item.

(Values in thousand euros)

	Parent company	Directors and key management personnel[1]	Other related parties	Total related parties	Financial statements item	% of financial statements item	Statement of cash flows item	% of Statement of cash flows item
Impact of transactions on the statement of financial position								
Equity investments								
At June 30, 2022			8,564	**8,564**	**13,619**	**62.9%**	**(136)**	**N/A**
Amounts due to customers								
At June 30, 2022		(712)		**(712)**	**(10,370,037)**	**0.0%**	**1,084,216**	**0.1%**
Provision for risks and charges: a) pension and similar obligations								
At June 30, 2022		(990)		**(990)**	**(7,853)**	**12.6%**	**71,374**	**1.4%**
Other liabilities								
At June 30, 2022		(591)		**(591)**	**(569,656)**	**0.1%**	**71,374**	**0.8%**
Reserves								
At June 30, 2022		(5,190)		**(5,190)**	**(237,162)**	**2.2%**	**71,374**	**7.3%**
Impact of transactions on the income statement								
Interest and similar expense								
At June 30, 2022		(6)		**(6)**	**(13,357)**	**0.0%**	-	
Administrative expenses: a) personnel expenses								
At June 30, 2022		(8,071)		**(8,071)**	**(35,600)**	**22.7%**	-	
Net provisions for risks and charges								
At June 30, 2022		(171)		**(171)**	**(3,078)**	**5.6%**	**3,078**	**-5.6%**

(1) Including members of the Board of Directors.

At June 30, 2022 the option rights relating to the outstanding stock option plans were equal to 9,850,288 options awarded: if the price of the shares doubles (for example up to €15), the dilution would be 1.76%.

Specifically, at June 30, 2022, with regard to the 2016 stock option plan (according to which a total of 8,358,640 option rights had been assigned), the number of options assigned and not exercised amounted to 1,465,788 (2,534,684 at December 31, 2021). The vesting period has matured for 1,187,948 of these (1,581,684 at December 31, 2021).

With regard to the 2020 stock option plan, 8,384,500 options were assigned as of June 30, 2022 (compared to 8,615,000 options assigned as of December 31, 2021), none of which is yet exercisable.

In order to optimize the Group's funding activities, the Parent has entered into intercompany loan agreements with subsidiaries, regulated at arm's length.

More specifically, the balances of the intercompany positions at June 30, 2022 are as follows:

- BFF Finance Iberia (through the Spanish branch of BFF Bank): €187.4 million.
- BFF Polska: PLN 2,889.5 million, of which PLN 330 million through the Polish branch of BFF Bank and equal to €16.6 million.
- BFF Central Europe: €213.5 million.
- BFF MedFinance: PLN 364.5 million, of which PLN 64.5 million through the Polish branch of BFF Bank.
- BFF Ceska Republika: CZK 43 million.
- BFF Immobiliare: €19.4 million.

BFF Bank has the following licence agreements in place:

- With BFF Finance Iberia, which allows the use, under licence, of the software, organizational methods and communication lines of BFF Bank (IT rights), as well as the assistance, maintenance and monitoring of such rights. The consideration is based on royalties, which at June 30, 2022 amounted to about €634 thousand.
- With BFF Central Europe, which allows the use, under licence, of the software, organizational methods and communication lines of BFF (IT rights), as well as the assistance, maintenance and monitoring of such rights. The consideration is based on royalties, which at June 30, 2022 amounted to about €277 thousand.
- With BFF Ceska Republika, which allows the use, under licence, of the software, organizational methods and communication lines of BFF (IT rights), as well as the assistance, maintenance and monitoring of such rights. The consideration is based on royalties, which at June 30, 2022 amounted to about €1 thousand.

There is an Intragroup Service and cost sharing agreement in place which focuses on service provision and optimal cost sharing between all Group companies and the branches of the Parent, between BFF Bank and:

- its foreign branches for an amount of about €226 thousand as of June 30, 2022;
- BFF Polska S.A. for about €296 thousand as at June 30, 2022;
- BFF Finance Iberia S.A.U. for about €149 thousand as at June 30, 2022;
- BFF Medfinance S.A. for an amount of about €40 thousand as of June 30, 2022;
- Kancelaria Karnowski for an amount of about €36 thousand as of June 30, 2022;
- BFF Central Europe s.r.o. for an amount as of June 30, 2022 equal to €43 thousand;
- BFF Ceska Republika s.r.o. for an amount as of June 30, 2022 equal to €10 thousand.

