Distribution by BFF Bank S.p.A. of an interim dividend for fiscal year 2023 pursuant to Article 2433-bis of the Italian Civil Code

2023

BFF Bank S.p.A.
Parent of the BFF Banking Group
Registered Office in Milan - Via Domenichino 5
Share Capital €143,749,686.00 (fully paid-in)
Milan Company Register No.,
Tax Code and VAT No. 07960110158

Contents

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 will remain in office until the Shareholders' Meeting that will approve the financial statements at December 31, 2023.

ROLE OF BOARD OF DIRECTORS MEMBERS AND INDEPENDENCE REQUIREMENTS

NAME	OFFICE HELD IN BFF	EXECUTIVE	NON-EXECUTIVE	INDEPENDENCE
Salvatore Messina	Chairman		✓	
Federico Fornari Luswergh	Deputy Chairman		✓	
Massimiliano Belingheri	Chief Executive Officer	✓		
Anna Kunkl	Director		✓	✓
Michaela Aumann	Director		✓	✓
Piotr Henryk Stępniak	Director		✓	
Domenico Gammaldi	Director		✓	✓
Monica Magrì	Director		✓	✓
Giovanna Villa	Director		✓	✓

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 most recently approved by the Board on June 27, 2023 and the Board of Directors' Diversity Policy, most recently approved by the Board on July 28, 2021.

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 will remain in office until the Shareholders' Meeting that will approve the financial statements as of December 31, 2023.

INDEPENDENT AUDITORS

KPMG S.p.A.

FINANCIAL REPORTING OFFICER

Giuseppe Manno

Directors' report on the distribution of an interim dividend pursuant to Article 2433-bis of the Italian Civil Code

Considerations on the distribution of an interim dividend

Article 2433-bis of the Italian Civil Code stipulates that the distribution of interim dividends is allowed for companies whose financial statements are subject by law to a statutory audit in accordance with the regime envisaged by laws specific to public interest entities, if such distribution is envisaged in the By-laws and in the presence of a positive opinion of the previous year's financial statements by the auditor tasked with performing the statutory audit and its approval. The distribution of interim dividends is not permitted when the latest approved financial statements show losses for the year or previous years.

Finally, the distribution must be approved by the Board of Directors based on an accounting statement and a directors' report showing that the company's financial position, financial performance and assets allow for such distribution. The opinion of the statutory auditor must be obtained on these documents.

With regard to the quantification of the amount of the interim dividend, account was taken of:

- the regulations, which stipulate that the distribution may not exceed the lesser of the amount of profits earned since the close of the previous fiscal year less the portions that must be allocated to reserves by law or according to the by-laws, and the amount of available reserves;
- the BFF Banking Group's Dividend Distribution Policy, which requires the Bank to distribute the amount of normalized consolidated net income generated during the fiscal year in excess of what is necessary to preserve a minimum level of primary tier 1 capital ratio (CET 1) of 12.00%, (subject to compliance with all other current and prospective regulatory capital ratios), and that the frequency of dividend distributions will normally be semi-annual, with one payment based on the normalized consolidated earnings for the first half of the year, and one final payment in April based on the annual normalized consolidated earnings for the year.

That being said, note that the Financial Statements of BFF Bank S.p.A. as of December 31, 2022:

- did not show any losses related to the year or previous years;
- was audited by KPMG S.p.A., which issued a positive opinion on March 23, 2023;
- was approved by the Shareholders' Meeting on April 13, 2023.

Furthermore, Article 25.4 of the By-laws of BFF Bank S.p.A. provides that the Board of Directors may approve the distribution of interim dividends.

In the case of BFF Bank S.p.A., the distribution of the interim divided was determined based on the accounting statement as of June 30, 2023, prepared in accordance with the recognition and measurement criteria established by the International Financial Reporting Standards - IFRS endorsed by the European Union (IFRS-EU) used in the preparation of the financial statements as of December 31, 2022, to which we refer for a more complete presentation.

The Financial Statements consist of the Statement of financial position as of June 30, 2023, the Income Statement for the interim period from January 1 to June 30, 2023, the Statement of Comprehensive Income, the Statement of Changes in Equity for the period from January 1 to June 30, 2023, and the Statement of Cash Flows as of June 30, 2023.

The values shown are compared with the corresponding values for the same period in the previous year, except for the Statement of financial position, which is compared with the corresponding statement as of December 31, 2022.

A summary of the relevant data for determining the distributable interim dividend is shown in the following table.

(amounts in euros)

	BFF Bank S.p.A. Separate Interim Report
Profit from 01/01/2023 to 06/30/2023	54,614,999
Share of profit to be allocated to reserves	163,974
Profit for the period available	54,451,025
Available reserves	316,895,580
Lesser of profit for the period and available reserves	***54,451,025***
Proposed interim dividend - maximum amount	**54,451,024.78**
Proposed interim dividend per share	0.291

Therefore, pursuant to Article 2433-bis, paragraph 4 of the Italian Civil Code, the maximum amount distributable as an interim dividend is €0.291 for each of the outstanding ordinary shares on the record date, corresponding to a maximum amount of €54,451,024.78.

In order to comply with its dividend policy, which requires the BFF Banking Group to semi-annually distribute the amount of normalized consolidated net income generated during the year in excess of a primary tier 1 capital ratio (CET 1 ratio) level of 12.00% (subject to compliance with all other current and prospective regulatory indicators), with one payment based on the normalized consolidated earnings for the first half of the year and one based on the normalized consolidated earnings at the end of the year, the Bank will submit a proposal to the Ordinary Shareholders' Meeting to distribute part of the Retained Earnings Reserve outstanding as of December 31, 2022 in the amount of €0.147 per share (equivalent to a maximum amount of €27,487,349.74 million), with payment date on September 13, 2023.
In fact, if the above proposal is approved, BFF will distribute a total of €0.438 per share on September 13, 2023 (for a maximum amount of €81,938,374.52 million, the normalized consolidated Group result as of June 30, 2023). On this point, see also the section "Events after the end of H1 2023."

Note also that the capital ratios CET1, Tier 1 Capital Ratio and Total Capital Ratio are 11.3%, 15.5% and 15.5%, respectively, and therefore far above the regulatory limits. Note in this regard that these ratios communicated to the Bank of Italy already take into account both the distribution of the interim dividend (since the Group's CET1 is above 12% and therefore there is no need to allocate the profit generated in the period to equity) and the distribution of reserves (thus assuming a favorable vote by the Shareholders' Meeting in view of the fact that even with the inclusion of the above distribution the Group's CET1 remains above 12%).

The interim dividend for fiscal year 2023 must be allocated to each of the ordinary shares constituting the share capital of BFF Bank S.p.A. net of treasury shares on the ex-date.

Taking into account that the conditions set forth in paragraphs 1 to 3 of Article 2433-bis of the Italian Civil Code have been met, in light of the information included in the following sections regarding BFF Bank S.p.A.'s economic and financial situation in the first six months of 2023 and the information included in the paragraphs "Events after the end of H1 2023" and "Information on the economic outlook and the outlook for the current year," in compliance with the provisions of paragraph 4 of Article 2433-bis of the Italian Civil Code the Board of Directors intends to distribute an interim dividend in the aggregate amount of up to a maximum of €54,451,024.78, resulting from a unit amount of €0.291 per ordinary share.

Despite this interim dividend distribution, BFF Group's capital ratios remain well above the required minimum levels. Furthermore, there are no recommendations from regulators regarding the capital requirements applicable to BFF Bank S.p.A. that preclude the distribution of an interim dividend.
Specifically, based on the data as of June 30, 2023 after distribution of the aforementioned dividend, the regulatory capital ratios at the consolidated level CET1, Tier 1 Capital Ratio and Total Capital Ratio are respectively 15.6%, 20.8% and 20.8%.