During 2016, BFF Finance Iberia purchased Italian healthcare exposures from the Parent for about €82 million. At the end of the reporting period, these exposures were already collected for about €80.9 million with an outstanding balance of about €0.9 million.

It should be noted that BFF Banks provides the following:

- Risk management activities for the subsidiary BFF Finance Iberia, for €12,000 per year;
- Internal audit activities for the subsidiary BFF Finance Iberia, for €6,400 per year;
- Administrative support services for Fondazione Farmafactoring, for consideration of €15 thousand per year;
- Administration, internal audit, compliance, risk management, corporate affairs secretariat and IT services for the subsidiary BFF Immobiliare S.r.l., amounting to €44,000 per year.

The Group has also entered into agreements with its shareholder companies in relation to factoring services and the management and collection of exposures at arm's length.

Lastly, it should be noted that the conditions of deposit accounts relating to Group directors and other related parties correspond to those recorded in the relevant prospectus at the time the deposit accounts were opened.

Part I - Share-Based Payments

A. Qualitative information

2016 Stock Option Plan

On December 5, 2016, the parent's Ordinary Shareholders' Meeting approved the adoption of a stock option plan for employees and members of the corporate boards. The plan has the following features:

- *Purpose*: the plan involves the award of a maximum of 8,960,000 options in three tranches; each one provides the beneficiary with the right to subscribe for newly issued ordinary shares of the parent or shares that have already been issued and are included in the parent's portfolio when the option is exercised.
- *Beneficiaries*: the identification of beneficiaries and the granting of options are decided by:
  a) The Board of Directors, after consulting with the Remuneration Committee, with reference to directors, senior executives and executives directly reporting to the Chief Executive Officer;
  b) The Chief Executive Officer, within the limits of his/her powers, with reference to other beneficiaries whose remuneration falls within his/her duties;
- *Type of exercise*: ordinary or cashless exercise. On March 28, 2019 the Ordinary Shareholders' Meeting approved the introduction of an alternative method for exercising options under the plan, in addition to the ordinary option (so-called cashless). According to the new exercise option, authorized beneficiaries who requested it can be allocated a number of shares determined based on the market value of the shares at the exercise date, with no obligation for them to pay the exercise price.

In line with current regulations, the options granted under the 2016 Plan contribute to the determination of the variable remuneration paid through the use of financial instruments; therefore, the plan is subject to all the restrictions established under the remuneration and incentive policy for members of the strategic supervision, management and control bodies, and personnel of the Banking Group, and in accordance with the law.

The vesting conditions of the options included in the plan are as follows:

- The options awarded in each tranche will vest starting from the twelfth month following the award, which is subject to a series of conditions detailed in the plan, and assuming:
  (a) Continuation of employment relationship with the Group and/or of the office held in the Board of Directors; and
  (b) Levels of capital and liquidity resources suitable to cover the activities undertaken and compliance with other parameters, also of a regulatory nature.

Note that the plan is subject to malus and clawback conditions: options are subject to ex post correction mechanisms (malus and/or clawback) which, when the pre-set circumstances arise, result in the loss and/ or the restitution of the rights attributed by the plan.

At June 30, 2022 the number of stock options assigned and not exercised amounted to 1,465,788. The vesting period has matured for 1,187,948 of these, which are thus exercisable.

Furthermore, as of June 30, 2022 6,398,910 options were exercised in cash-less mode and 415,482 options exercised in ordinary mode, equivalent to 1,604,140 shares of the bank (of which 1,013,114 newly issued).

2020 Stock Option Plan

On April 2, 2020, the Ordinary Shareholders' Meeting approved a new Stock Option Plan ("2020 Plan") for employees and directors holding executive positions in the parent and/or its subsidiaries, having the following characteristics:

- *Purpose*: the plan involves the award of a maximum of 8,960,000 options in three tranches; each one provides the beneficiary with the right to subscribe for newly issued ordinary shares of the parent or shares that have already been issued and are included in the parent's portfolio when the option is exercised;
- *Recipients*: the beneficiaries are identified by the Board of Directors and/or the CEO at their sole discretion – within the limits envisaged by the applicable legislation and the plan – among the employees and/or Directors with executive positions in the parent and/or its subsidiaries;
- *Type of exercise*: ordinary or cashless exercise.