Balance sheet items

(Values in thousand euros)

Assets	12.31.2022	06.30.2023
Cash and cash equivalents	623,975	189,536
Financial assets measured at fair value	218,639	261,256
Financial assets measured at amortized cost	11,726,530	10,620,685
Hedging derivatives and equity investments	151,876	154,876
Property, equipment and investment property and intangible assets	63,906	62,201
Tax assets	55,243	54,278
Other assets	389,016	508,121
TOTAL ASSETS	**13,229,185**	**11,850,953**

(Values in thousand euros)

Liabilities and equity	12.31.2022	06.30.2023
Financial liabilities measured at amortized cost	11,933,207	10,559,087
Financial liabilities held for trading and hedging derivatives	15,263	1,078
Tax liabilities	128,840	148,475
Other liabilities	382,205	403,928
Post-employment benefits and provision for risks and charges	35,469	33,880
Shareholders' equity	472,763	649,890
Profit for the period	261,438	54,615
TOTAL LIABILITIES AND EQUITY	**13,229,185**	**11,850,953**

Cash and cash equivalents

(Values in thousand euros)

Items	12.31.2022	06.30.2023	Changes
a) Cash	206	212	6
b) Current accounts and sight deposits at Central Banks	489,810	51,038	(438,772)
c) Current accounts and sight deposits at banks	133,959	138,286	4,326
Total	**623,975**	**189,536**	**(434,439)**

As of June 30, 2023, this item mainly includes unrestricted deposits with the Bank of Italy, amounting to €51 million (compared to €490 million at December 31, 2022), as well as current accounts held by the parent at third-party banks at the end of H1 2023, amounting to €138 million. The item decreased compared to December 31, 2022 due to the reduction of liquidity on deposit with the Bank of Italy.

Financial assets measured at fair value through profit or loss

(Values in thousand euros)

Items	12.31.2022	06.30.2023	Changes
a) financial assets held for trading	211	1,622	1,411
c) other financial assets mandatorily measured at fair value	90,330	128,962	38,632
Total	**90,541**	**130,584**	**40,043**

This item includes the "Financial assets held for trading" of €1,622 thousand, which mainly includes the positive fair value of derivative instruments classified as trading assets but used for the operational hedges of interest rate risk that the Bank is exposed to and the "Other financial assets subject to mandatory fair value measurement" of €128,962 thousand, which mainly include the "UCI units" managed in part by the "Italian SGR Investment Fund," to a lesser extent by the "Atlante Fund" and, as of the end of 2022, by a fund of which the Bank has subscribed units for a value of €100 million. The value of UCI units recognized in the financial statements as of June 30, 2023 has been updated to the latest available NAV made available by these funds.

Financial assets measured at fair value through other comprehensive income

(Values in thousand euros)

Items	12.31.2022	06.30.2023	Changes
Government securities - (HTC&S)	-	-	-
Equity securities	128,098	130,672	2,574
of which:			
a) Banks	125,432	125,469	37
b) Other issuers:	2,666	5,203	2,537
Total	**128,098**	**130,672**	**2,574**

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 about €5.7 million. The item increased compared to December 31, 2022 due to the purchase of an equity stake in the General Finance financial company for about €2.4 million.

Financial assets measured at amortized cost

(Values in thousand euros)

Items	12.31.2022	06.30.2023	Changes
Government securities - (HTC)	6,129,228	5,207,745	(921,483)
Loans and receivables with banks	478,203	525,442	47,239
Loans and receivables with customers	5,119,099	4,887,499	(231,600)
Total	**11,726,530**	**10,620,685**	**(1,105,845)**

The amount relating to the item Government Securities – (HTC) consists entirely of government securities classified in the Held to Collect (HTC) portfolio to hedge liquidity risk, for a total value of €5.2 billion, down from the figure recorded as of December 31, 2022 (€6.1 billion) following the sale of some securities, in compliance with the provisions of the HTC Business Model.

"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 "Receivables due from customers", the item mainly includes receivables relating to outright purchases as well intergroup loans paid to the subsidiaries. Note that, as indicated by the Bank of Italy, the ecobonus tax assets are recognized under "Other Assets" in the amount of approximately €238 million.

(Values in thousand euros)

Items	12.31.2022	06.30.2023	Changes
Factoring activities (outright purchases, late payment interest and recovery expenses)	2,988,971	3,009,577	20,606
Trade receivables purchased below face value	28,451	26,771	(1,680)
Other exposures	2,101,678	1,851,151	(250,527)
Total	**5,119,100**	**4,887,499**	**(231,601)**

Credit quality

With regard to credit quality, total net impaired exposures increased by €269.3 million at June 30, 2023 compared to €252.0 million at December 31, 2022.

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 Bank classifies exposures as Performing and Non-Performing.

Non-Performing exposures, whose overall gross amount was €273.1 million at June 30, 2023 with impairment losses totaling €3.8 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, 2023, the total non-performing loans of the Bank, net of impairment, amounted to €83.9 million. Among these non-performing exposures, €83.3 million (99.3% of the total) concerned regional authorities in financial distress.

As of June 30, 2023 gross non-performing loans amounted to €86.1 million and related adjustments amounted to €2.2 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 receivables of OSL's liabilities, is classified as non-performing, even though all receivables can be collected under the law at the end of the insolvency procedure.

Unlikely-to-pay positions

Unlikely to pay exposures reflect the judgment made by the intermediary about the unlikelihood, excluding such actions as the enforcement of guarantees, that the debtor will fully fulfill (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, 2023, gross exposures classified as unlikely to pay totaled €1.6 million and related adjustments amounted to €0.7 million, a net amount of €0.9 million.

Impaired past due exposures

Past due impaired 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, 2023, total net past due exposures amounted to €184.5 million for the Bank.
Gross exposures totaled €185.3 million and relevant adjustments amounted to around €0.8 million.

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 thousands of euros)

Type (thousands of euros)	12.31.2022			06.30.2023		
	Gross value	Write-downs/ write-backs	Net value	Gross value	Write-downs/ write-backs	Net value
Impaired exposures purchased performing (Stage 3)	249,484	(3,176)	246,308	267,245	(3,639)	263,606
Impaired exposures purchased non-performing (Stage 3)	5,678	(6)	5,672	5,865	(203)	5,662
Performing exposures (Stage 1 and 2)	4,867,749	(630)	4,867,119	4,618,983	(752)	4,618,231
Total	**5,122,911**	**(3,812)**	**5,119,099**	**4,892,093**	**(4,594)**	**4,887,499**

Furthermore, besides classifying exposures as performing and non-performing, the parent 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	12.31.2022	06.30.2023	Changes
Property, equipment and investment property	27,763	26,951	(812)
Intangible assets	36,142	35,250	(892)
Total	**63,906**	**62,201**	**(1,705)**

At June 30, 2023, the item "Tangible assets" amounted to a total of €26,951 thousand and mainly includes: i) land of €6,325 thousand, ii) buildings (including capitalized extraordinary maintenance) of €8,913 thousand including the Rome property at Via Elio Chianesi 110/d owned by the former DEPObank and the building of Via Domenichino, iii) rights of use relating to the application of IFRS 16 on leases of €10,747 thousand.
Note that in the second half of last year, the Bank sold the property in Rome at Via Bertoloni, realizing a capital gain gross of the tax effect of €317 thousand.

Intangible assets largely consist of the amount of the Customer Relationships recognized in the financial statements following the acquisition of Depobank, equal to €20,490 thousand.

The residual amount refers to investments in new multi-year programs and software.

As of June 30, 2023, the Bank believes that there are no trigger events that could impact their valuation. In accordance with the provisions of IAS 36, the above tests on the solidity of the Customer Relationships recorded in the financial statements will be performed in conjunction with the preparation of the 2023 financial statements.

Hedging derivatives, equity investments and financial liabilities held for trading

(Values in thousand euros)

Items	12.31.2022	06.30.2023	Changes
Equity investments	151,876	154,876	3,000
Financial liabilities held for trading	950	1,078	128
Hedging derivative liabilities	14,314	-	(14,313)

The item Hedging derivative liabilities includes the negative fair value at December 31, 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.

The item Equity investments consists of equity investments in BFF Polska Group, BFF Finance Iberia, BFF Immobiliare S.r.l. (established in January 2022) and BFF Techlab S.r.l. (acquired in October 2022), all exclusively controlled by the parent BFF Bank which holds 100% of the capital, as well as Unione Fiduciaria, with an equity investment amounting to 26.46% of the share capital and resulting from the acquisition of DEPObank and recognized in the financial statements for €8.6 million.