The options assigned within each tranche accrue upon completion of the vesting period, i.e. after 3 years from the relative assignment date. Vesting is subject to the following conditions being met: (i) The continuation of the employment relationship with the Group and/or of the office held in the Board of Directors and absence of notice due to resignation or dismissal; and (ii) Levels of capital and liquidity resources necessary to cover the activities undertaken and compliance with other parameters, also of a regulatory nature.

8,384,500 options were assigned as of June 30, 2022 (compared to 8,615,000 options assigned as of December 31, 2021), none of which is yet exercisable.

BFF Banking Group 2022 Long-Term Incentive Plan

On March 31, 2022, the Ordinary Shareholders' Meeting approved a new "2022 Long-Term Incentive Plan" for employees and directors holding executive positions in the parent and/or its subsidiaries, having the following characteristics.

- *Subject*: the plan provides for the allocation of a maximum of 9,700,000 options divided into three tranches. The options can be of two types: (i) Class A options, which grant the right to receive ordinary shares of the parent, i.e. "equity settled", and (ii) Class B options, which grant the right to receive phantom shares, to be converted into cash in accordance with the provisions of the plan, i.e. cash settled.
- *Vesting conditions (exercise)*: options granted under each tranche vest upon completion of the three-year period from the relevant grant date. Vesting is also subject to the fulfilment of the following conditions: (i) continuation of employment with the Group and/or office in the Board of Directors and absence of notice of resignation or dismissal; and (ii) achievement of KPIs (i.e. company performance indicators), without prejudice to the deferral and lock-up provisions applicable to the most significant personnel (i.e. Risk Takers) of the Bank and the other detailed forecasts of the plan, already disclosed to the market in accordance with applicable regulations.

Part L - Segment reporting

Consistent with the business areas identified in order to monitor and analyze the Group's results, the Group segment information is divided into representative sections of the three BUs that offer products/services to customers:

- Factoring & Lending BU, which offers products such as non-recourse factoring, lending and credit management mainly to public sector suppliers and public administration bodies.
- Securities Services BU, which deals with custodian banking for investment funds and related services such as global custody, fund accounting and transfer agents for national managers and banks and for various investment funds such as pension funds, mutual funds and alternative funds.
- Payments BU, which deals with payment processing, corporate payments and cheques and bills and has as customers medium-small Italian banks, medium-large companies and boasts a partnership with Nexi.

For comments and details on the items listed, please refer to the specific sections contained in the chapter on Operating Performance.

Factoring & Lending BU

Volumes and Loans to customers	06.30.2021	06.30.2022
Volumes	**2,468**	**3,395**
Italy	1,293	2,084
Spain	685	779
Poland	271	299
Slovakia	21	10
Portugal	140	111
Greece	44	86
France	12	24
Croatia	1	1
Czech Republic	0	1
Loan portfolio	**3,359**	**4,529**
Italy	1,819	2,930
Spain	286	261
Poland	724	786
Slovakia	223	233
Portugal	224	186
Greece	74	117
France	6	12
Croatia	2	1
Czech Republic	1	2

Income Statement	First half 2021	First half 2022
Total net revenues	70.7	81.6
Direct costs	(17.9)	(19.0)
Amortization, depreciation and impairment losses on property, equipment and investment property/intangible assets	(0.8)	(0.7)
Net impairment losses/gains for credit risk and net provisions for risks and charges	(0.1)	(2.1)
Profit before tax from continuing operations	**52.1**	**59.8**

Securities Services BU

Amounts managed, customers served, transactions executed and deposits	06.30.2021	06.30.2022
Custodian Bank (AuD, €m)	80,461	78,679
Fund Accounting (AuM, €m)	51,841	51,694
Transfer Agent (no. customers, #k)	2,159	2,196
Global Custody (AuC, €m)	168,452	163,524
Settlements (no. transactions, #k)	1,357	1,486
Deposits - Final Balance (€m)	6,401	5,830
Income Statement	**First half 2021**	**First half 2022**
Total net revenues	27.0	28.5
Direct costs	(14.2)	(12.8)
Amortization, depreciation and impairment losses on property, equipment and investment property/intangible assets	(0.5)	(0.1)
Net provisions for risks and charges	-	(0.5)
Profit before tax from continuing operations	**12.4**	**15.1**