The item Financial liabilities held for trading includes the negative fair value at June 30, 2023 of derivative instruments classified as trading assets but used for the operational hedges of interest rate and exchange rate risk that the Bank is exposed to.

Tax assets and liabilities

(Values in thousand euros)

Items	12.31.2022	06.30.2023	Changes
Tax assets	**55,243**	**54,278**	**(965)**
current	-	-	-
prepaid	55,243	54,278	(965)
Tax liabilities	**128,840**	**148,475**	**19,635**
current	22,548	32,483	9,935
deferred	106,292	115,992	9,700

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.

As at June 30, 2023, current tax liabilities amount to €32,483 thousand and include the net balance of the Bank's tax positions with respect to tax authorities, in accordance with the provisions of IAS 12.

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

Other assets and Other liabilities

(Values in thousand euros)

Items	12.31.2022	06.30.2023	Changes
Other assets	389,016	508,121	119,105
Other liabilities	382,205	403,928	21,724

The “Other assets” and “Other 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.

Financial liabilities measured at amortized cost

(Values in thousand euros)

Items	12.31.2022	06.30.2023	Changes
Amounts due to banks	1,165,557	1,014,279	(151,278)
Amounts due to customers	10,728,674	9,544,809	(1,183,866)
- of which to financial institutions	-	-	-
Securities issued	38,976	-	(38,976)
Total	**11,933,207**	**10,559,087**	**(1,374,120)**

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.

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.

The item includes €1,744,121 thousand for online deposit accounts (“conto facto”) offered in Italy, Spain and Germany, the Netherlands, Ireland and Poland (restricted deposits and current accounts), compared to €1,283,120 thousand at December 31, 2022.

The securities outstanding, represented by bonds issued by the parent company, are zero.

The decrease compared to December 31, 2022 is attributable to the repayment on May 23, 2023 of the Bond (ISIN XS2068241400, rating "Ba1" assigned by the Moody's rating agency), issued for an original €300 million in October 2019 and outstanding on December 31, 2022 for a residual nominal amount of about €39 million.

Provisions for risks and charges

(Values in thousand euros)

Items	12.31.2022	06.30.2023	Changes
Commitments and other guarantees provided	225	376	150
Employee benefits	7,712	6,673	(1,039)
Other provisions	24,414	23,888	(526)
Total	**32,351**	**30,936**	**(1,415)**

As of June 30, 2023 "Provisions for risks and charges" mainly include allocations to "Pension and similar obligations" and allocations to "Other Provisions" to cover contingent liabilities that the Bank may incur. The item decreased compared to December 31, 2022 due to payments to certain categories of employees of deferred bonuses related to targets achieved in previous years, partly offset by provisions allocated in H1 2023.

The economic results

As of June 30, 2023, the Bank achieved an economic result of €54.6 million compared to €112.1 million in the same period last year. Normalizing both results, i.e., eliminating all non-recurring items that affected the results of both periods (among which the most significant in H1 2022 being the distribution of dividends from subsidiaries in the amount of €67.8 million), the normalized result as of June 30, 2023 was €60.3 million compared to €53.7 million as of June 30, 2022.

The main elements affecting the normalized performance can be summarized as follows:

- higher net interest income essentially due to the higher net return on loans, thanks to the repricing policies put in place for Factoring & Lending loans, the increase in the rate applied to calculate interest on arrears, the good performance of interest collection with concurrent benefit on the capital gains front, the repricing of floating-rate HTC government bonds, and the gradually decreasing weight of fixed-rate HTC government bonds;
- commissions of the Securities Services and Payments BUs, the former decreasing and the latter increasing compared to the same period in 2022 despite the commercial performance and mainly due to the loss of the customer Arca;
- €19.8 million in capital gains from the sale of 600 million in floating-rate government bonds;
- higher costs incurred in order to support business growth and implement initiatives to improve the Group's IT processes and architecture, freeing up additional efficiency and reducing operational risks in the future.

Total income

(Values in thousand euros)

Items	06.30.2022	06.30.2023	Changes
Maturity commissions and late payment interest on non-recourse trade receivables	52,447	99,555	47,108
Interest income on securities	7,732	78,638	70,906
Other interest	47,304	62,072	14,768
Interest and similar income	**107,483**	**240,264**	**132,782**
Interest expenses	(27,751)	(143,710)	(115,958)
Net interest income	**79,731**	**96,555**	**16,823**
Net fee and commission income	**45,731**	**36,209**	**(9,523)**
Dividends and similar income	74,904	6,670	(68,235)
Net trading income	5,854	(12,199)	(18,052)
Net hedging loss	-	-	-
Profits (losses) on disposal or repurchase of:	-	19,696	19,696
a) financial assets measured at amortized cost	-	19,842	19,842
b) financial assets measured at fair value with impact on comprehensive income	-	(146)	(146)
c) financial liabilities	-	-	-
Profits on other financial assets and liabilities at fair value through profit or loss	-	-	-
b) other financial assets mandatorily measured at fair value	4,007	(405)	(4,412)
Total income	**210,228**	**146,525**	**(63,702)**

Net interest income as of June 30, 2023 was €96.6 million, up from €79.7 million last year and benefited from the higher net return on loans, thanks to the repricing policies put in place on the Factoring & Lending side, the increase in the rate applied to calculate interest on arrears, the good performance of collections of interest on arrears with concurrent benefit on the capital gains side, the repricing of floating-rate HTC government bonds and the gradually decreasing impact of fixed-rate HTC government bonds, and the higher value of loans to customers (thanks to the growth in Factoring & Lending).

The value of commissions as of June 30, 2023 was €36.2 million, down from €45.7 million as of June 30, 2022 and was negatively impacted by the exit of Arca on November 1, 2022 and despite good business performance .

Net interest and other banking income as of June 30, 2023 was €146.5 million, down from €210.2 million in the first half of 2022, but up from €141.2 million normalized, mainly due to growth in net interest income.

Note also that the item Dividends and similar income benefited as of June 30, 2022 from the distribution of dividends by subsidiaries in the amount of €67.8 million, an item to be excluded for the purpose of normalizing the result.

Finally, of note in the first half of 2023 was the sale of €600 million of floating-rate government bonds for a total capital gain of €19.8 million.

Administrative costs

(Values in thousand euros)

Items	06.30.2022	06.30.2023	Changes
Personnel expenses	(34,166)	(35,472)	(1,305)
Other administrative expenses	(46,504)	(45,462)	1,042
Total administrative expenses	**(80,670)**	**(80,934)**	**(263)**

Administrative expenses as of June 30, 2023 amounted to approximately €80.9 million (€74.9 million normalized) and were up from €80.7 million (€71.5 million normalized) in H1 2022 as a result of higher costs incurred for the purpose of supporting business growth and implementing initiatives to improve the Group's IT processes and architecture, freeing up additional efficiency and reducing operational risks in the future.

Risk management

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, 2023 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 2022 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. 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, 2023 the impact on CET 1 deriving from the application of calendar provisioning was limited to roughly €266 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 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. Lastly, the Group aligned itself with the new interpretation criteria on the definition of default, published by the Bank of Italy on September 23, 2022.

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 also conducted 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, characterized by the continuation of the tensions deriving from the Russia/Ukraine conflict, the Group has always been able to count on an adequate level of liquidity, largely respecting regulatory requirements and positioning itself on values higher than the internal levels of reporting indicators (LCR, NSFR).

The Group adopts strong safeguards to monitor and govern the liquidity position. Specifically, *(i)* when deemed necessary, perform more frequent and more detailed stress analyses 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, and *(iv)* monitors changes in the collection trends of debtors, particularly of the Public Administration.

In this context, also by monitoring operational indicators, no particular liquidity tensions were identified thanks to its capacity to handle potential stress situations deriving from its funding structure and the levers it is able to activate if required.

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 2023. 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.

Significant events during H1 2023

This section shows the main events that occurred in H1 2023.

On January 4, 2023, BFF announced that, pursuant to Article 2-ter of the regulations adopted by Consob Resolution no. 11971 of May 14, 1999 ("Issuers' Regulations"), as of January 1, 2023, **the Small and Medium Enterprise ("SME") status ceased to exist** as referred to in Article 1, paragraph 1, letter w-quater. 1) of Italian Legislative Decree no. 58 of February 24, 1998 ("Consolidated Law on Finance"), as two years had passed since the date of entry into force of Italian Law no. 120/2020, which converted Italian Decree-Law no. 76/2020, which identifies a maximum turnover of €300 million for issuers to be qualified as SMEs.

On January 27, 2023 BFF announced the **upgrade from BBB to AA of the ESG rating attributed to the Group by MSCI**, a leading international ESG rating company that analyzes around 3,000 companies globally.
MSCI ranked BFF in the highest score range compared to global peers for governance issues, highlighting as strengths the majority of the Board of Directors made up of independent Directors and the division of roles between Chairman and CEO in favor of strong oversight over management. The rating also recognized BFF's value of talent management initiatives, with special reference to the development of internal surveys and training initiatives aimed at staff.

On February 20, 2023 BFF announced that in the period between February 13, 2023 and February 17, 2023 it purchased 291,888 ordinary shares, corresponding to 0.1573% of the 185,604,558 shares comprising the share capital, for a total market value – excluding commissions – of €2,794,383.98, as part of the share buyback program, the initiation of which was resolved by the Board of Directors of BFF on February 9, 2023, after obtaining the necessary authorization from the Bank of Italy on February 1, 2023, and in execution of the resolution by the Ordinary Shareholders' Meeting of BFF on March 31, 2022.

On April 11, 2023 the collective lay-off procedure began as a result of the exit of the customers Anima and Arca, with an agreement with labor unions involving 18 redundant workers. These workers were given economic incentives together with outplacement and outskilling services, not to mention access to Solidarity Fund benefits (emergency and extraordinary).

On April 13, 2023, the Shareholders' Meeting was held, which approved the 2022 financial statements and the proposed 2022 dividend distribution of €0.419 per share, bringing the total dividend for 2022 to €0.7898 per share.
The Shareholders' Meeting also approved the **Remuneration Policy Report**, the **Policies for Determining Compensation in the Event of Early Termination of Office**, and the **Report on Compensation Paid**, casting an advisory vote on the latter.
Finally, the Shareholders' Meeting approved the **Buyback plan**, deciding to authorize the Board of Directors to proceed with the purchase of BFF ordinary shares on one or more occasions and for a period of 18 months from the date of approval in pursuit of the purposes set out in the aforementioned Report; the maximum number of BFF ordinary shares to be purchased being 8,463,819, representing 5% of the Bank's capital (taking into account the treasury shares already in stock).

On April 26, 2023, BFF **paid the balance of the 2022 dividend**, with a gross value per share of €0.419, which was approved by the Shareholders' Meeting on April 13.

On June 27, 2023 the BFF Board of Directors resolved to:

- avail itself of the option to submit its own BoD slate, and consequently to initiate the related process according to the Regulatory Timeline, and

- approve the new "BFF Banking Group Dividend Policy" (the "Dividend Policy") by setting the CET1 ratio as the target capital ratio at 12% (in addition to the TCR > 15%, as long as required by the European Central Bank) compared to the previous Total Capital Ratio ("TCR") at 15%, to bring it in line with the capital target most widely used by other banks. The distribution of dividends remains unchanged, provided that all other regulatory capital requirements are met. The distribution of dividends is confirmed twice a year, in August and April, based on the adjusted net profit for the first half of the year and the entire year.

Finally, on June 27, 2023 the Board of Directors approved the **Group's five-year strategic plan up to 2028**:**"Ever more a bank like no other," and financial targets to 2026**.

Focus on approval of the Group's five-year strategic plan up to 2028 and financial targets up to 2026.

The BFF Board of Directors approved BFF's five-year strategic plan up to 2028: "Ever more a bank like no other" ("Plan"), and three-year financial targets ("2026 Targets").

The strategic objectives for 2028 include:

- Develop the core business, in which BFF is a market leader:
  - Factoring & Lending: become the largest buyer of public receivables in Europe in a growing and underpenetrated market, through:
    - strong customer portfolio growth in existing markets and new regions, including through the opening of a subsidiary in France;
    - consolidation of our operational competitive advantage, including through the new Factoring IT system and increased efficiency of the legal process related to collections;
  - Transaction Services: further strengthen the role of "Second-Tier Bank"[1] while generating a steady revenue stream and ample operating deposits to the Group:
    - Payments: leading independent payments intermediary in Italy for banks and Payment Service Providers (PSPs[2]), capitalizing on the shift to electronic payments;
    - Securities Services: the only Italian bank that provides the full range of customized custodial banking and securities services to domestic banks and asset managers in a growing market.
- Invest further in operational infrastructure to support growth opportunities, managing operational risks, and to benefit from further efficiencies.
- Continue to provide our team with opportunities for growth and development while maintaining strong incentive alignment with stakeholders.
- Further optimize funding and capital.
- Deliver market-leading returns to shareholders in terms of capital and dividends, with capital exceeding the CET1 target of 12% related to shareholder pay-out.
- Maintain the Group's low risk profile by efficiently managing past due and calendar provisioning.
- Further increase our positive impact socially, environmentally and for all stakeholders, along with zero net goals and doubling investment in social impact initiatives.

1) Second-tier bank, that is, a bank that offers services to other banks.
2) PSP: a third-party company that enables companies to accept electronic payments, such as credit and debit card payments.

Sustainable growth targets up to 2026 include:

- A further improvement in the Cost/Revenue ratio, <40%,
- Solid capital ratios: CET1 Ratio of 12%,
- RoTE coefficient at 50% higher levels,
- High returns for shareholders:
  - Growth in Adjusted Net Income[3] by about 78% over 2022, to €255-265 million. EPS 2026: €1.37-1.43 (€1.34-1.39 fully diluted[4]),
  - Over €720 million, or about 40% of current market capitalization, to be distributed in dividends up to 2026,
- Net zero carbon emissions,[5]
- Doubling investment in social impact initiatives,
- More than 80% of employees in LEED-certified buildings[6] by 2026.

The main directions identified by the Group to carry out the strategic plan and achieve the financial targets set are described below.

Significant growth potential is foreseen in the Factoring and Lending business area as a result of historical growth in government spending and investment and an increase in the customer base, the latter supported by BFF's established competitive advantage. Additional benefits may come from international expansion into new geographical areas.

The Payments area provides a steady stream of revenue and is an important source of liquidity, with potential for volume growth driven by the progressive alignment of digital payments in Italy with the European average. Growth is also supported by the NRRP "National Revitalization and Resilience Plan," new regulations, and new technologies, which however are offset by reduced fees.

In the Securities Services sector, BFF offers customized services for Italian banks and asset managers, and holds a leading position in the area of Pension Funds. In certain market niches (Pension Funds, AIFs, but also small asset management companies), where local presence is a competitive advantage, BFF's opportunity for growth will also be supported by the forthcoming enactment of new laws – which will introduce a requirement for Pension Funds to appoint a custodian bank, opening up a market of about €110 billion in Assets under Management – and by increased penetration of AIFs, as well as the full deployment of value-added services. The Securities Services area is a very important source of stable and operational deposits for BFF, and provides a steady revenue stream with a mostly fixed cost base.

BFF will continue to invest in its operational infrastructure to support growth opportunities, manage operational risks, and optimize its structure.

Strategic will be the new IT system for Factoring, the opening of a branch in France, the expansion of the online deposit platform into other markets, the introduction of AIRB (internal model for calculating credit risk), and an additional initiative aimed at the efficiency of legal fees incurred during debt collection.

In terms of financial management, BFF's Balance Sheet is expected to remain stable from the end of FY2022. BFF intends to maintain a diversified funding base and continue to access as many funding channels as possible.

3) Net accounting profit minus extraordinary costs and minus costs of stock options recognized in the income statement,
4) Based on the maximum dilution relative to all outstanding stock-option plans.
5) Considering scope 1 and 2 emissions
6) LEED, or Leadership in Energy and Environmental Design, is a rating system developed by the US Green Building Council to assess a building's environmental performance.

It is expected that Payments and Securities Services operational deposits will continue to be the main source of funding, and BFF will continue to access online deposits, with opportunities for growth in new countries. The Cost of Risk is also expected to remain low due to a loan portfolio almost entirely exposed to the public sector.