Payments BU

Transactions executed and deposits	06.30.2021	06.30.2022
Interbank processing (no. trans. millions)	150	161
Settlements (no. transactions #m)	86	117
Cheques and bills (no. transactions #m)	13	11
Corporate payments (no. transactions #m)	28	33
Deposits - Final Balance (€m)	2,116	2,113
Income Statement	**First half 2021**	**First half 2022**
Total net revenues	29.4	30.5
Direct costs	(15.3)	(15.4)
Amortization, depreciation, and impairment losses on property, equipment and investment property/intangible assets	(0.4)	(0.1)
Net provisions for risks and charges	-	0.1
Profit before tax from continuing operations	**13.6**	**15.1**

Part M - Lease reporting

On January 1, 2019, the new standard IFRS 16 with the new definition and accounting model for "leases" came into effect. This standard is based on conveying the right to use an asset, and applies to all leases with the exception of leases with a lease term of 12 months or less or those for which the underlying asset has a contractual value below €5,000.

Based on this accounting model, the "right of use" is recognized in the statement of financial position as an asset, and future payments relating to the same leased asset shall be entered as a liability. Any depreciation relating to the right-of-use asset, and any relevant interest expense, is recognized in the income statement.

The application of IFRS 16 changed the accounting substantially for lessees, as it eliminates a lessee's classification of leases as either operating leases or finance leases.

In particular, lessees are required to comply with the following main provisions:

- The identified asset is classified as a right-of-use asset and presented in the statement of financial position as if it was owned. The relevant financial liability shall also be recognized;
- At the commencement date, a lessee shall measure the financial liability at the present value of the lease payments agreed by the parties to use the asset over the term of the contract that is reasonably certain. The initial measurement of the right-of-use shall be equal to the value of the financial liability, less some specific items, e.g. those relating to the direct costs incurred in obtaining the lease;
- For subsequent measurement of the asset and over the lease term, the asset is depreciated on a systematic basis, while the financial liability includes any interest expense, calculated based on the interest rate implicit in the lease where expressly stated or on the cost of funding for the period, and any periodic lease payments.

Section 1 - Lessee

Qualitative information

During 2018, BFF Banking Group launched a project aimed at understanding and defining the qualitative and quantitative impact of first-time adoption of the new IFRS 16. Following on from this project, a new accounting model has been defined for use in relation to all leases with the exception of those for which the underlying asset is of low value (less than 5,000 euros) or that have a short lease term (12 months or less).

For the purposes of the first-time adoption of the standard (first-time adoption or FTA), on January 29, 2019 the Board of Directors resolved that BFF and all companies belonging to BFF Banking Group would adopt the "Modified Retrospective Approach". As a result, the Group does not need to apply the standard retrospectively (therefore considering complex comparative information), and the amount relating to right-of-use assets under "Property, equipment and investment property" is equal to the financial liability amount.

Quantitative information

BFF Banking Group's right-of-use assets accounted for as "Property, equipment and investment property" at first- time adoption and at June 30, 2022 are shown below.

(Values in thousand euros)

	Right-of-use assets 06.30.2022	Right-of-use assets 12.31.2021
BFF	12,360	13,793
BFF Finance Iberia	856	1,011
BFF Polska Group	1,325	1,486
Total BFF Banking Group	**14,541**	**16,290**

For more details on the accounting impacts related to Property, equipment and investment property and Financial liabilities measured at amortized cost, please refer to the specific section of Part B of the Notes to the Condensed Interim Consolidated Financial Statements.

Section 2 - Lessor

Please note that this section only refers to BFF Polska Group's activities.

Quantitative information

(Values in thousand euros)

Time periods	Total 06.30.2022	Total 12.31.2021
	Lease payments to be received	Lease payments to be received
Up to 1 year	259	312
More than 1 year to 2 years	231	312
More than 2 year to 3 years	211	286
More than 3 year to 4 years	189	264
More than 4 year to 5 years	79	209
Over 5 years	90	113
Total lease payments to be received	**1,058**	**1,497**
RECONCILIATION WITH FINANCING ACTIVITIES		
Financial gains not yet accrued (-)		
Unguaranteed residual value (-)		
Loans for leases	1,858	2,851

03

Interim Separate Financial Statements

at June 30, 2022
of BFF Bank S.p.A.