The Group has a strong capital position. Given the high RoTE (39% at year-end 22), the additional capital needed for the growth of the loan portfolio will be fully financed from retained earnings, maintaining an attractive absolute dividend.

Regarding BFF's dividend policy, this will continue to be aimed at self-financing the Group's growth and distributing all profits generated in the year in excess of a target capital ratio to shareholders. The distribution of dividends is confirmed twice a year, in August and April, based on the adjusted net profit for the first half of the year and the entire year.

Finally, BFF will continue to pursue its sustainability commitments with an ongoing focus on achieving positive social, environmental and stakeholder impact, as previously reported within the sustainability initiatives section of this document.

Events after the end of H1 2023

Assignment of new rating

On July 19, 2023, DBRS Morningstar ("DBRS") assigned its first rating to the Group, with Long-Term Deposits rated Investment Grade at BBB (low) with a stable outlook. This assessment reflects BFF's strong liquidity position and improved funding profile following the acquisition of DEPObank. The Group can rely on a diversified mix of funding sources, primarily operating deposits and term deposits. The rating further strengthens the Bank's operations in the Italian Securities Services and Banking Payments market.

The analysis of DBRS's rating also reflects (i) the Group's long-term profitability and growth potential, (ii) solid capital and liquidity position, and (iii) good asset quality.

Specifically, the rating agency DBRS assigned the following ratings to BFF:

- Long-Term Issuer Rating: "BB (high)," outlook stable;
- Short-Term Issuer Rating: "R-3," outlook stable;
- Long-Term Senior Debt: "BB (high)," outlook stable;
- Short-Term Debt: "R-3," outlook stable;
- Long-Term Deposits: "BBB (low)," outlook stable;
- Short-Term Deposits: "R-2 (middle)", outlook Stable.

For further details, see the press release issued by DBRS, also dated July 19, 2023.

Board renewal process

The BFF Board of Directors has begun the process of submitting its slate, in accordance with market corporate governance best practices. The appointment of the new Board of Directors will take place at the Shareholders' Meeting to approve the 2023 financial statements, coinciding with the expiration of the term of office of the corporate bodies currently in office.

Note that since the provision for the CEO's Golden Parachute triggered in the event of non-renewal of the office of CEO at the expiration of the term of office has been removed, no compensation will be paid to such person if the office is not renewed.

The above removal is the result of a settlement agreement with the CEO, subject to all the provisions of the variable compensation set forth in the Group's Remuneration Policy (60% deferral over a 5-year period, 51% paid in financial instruments in each installment).

Distribution of part of the Retained Earnings Reserve recorded in the Bank's financial statements as of December 31, 2022

The BFF Banking Group's dividend policy stipulates that the amount of normalized consolidated net income generated during the fiscal year in excess of a 12.00% CET 1 ratio level (subject to compliance with all other current and prospective regulatory indicators) will be distributed on a semi-annual basis, with one payment based on normalized consolidated earnings for the first half of the year, and one payment based on normalized consolidated earnings at the end.

To follow up on this policy, on August 3 the Board of Directors resolved to convene an Ordinary Shareholders' Meeting with a proposal to approve the distribution of part of the Retained Earnings Reserve recorded in the Bank's financial statements as of December 31, 2022.

The Ordinary Shareholders' Meeting, which will be held on September 7, will therefore be called upon to approve the distribution of €0.147 per share, for a maximum amount of €27.5 million, which, added to the interim dividend approved by the Board of Directors on August 3, 2023 (€0.291 per share), will lead to the distribution on September 13, 2023 of a dividend per share of €0.438, for a maximum amount of €81.9 million (Group's consolidated result as of June 30, 2023 to be distributed in accordance with the Group's dividend policy).

Outlook for the current fiscal year

As per the latest five-year strategic plan, approved by BFF's Board of Directors on June 27, 2023 ("BFF 2028" or the "Plan"), the Group's objectives during 2023 (as among other things approved in the 2023 Budget) and in subsequent years include:

1) Develop the core business, in which the Group is a market leader:
2) Invest further in operational infrastructure to support growth opportunities, managing operational risks, and to benefit from further efficiencies.
3) Continue to provide Group personnel with opportunities for growth and development while maintaining strong incentive alignment with our stakeholders.
4) Further optimize funding and capital.
5) Deliver market-leading returns to shareholders in terms of capital and dividends, with capital exceeding the CET1 target of 12% related to shareholder pay-out.

6) Maintain the Group's low risk profile by efficiently managing past due and calendar provisioning.
7) Further increase our positive impact socially, environmentally and for all stakeholders, along with zero net goals and doubling investment in social impact initiatives.

Lastly, recall that on February 9, 2023 during the Presentation to Analysts of the 2022 results, BFF Bank announced that it had increased its target in terms of profit to be realized in 2023, the last year of the previous BFF 2023 Business Plan, bringing the range from the previous €170-180 million to the current €180-190 million, primarily to take into account the impacts deriving from changes in estimates and the recognition of the collection percentages relating to the "40 euros" and late payment interest and, for the latter, the relative timing expected for collection, and despite the loss of the customer Arca and a period characterized by negative elements and instability such as the War in Ukraine and the energy shock, the sharpest rise in interest rates of recent decades, the highest level of inflation since the 1980s, the restrictions enacted in monetary policy and the end of the period of "negative rates," the volatility of sovereign spreads and negative stock market performance.

Financial statements of BFF Bank S.p.A. as of June 30, 2023 prepared in accordance with Article 2433-bis of the Italian Civil Code

Accounting Reports

Separate Statement of Financial Position

(Values in euro units)

Assets		06.30.2023	12.31.2022
10.	Cash and cash equivalents	189,536,013	623,975,086
20.	Financial assets measured at fair value through profit or loss	130,583,877	90,540,554
	a) financial assets held for trading	*1,621,974*	*210,963*
	c) other financial assets subject to mandatory fair value measurement	*128,961,903*	*90,329,591*
30.	Financial assets measured at fair value through other comprehensive income	130,671,729	128,097,995
40.	Financial assets measured at amortized cost	10,620,685,454	11,726,530,357
	a) loans and receivables with banks	*525,442,054*	*478,203,260*
	b) loans and receivables with customers	*10,095,243,400*	*11,248,327,097*
50.	Equity investments	154,875,554	151,875,554
70.	Property, equipment and investment property	26,951,038	27,763,301
80.	Intangible assets	35,250,018	36,142,352
90.	of which		
	- goodwill	-	-
	Tax assets	54,278,418	55,243,454
100.	*a) current*	-	-
	b) deferred	*54,278,418*	*55,243,454*
120.	Other assets	508,121,089	389,016,146
TOTAL ASSETS		**11,850,953,190**	**13,229,184,799**

(Values in euro units)

Liabilities and equity		06.30.2023	12.31.2022
10.	Financial liabilities measured at amortized cost	10,559,087,277	11,933,207,079
	a) due to banks	*1,014,278,704*	*1,165,556,841*
	b) due to customers	*9,544,808,573*	*10,728,674,172*
	c) securities issued	*-*	*38,976,066*
20.	Financial liabilities held for trading	1,078,157	949,790
40.	Hedging derivatives	-	14,313,592
60.	Tax liabilities	148,475,042	128,840,015
	a) current	*32,483,004*	*22,548,040*
	b) deferred	*115,992,038*	*106,291,975*
80.	Other liabilities	403,928,368	382,204,555
90.	Post-employment benefits	2,943,434	3,117,800
100.	Provision for risks and charges	30,936,264	32,351,133
	a) commitments and guarantees given	*375,761*	*225,466*
	b) pensions and similar obligations	*6,672,963*	*7,712,116*
	c) other provisions	*23,887,540*	*24,413,551*
110.	Valuation reserves	5,214,083	5,421,320
130.	Equity instruments	150,000,000	150,000,000
140.	Reserves	289,185,442	180,627,582
145.	Interim dividend	-	(68,549,894)
150.	Share premium reserve	66,277,204	66,277,204
160.	Share capital	143,604,966	142,870,383
170.	Treasury shares	(4,392,046)	(3,883,976)
180.	Profit for the period	54,614,999	261,438,216
TOTAL LIABILITIES AND EQUITY		**11,850,953,190**	**13,229,184,799**

Separate Income Statement

(Values in euro units)

Items		06.30.2023	06.30.2022
10.	Interest and similar income	240,264,338	107,482,576
	of which: interest income calculated according to the effective interest method	230,927,955	101,454,787
20.	Interest and similar expense	(143,709,636)	(27,751,345)
30.	**Net interest income**	**96,554,702**	**79,731,231**
40.	Fee and commission income	55,020,806	64,243,477
50.	Fee and commission expense	(18,812,213)	(18,511,983)
60.	**Net fee and commission income**	**36,208,593**	**45,731,494**
70.	Dividends and similar income	6,669,630	74,904,245
80.	Profits (losses) on trading	(12,198,726)	5,853,505
100.	Profits (losses) on disposal or repurchase of:	19,696,166	-
	a) financial assets measured at amortized cost	*19,841,699*	-
	b) financial assets measured at fair value through other comprehensive income	(145,533)	-
110.	Profits on other financial assets and liabilities measured at fair value through profit or loss	(404,932)	4,007,101
	b) other financial assets subject to mandatory fair value measurement	*(404,932)*	*4,007,101*
120.	**Total income**	**146,525,433**	**210,227,576**
130.	Net impairment losses/gains for credit risk associated with:	(655,834)	(807,347)
	a) financial assets measured at amortized cost	*(655,834)*	*(807,347)*
150.	**Net income from banking activities**	**145,869,599**	**209,420,229**
160.	Administrative expenses:	(80,933,809)	(80,670,447)
	a) personnel expenses	*(35,471,588)*	*(34,166,332)*
	b) other administrative expenses	*(45,462,221)*	*(46,504,115)*
170.	Net provisions for risks and charges	370,085	(356,379)
	a) commitments and guarantees given	*(150,295)*	*38,506*
	b) other net provisions	*520,380*	*(394,885)*
180.	Depreciation and impairment losses on property, equipment and investment property	(1,908,597)	(2,149,812)
190.	Amortization and impairment losses on intangible assets	(3,691,664)	(2,825,245)
200.	Other net operating income	18,238,193	13,553,067
210.	**Operating costs**	**(67,925,792)**	**(72,448,816)**
260.	**Profit before tax from continuing operations**	**77,943,807**	**136,971,413**
270.	Income taxes for the period on continuing operations	(23,328,808)	(24,876,613)
280.	**Profit after tax from continuing operations**	**54,614,999**	**112,094,800**
300.	**Profit for the period**	**54,614,999**	**112,094,800**

(*) Note that:
- at June 30, 2022, for comparative purposes, the financial charges pertaining to the period incurred for transactions in hedging derivatives were reclassified from item 90 "Profits (losses) on hedging" to item 20 "Interest and similar expense";
-at June 30, 2022, for comparative purposes, provisions relating to costs for pensions and similar obligations to employees were reclassified from item 170 b) "Net provisions for risks and charges - other net provisions" to item 160 a) "Personnel expenses," in line with what is set forth in Bank of Italy Circular 262 of 2005 as updated.

Statement of Individual Comprehensive Income

(Values in euro units)

	Items	06.30.2023	06.30.2022
10.	**Profit for the period**	**54,614,999**	**112,094,800**
	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	(4,341)	401,999
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 the income statement		
100.	Hedging of foreign investments		
110.	Foreign exchange differences	39,281	(10,533)
120.	Cash flow hedges		
130.	Hedging instruments (undesignated elements)		
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	259,783	740
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**	**294,723**	**392,207**
180.	**Comprehensive income (Items 10+170)**	**54,909,721**	**112,487,007**

Separate Statement of Changes in Equity

(Values in euro units)

H1 2023	Balances as at 31.12.2022	Change to opening balances	Balances as at 01.01.2023	Allocation of profit for the previous year: Reserves	Allocation of profit for the previous year: Dividends and other allocations	Changes in the year: Change in reserves	Changes in the year: Equity transactions: Issue of new shares	Changes in the year: Equity transactions: Repurchase of treasury shares	Changes in the year: Equity transactions: Extraordinary distribution of dividends	Changes in the year: Equity transactions: Change in equity instruments	Changes in the year: Equity transactions: Derivatives on treasury shares	Changes in the year: Equity transactions: Stock options	Comprehensive income 2023	Equity at 06/30/2023
Share capital:														
a) ordinary shares	142,870,383		142,870,383				734,583							143,604,966
b) other shares	-		-											-
Share premium reserve	66,277,204		66,277,204											66,277,204
Reserves														
a) retained earnings	170,208,698		170,208,698	115,408,486		(6,412,843)								279,204,341
b) other	10,418,884		10,418,884			989,399						(1,427,181)		9,981,102
Valuation reserves	5,421,320		5,421,320			(501,959)							294,723	5,214,083
Equity instruments	150,000,000		150,000,000											150,000,000
Interim dividend	(68,549,894)		(68,549,894)	68,549,894										-
Treasury shares	(3,883,976)		(3,883,976)			2,286,315								(4,392,046)
Profit for the period	261,438,216		261,438,216	(183,958,380)	(77,479,836)								54,614,999	54,614,999
Shareholders' equity	**734,200,834**	**-**	**734,200,834**	**-**	**(77,479,83)**	**(3,639,089)**	**734,583**	**-**	**-**	**-**	**-**	**(1,427,181)**	**54,909,721**	**704,504,648**

(*Values in euro units*)

H1 2022	Balances as at 31.12.2021	Change to opening balances	Balances as at 01.01.2022	Allocation of profit for the previous year: Reserves	Allocation of profit for the previous year: Dividends and other allocations	Changes in the year: Change in reserves	Changes in the year: Equity transactions: Issue of new shares	Changes in the year: Equity transactions: Repurchase of treasury shares	Changes in the year: Equity transactions: Extraordinary distribution of dividends	Changes in the year: Equity transactions: Change in equity instruments	Changes in the year: Equity transactions: Derivatives on treasury shares	Changes in the year: Equity transactions: Stock options	Changes in the year: Comprehensive income 2022	Equity at 06/30/2022
Share capital:														
a) ordinary shares	142,690,771		142,690,771				158,917							142,849,688
b) other shares														-
Share premium reserve	66,492,997		66,492,997											66,492,997
Reserves														
a) retained earnings	137,607,343		137,607,343	39,008,950		(1,207,710)						1,224,533		175,408,584
b) other	8,643,589		8,643,589			(641,760)								9,226,362
Valuation reserves	4,060,028		4,060,028							150,000,000			392,207	4,452,234
Equity instruments														150,000,000
Treasury shares	(7,132,434)		(7,132,434)			2,105,215								(5,027,219)
Profit for the year	164,289,349		164,289,349	(39,008,950)	(125,280,399)			-	-	150,000,000	-	1,224,533	112,094,800	112,094,800
Shareholders' equity	**516,651,644**	**-**	**516,651,644**	**-**	**(125,280,399)**	**255,745**	**158,917**	**-**	**-**	**-**	**-**	**1,224,533**	**112,487,007**	**655,497,446**

Statement of Cash Flows - indirect method

(Values in euro units)