Statement of Financial Position

(Values in euro units)

Assets		06.30.2022	12.31.2021
10.	Cash and cash equivalents	382,161,403	543,227,039
20.	Financial assets measured at fair value through profit or loss	38,751,089	36,598,343
	a) financial assets held for trading	*6,979,826*	*4,094,816*
	c) other financial assets subject to mandatory fair value measurement	*31,771,263*	*32,503,527*
30.	Financial assets measured at fair value through other comprehensive income	128,506,575	83,505,780
40.	Financial assets measured at amortized cost	11,114,697,272	9,756,005,874
	a) loans and receivables with banks	*693,303,860*	*403,898,197*
	b) loans and receivables with customers	*10,421,393,412*	*9,352,107,677*
50.	Hedging derivatives	8,754,610	13,098
70.	Equity investments	151,491,361	150,491,361
80.	Property, equipment and investment property	30,852,069	33,137,709
90.	Intangible assets	32,387,380	34,307,556
	of which		
	- goodwill	-	--
100.	Tax assets	75,690,369	93,416,525
	a) current	*21,901,395*	*37,778,093*
	b) deferred	*53,788,974*	*55,638,432*
120.	Other assets	405,068,433	205,860,256
TOTAL ASSETS		**12,368,360,561**	**10,936,563,541**

(Values in euro units)

Liabilities and equity	**06.30.2022**	**12.31.2021**
10. Financial liabilities measured at amortized cost	11,040,239,660	9,875,042,950
a) due to banks	*685,888,527*	*781,958,910*
b) due to customers	*10,315,714,500*	*8,906,798,878*
c) securities issued	*38,636,633*	*186,285,162*
20. Financial liabilities held for trading	1,954,296	2,724,511
40. Hedging derivatives	13,808	4,814,350
60. Tax liabilities	99,728,271	96,423,957
a) current	-	-
b) deferred	*99,728,271*	*96,423,957*
80. Other liabilities	545,798,861	415,755,109
90. Post-employment benefits	3,180,782	3,709,582
100. Provision for risks and charges	21,947,438	21,441,439
a) commitments and guarantees given	*13,436*	*58,051*
b) pension and similar obligations	*7,692,060*	*5,900,894*
c) other provisions	*14,241,942*	*15,482,494*
110. Valuation reserves	4,452,234	4,060,028
130. Equity instruments	150,000,000	-
140. Reserves	184,634,945	146,250,932
150. Share premium reserve	66,492,997	66,492,997
160. Share capital	142,849,688	142,690,771
170. Treasury shares	(5,027,219)	(7,132,434)
180. Profit for the period	112,094,800	164,289,349
TOTAL LIABILITIES AND EQUITY	**12,368,360,561**	**10,936,563,541**

Income Statement

(Values in euro units)

Items		First half 2022	First half 2021
10.	Interest and similar income	107,482,576	70,193,869
	of which: interest income calculated according to the effective interest method	*101,454,787*	*65,951,566*
20.	Interest and similar expense	(13,272,561)	(23,059,726)
30.	**Net interest income**	**94,210,015**	**47,134,143**
40.	Fee and commission income	64,243,477	43,527,661
50.	Fee and commission expense	(18,511,983)	(11,369,504)
60.	**Net fee and commission expense**	**45,731,494**	**32,158,157**
70.	Dividends and similar income	74,904,245	3,671,395
80.	Profits (losses) on trading	5,853,505	2,975,329
90.	Profits (losses) on hedging	(14,478,784)	(1,847,826)
100.	Profits (losses) on disposal or repurchase of:	-	(12,662,994)
	a) financial assets measured at amortized cost	-	*(15)*
	b) financial assets measured at fair value through other comprehensive income	-	*(13,109)*
	c) financial liabilities	-	*(12,649,870)*
110.	Profits on other financial assets and liabilities measured at fair value through profit or loss	4,007,101	992,786
	a) financial assets and liabilities carried at fair value	-	-
	b) other financial assets subject to mandatory fair value measurement	*4,007,101*	*992,786*
120.	**Total income**	**210,227,576**	**72,420,990**
130.	Net impairment losses/gains for credit risk associated with:	(807,347)	(2,808,393)
	a) financial assets measured at amortized cost	*(807,347)*	*(2,661,804)*
	b) financial assets measured at fair value through other comprehensive income	-	*(146,589)*
150.	**Net income from banking activities**	**209,420,229**	**69,612,597**
160.	Administrative expenses:	(77,735,701)	(74,909,153)
	a) personnel expenses	*(31,231,586)*	*(29,429,629)*
	b) other administrative expenses	*(46,504,115)*	*(45,479,524)*
170.	Net provisions for risks and charges	(3,291,125)	2,065,880
	a) commitments and guarantees given	*38,506*	*688,115*
	b) other net provisions	*(3,329,631)*	*1,377,765*
180.	Depreciation and impairment losses on property, equipment and investment property	(2,149,812)	(1,696,117)
190.	Amortization and impairment losses on intangible assets	(2,825,245)	(4,107,242)
200.	Other net operating income	13,553,067	175,927,850
210.	**Operating costs**	**(72,448,816)**	**97,281,217**
260.	**Profit before tax from continuing operations**	**136,971,413**	**166,893,814**
270.	Income taxes on continuing operations	(24,876,613)	23,140,141
280.	**Profit from tax from continuing operations**	**112,094,800**	**190,033,955**
300.	**Profit for the period**	**112,094,800**	**190,033,956**
	Basic earnings per share	**0.602**	**1.013**
	Diluted earnings per share	**0.576**	**0.980**