	Amount	
	06.30.2023	06.30.2022
A. OPERATING ACTIVITIES		
1. Operations	**84,306,757**	**146,570,336**
- profit for the period (+/-)	54,614,999	112,094,800
- gains/losses on financial assets held for trading and other financial assets/liabilities measured at fair value through profit or loss (-/+)	37,728	1,004
- gains/losses on hedging operations (-/+)		1,665,604
- net impairment losses/gains for credit risk (+/-)	655,834	807,347
- depreciation, amortization and net impairment losses on property, equipment and investment property and intangible assets (+/-)	5,600,261	4,975,057
- net allocations to provisions for risks and charges and other costs/income (+/-)	(370,085)	3,291,125
- taxes, duties and unpaid tax credits (+/-)	23,328,808	24,876,613
- net impairment losses/reversals of impairment losses on discontinued operations, net of the tax effect (+/-)		
- other adjustments (+/-)	439,212	(1,141,215)
2. Cash flow generated/absorbed by financial assets	**943,730,518**	**(1,597,401,213)**
- financial assets held for trading	(1,448,739)	(2,886,015)
- financial assets designated at fair value		
- other financial assets mandatorily measured at fair value	(39,037,244)	1,873,279
- financial assets measured at fair value through other comprehensive income	(2,833,517)	(45,000,795)
- financial assets measured at amortized cost	1,105,189,265	(1,359,498,745)
- other assets	(118,139,247)	(191,888,937)
3. Cash flow generated/absorbed by financial liabilities	**(1,375,306,268)**	**1,266,814,881**
- financial liabilities measured at amortized cost	(1,374,119,802)	1,165,196,710
- financial liabilities held for trading	128,367	(770,215)
- financial liabilities carried at fair value		
- other liabilities	(1,314,833)	102,388,386
Net cash generated/absorbed by funding activities	**(347,268,993)**	**(184,015,996)**
B. INVESTING ACTIVITIES		
1. Liquidity generated by	-	-
- sales of equity investments		
- dividends collected on equity investments		
- sales of property, plant and equipment		
- sales of intangible assets		
- disposals of business units		
2. Liquidity absorbed by	**(6,895,664)**	**(1,769,241)**
- purchases of equity investments	(3,000,000)	(1,000,000)
- purchases of property, plant and equipment	(1,096,334)	135,828
- purchases of intangible assets	(2,799,330)	(905,069)
- purchases of business units		
Net cash absorbed by investing activities	**(6,895,664)**	**(1,769,241)**
C. FINANCING ACTIVITIES		
- issue / purchase of treasury shares	(2,794,384)	
- issue/purchase of equity instruments		150,000,000
- distribution of dividends and other purposes	(77,479,836)	(125,280,399)
Net cash generated/absorbed by financing activities	**(80,274,220)**	**24,719,601**
NET CASH GENERATED/ABSORBED DURING THE PERIOD	**(434,438,877)**	**(161,065,636)**

(Values in euros)

Financial statement items	Amount	
	06.30.2023	**06.30.2022**
Cash and cash equivalents at start of the period	623,975,086	543,227,039
Total net cash generated/absorbed during the period	(434,438,877)	(161,065,636)
Cash and cash equivalents: effect of changes in exchange rates		
Cash and cash equivalents at end of the period	**189,536,209**	**382,161,403**

Notes

Accounting policies adopted

GENERAL INFORMATION

Statement of compliance with international financial reporting standards

This financial statement of BFF Bank S.P.A for the period ended June 30, 2023, prepared in accordance with Article 2433-bis of the Italian Civil Code, consists of the financial statements (statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows) and these Notes. These reports were prepared by applying the IAS/IFRS accounting standards issued by the International Accounting Standards Board (IASB) and related interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS-IC) endorsed by the European Commission and in force as of June 30, 2021, as established by EU Regulation no. 1606 of July 19, 2002.

The application of IFRSs is done by observing the "systematic framework" for the preparation and presentation of the separate 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.

The accounting principles adopted for the preparation of the financial statements as of June 30, 2023 with respect to the stages of classification, recognition, measurement and derecognition of financial assets and liabilities, as well as for the methods of recognizing revenues and expenses, remained unchanged from those adopted for the preparation of the 2022 Separate Financial Statements of BFF Bank S.P.A., to which explicit reference is therefore made.

Basis of presentation

The preparation of financial information also requires the use of estimates and assumptions that can have a significant effect on the amounts reported in the Statement of Financial Position and Income Statement, as well as on the disclosure of contingent assets and liabilities reported in the financial statements. The elaboration of such estimates 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. By their nature, the estimates and assumptions used may vary from year to year, and therefore it cannot be ruled out that in subsequent years the values entered in the financial statements may also vary significantly as a result of changes in the subjective assessments used. In cases of more significant uncertainty and/or measured assets of particular materiality, the valuation is supported by fairness opinions produced by external experts.

The cases for which the use of subjective assessments by management are most required are:

- the quantification of impairment losses on loans, equity investments, and other financial assets in general;
- the use of valuation models to recognize the fair value of financial instruments not listed on active markets;
- the assessment of the appropriateness of the value of goodwill and other intangible assets;
- the quantification of the fair value of valuable real estate and artistic assets;
- the quantification of the provisions for personnel and for risks and charges;
- the estimates and assumptions on the recoverability of deferred tax assets.

The separate Financial Statements were prepared using the same accounting policies already in use for the preparation of the separate financial statements as of 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.

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

As of the date of these separate accounting 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);
- first-time application of IFRS 17 and IFRS 9: Comparative information (Reg. EU 2022/1491);
- amendments to IAS 12 Income Taxes: Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (May 2021).

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 and applicable as of financial statements beginning January 1, 2024:

- amendments to IAS 12 Income Taxes: International Tax Reform - Pillar 2 Model Rules (May 23, 2023);
- amendments to IFRS 16: Lease liabilities in a sale and leaseback transaction (September 22, 2022);
- amendments to IAS 1: Classification of liabilities as current or non-current and Non-current liabilities with covenants (October 31, 2022);
- amendments to IAS 7 and IFRS 7: "Supplier finance" agreements (May 25, 2023).

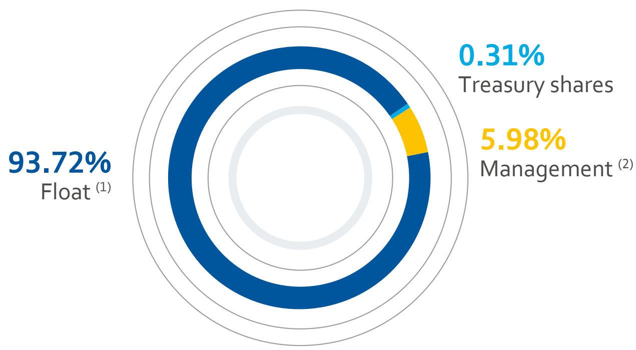
The possible effects of the future adoption of these standards, interpretations and amendments, to the extent applicable and relevant to the parent, are reasonably estimated to be immaterial.

Other aspects

Shareholder Structure

BFF represents one of the few Italian listed companies that is truly shareholder-owned, with a free float equal to almost the entire share capital.

As of July 31, 2023, Management and their Closely Associated Persons held 5.98% of the share capital, up from 5.88% as of December 31, 2022. Treasury shares held by the Bank – 574,705 – amount to 0.31% of the share capital.



Total number of shares issued: 186,687,904

Source: Forms 120A - 120B - 120D and Internal Dealing communications. Percentage is calculated based on the total number of shares issued at 07/31/2023.

(1) As at 07/31/2023 Capital Research and Management Company held 9.4 million BFF shares, for a quota equal to 5.1% of the share capital.

(2) As at 07/31/2023 the Chief Executive Officer Massimiliano Belingheri and his Closely Related Persons (Bray Cross Ltd., Scalve S.à.r.l., The Bali Trust, The Bomi Trust and Bomi S.a.r.l.) held 10.83 million BFF shares, for a quota equal to 5.80% 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 Related Persons.

- With regard to the options granted under the 2016 Stock Option Plan, as of June 30, 2023 198,160 were assigned and exercisable as they have vested. The number of options outstanding and not yet exercised as of December 31, 2022 was 1,086,788.
- With regard to the 2020 Stock Option Plan, as of June 30, 2023 the number of stock options assigned and not exercised was 6,301,500. The vesting period has matured for 2,967,000 of these and are thus exercisable. As of December 31, 2022, the number of options reported to be granted but exercisable from 2023 was 8,384,500 options.
- With regard to the 2022 Stock Option Plan, as of June 30, 2023, 5,748,000 options have been granted, of which 2,620,500 are equity settled (A Options) and 3,127,500 are cash settled (B Options), exercisable starting in 2025.

Authorization to repurchase treasury shares

On February 1, 2023, after it initiated the regulatory procedure communicated to the market on November 25, 2022, BFF Bank S.p.A. received the Bank of Italy's authorization pursuant to Arts. 27 et seq. of Delegated Regulation (EU) no. 241 of January 7, 2014, adopted by the European Commission, and Art. 78 of Regulation (EU) no. 575 of June 26, 2013, to purchase treasury shares of the Bank, in execution of the authorization granted pursuant to Art. 2387 of the Italian Civil Code by the ordinary shareholders' meeting of March 31, 2022 up to the maximum amount of €2.8 million.

The treasury share purchase, as already disclosed to the market, aims to equip the Bank with sufficient financial instruments in order to meet the requirements of the remuneration and incentive systems as per the current "Remuneration and incentive policy of the Banking Group".

On February 20, 2023, the treasury share purchase program was concluded. In the period between February 13, 2023 and February 17, 2023, the Parent acquired 291,888 ordinary shares, corresponding to 0.16% of the total shares outstanding and making up the share capital (equal to 185,604,558 shares) for an overall equivalent value of €2,794,383.98.

Recall that the parent's Ordinary Shareholders' Meeting of April 13, 2023, after examining the relevant illustrative Report by the Board of Directors, decided to revoke the previous authorization, granted by the Shareholders' Meeting of March 31, 2022, 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 8,463,819, representative of 5% of the 185,623,140 shares without a nominal amount representing the entire subscribed and paid-up share capital of the parent, amounting to €142,929,817.72. (taking into account the treasury shares already in stock as of the date of publication of the Report).

Resolution of the Shareholders' Meeting on April 13, 2023 on the allocation of profits

On April 13, 2023, the Shareholders' Meeting approved: i) the separate financial statements for the year ended December 31, 2022, which show a profit for the year of €261,438,216; ii) the cash distribution to shareholders of a portion of the 2022 separate net profit for the second half of the year, amounting to €77,479,836, corresponding to a dividend before statutory withholding taxes of €0.419 for each of the 185,623,140 ordinary shares, against an interim dividend distributed in August 2022 of €68,549,894 corresponding to €0.3708 per share, for a total dividend distribution related to the 2022 fiscal year of €146,029,730 corresponding to €0.7898 per share; iii) to allocate the remaining part of the 2022 separate net income to the Bank's "Retained earnings reserve," amounting to €115,361,074, and the remaining €47,410 to the "Legal reserve"; iv) the 2023 Remuneration and Incentive Policy, the policies for determining compensation in the event of early termination of office and the Report on compensation paid in fiscal year 2022, expressing an advisory vote on the latter point; v) the proposal to authorize the Board of Directors to proceed with the purchase of BFF ordinary shares (up to 8,463,819, taking into account the treasury shares already in stock).

Risks, uncertainties and impacts of the Russia/Ukraine conflict

During the first half of 2023 there are still signs of continuing tensions in the global geo-political environment arising from the conflict between Russia and Ukraine, which erupted in early 2022 and is having serious repercussions on the European and global macroeconomic 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, the Bank has put in place continuous monitoring of the risks that BFF could possibly be exposed to and carried out the necessary business impact analyses, the results of which are summarized 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 analyzing the compliance of specific operational requirements.

With regard to the Bank's operations, note that the impacts of the Russia/Ukraine conflict in 2023 were limited also thanks to development of the business, as discussed in the part relating to commercial aspects.

In light of the Bank's business model and the nature of its risk counterparties, the Russia/Ukraine conflict and the COVID-19 epidemic did not entail changes to the model for determining expected losses. However, with the annual update of the macroeconomic scenarios, the Group Risk Management Function monitors the trend of risk parameters against the evolution of the conflict in order to understand any impact on the determination of expected losses (for more details see the section "IFRS 9 - Update to reflect the financial crisis due to COVID-19 and the Russia/Ukraine conflict”). Following is information on topics and measures already undertaken in 2022 with a view to continuity also during the first half of 2023:

- <u>Business continuity</u>: 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.

  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.
- <u>Commercial aspects</u>: with regard to the Factoring & Lending BU, a significant rebound in non-recourse factoring and/or customer financing volumes should be noted thanks to the significant commercial effort and also to the tendency to reduce liquidity in the market.

  The Securities Services BU continues to see an upward trend in business initiatives put in place by the Bank, with a focus on value-added services and AIF fund custodian services. There was only a delay in the start-up of new funds established by asset management customers.

  The Payment BU also performed positively at the overall industry level, especially as it pertains to electronic/digital payments. Checks and bills of exchange on the other hand continued their system-wide decline due to the gradual abandonment of related payment instruments by the public and businesses (a trend also found in Bank of Italy analyses).

- Liquidity: despite the current macroeconomic environment characterized by the continuation of the Russia/Ukraine conflict and some market turbulence following the events related to Silicon Valley Bank and Credit Suisse, the Bank has maintained the necessary safeguards to monitor and safeguard its 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;

  (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 Own Funds and regulatory requirements as a result of the current macroeconomic and geopolitical environment. In H1 2023 capital ratios were still well above the minimum requirements set by the Regulator.
  On the other hand, the consequences of COVID and the Russia/Ukraine conflict have not particularly 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).

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.

Use of estimates and assumptions in the preparation of financial reporting

As part of the preparation of the separate financial reports, the parent had to make valuations and estimates that influence the application of accounting policies and the amounts of assets, liabilities, costs and revenue 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 parent's last annual financial statements, closed at December 31, 2022.
In accordance with IFRS, the elaboration of estimates by management is a prerequisite for the preparation of the separate financial reports as of June 30, 2023. 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 Russia/Ukraine conflict, the current values recognized in the separate financial reports as of June 30, 2023 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 separate 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 and intangible assets. In light of the results as of June 30, 2023, there are no trigger events that could impact the valuation of equity investments and goodwill recorded as of June 30, 2023.

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

As of June 30, 2023 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 geopolitical context characterized by the tensions of the Russia-Ukraine conflict, which has significantly changed the macroeconomic scenario since February 2022.

The Risk Management Function, as it does every quarter of the year, performed a sensitivity analysis at June 30, 2023 between the macroeconomic scenarios for the second quarter of the year under way and the macroeconomic scenarios updated as of June 30, 2022. The analysis shows that 2023 is characterized by a decline in GDP growth and a strong inflationary drive generated by the Russia/Ukraine conflict, which reduces on one hand business investments and on the other the disposable income of consumers. In fact, inflation is expected to remain sustained for at least the next three years. However, the job market does not seem to be experiencing significant tensions, thanks to the recovery in hirings post-Covid-19. The economic slowdown will not be sufficient to cause widespread dismissals and the job market will continue to benefit from considerable excess demand. Therefore, job market stability will be one of the main factors that could prevent the economy from entering a recessive cycle. The backtesting analysis, i.e., the impact of updating the new risk parameter curves, also did not show a significant impact on the estimates of Expected Credit Losses. The increase in generic provisions compared to the previous quarter was about €270 thousand. However, this increase is mostly related to the corporate/retail sector while the public sector has not seen any particular change. This shows how much the Group's business allows for a cost of risk that is less sensitive to macroeconomic scenarios.

Moreover, the Risk Management Function compared the macroeconomic estimates released by the external infoprovider and used for impairment with those of the European Central Bank (ECB), observing a substantial alignment of the main macroeconomic drivers.

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.

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 maximizing the use of those that can be observed directly on the market, minimizing 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, 2023 were based on interest rates and volatility factors derived from the market. In view of the Group'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.

Processes and sensitivity of valuations
As of June 30, 2023, as mentioned above, the only financial 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.

Fair value hierarchy
At June 30, 2023, as in 2022, there were no transfers between Level 1, Level 2 and Level 3.

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.

Separate capital adequacy

(values million euros)

	BFF BANK	
	03/31/2023	**12/31/2022**
Credit and Counterparty Risk	233.3	243.8
Market Risk	0.0	0.0
Operational Risk	56.5	56.5
Total Capital Requirements	**289.9**	**300.3**
Risk Weighted Assets (RWA)	**3,623.1**	**3,754.2**
Primary capital	468.0	385.3
Retained earnings	0.0	115.4
Prudential deductions	(57.6)	(60.3)
CET 1	410.4	440.4
Tier 1	150.0	150.0
Tier 2	0.0	0.0
Own Funds	**560.4**	**590.4**
CET1 Capital Ratio	**11.3%**	**11.7%**
Tier 1 Capital Ratio	**15.5%**	**15.7%**
Total Capital Ratio	**15.5%**	**15.7%**

Certification by the Financial Reporting Officer

The manager responsible for preparing the company's financial reports, Giuseppe Manno, declares, pursuant to paragraph 2, Article 154-bis of the Italian Consolidated Finance Act, that the accounting information contained in this document corresponds to the contents of accounting documents, books and records.

Giuseppe Manno
Financial Reporting Officer

Giuseppe Manno