Statement of Comprehensive Income

(Values in euro units)

Items		First half 2022	First half 2021
10.	**Profit for the period**	**112,094,800**	**190,033,956**
	Other components net of taxes that may not be reclassified to profit or loss		
20.	Equity instruments designated at fair value through other comprehensive income		
30.	Financial liabilities designated at fair value through profit or loss (changes in creditworthiness)		
40.	Hedging of equity instruments carried at fair value through other comprehensive income		
50.	Property, equipment and investment property		
60.	Intangible assets		
70.	Defined-benefit plans	401,999	(17,267)
80.	Non-current assets held for sale and discontinued operations		
90.	Share of valuation reserves connected with equity-accounted investments		
	Other components net of taxes reclassified to profit or loss		
100.	Hedging of foreign investments		
110.	Foreign exchange differences	(10,533)	(36,585)
120.	Cash flow hedges		
130.	Hedging instruments (undesignated elements)		
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	740	264,416
150.	Non-current assets held for sale and discontinued operations		
160.	Share of valuation reserves connected with equity-accounted investments		
170.	**Total other comprehensive income net of tax**	**392,207**	**210,565**
180.	**Comprehensive income (Items 10+170)**	**112,487,007**	**190,244,521**

04

Certification by the Financial Reporting Officer

CERTIFICATION OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE. 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

1. The undersigned
   - Massimiliano Belingheri, in his capacity as Chief Executive Officer,
   - Claudio Rosi, as Financial Reporting Officer of BFF Bank S.p.A.,

   hereby certify, having taken into account the provisions of art. 154-bis, paragraphs 3 e 4, of legislative decree no. 58 of 24 february 1998:

   - the suitability as regards the characteristics of the company, and
   - the effective implementation of the administrative and accounting procedures for the drafting of the condensed consolidated half-year financial report, during the first half of 2022.

2. The suitability and effective application of the administrative and accounting process for the drafting of the consolidated condensed interim financial statements as of 30 June 2022 was verified based on internally defined method adopted by BFF Bank S.p.A., in accordance with the Internal Control – Integrated Framework model issued by *Committee of Sponsoring Organizations of Tradeway Commission (COSO)* of the reference standards for the internal audit system generally accepted on an international level.

3. Moreover, the undersigned hereby certify that:

   3.1 the consolidated condensed interim financial statements as of 30 June 2022:

   a) were drafted in accordance with the applicable international accounting standards endorsed by the European Community, pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) correspond to the results of the accounting books and records;

   c) are suitable for providing a true and fair view of the financial position of the issuer and all the companies included in the scope of consolidation.

   3.2 The half-year report on operations includes a reliable analysis of the important events which occurred during the first half of the year and their impact on the consolidated condensed interim financial statements, together with a description of the main risks and uncertainties for the remaining six months of the year. The half-year report on operations includes, moreover, a reliable analysis of the information concerning major transactions with related parties.

Milan, 04 August 2022

Massimiliano Belingheri
Chief Executive Officer

Claudio Rosi
Financial Reporting Officer

05

Independent Auditors' report

KPMG S.p.A.
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(This report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Report on review of condensed interim consolidated financial statements

To the shareholders of
BFF Bank S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the BFF Banking Group, comprising the statement of financial position as at 30 June 2022, the income statement and the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of the review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the BFF Banking Group as at and for the six months ended 30 June 2022 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 5 August 2022

KPMG S.p.A.

(signed on the original)

Roberto Spiller
Director of Audit

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