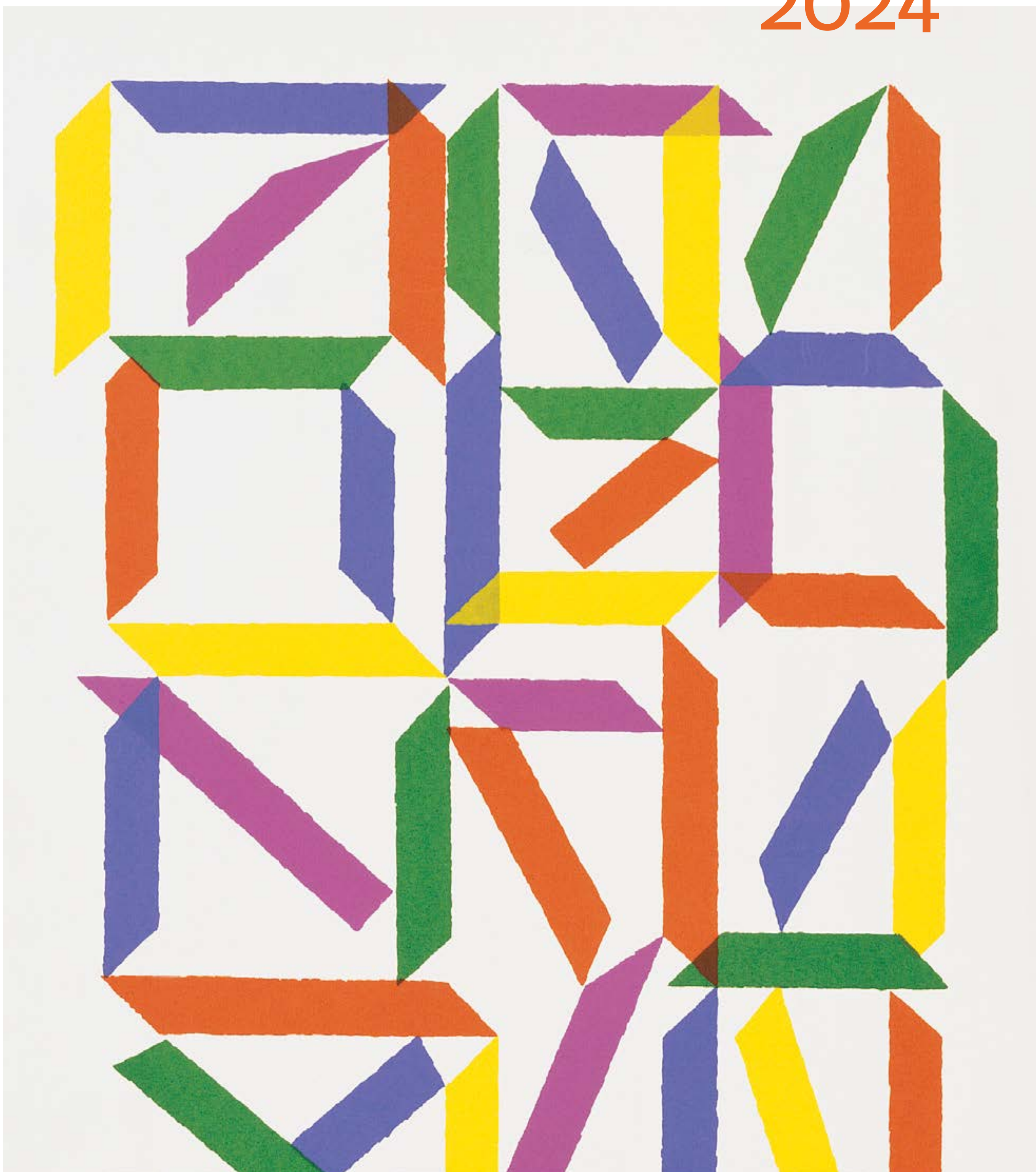
Consolidated Interim Financial Report

2024



BFF

The works of art reproduced in this report were created by the artist Piero Dorazio, and they are part of BFF's contemporary art collection.

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

In 2019 the Bank launched a project to digitize and recondition the collection, resulting in several initiatives, including a traveling exhibition in Europe, accompanied by English-language publications to promote Italian culture and Italian art abroad.

In addition, from January 2023 a new volume is being distributed that draws inspiration from the collection: *Italian and American Art – An Interaction – 1930s–1980s*, dedicated to the mutual fascination between Italian art and American art.

The new phase of the project intends to follow up on the European leg of the traveling exhibition with new stops also in the United States in 2024, ending in the museum area at the Bank's new headquarters under construction in Milan.

BFF's commitment to culture is the result of its sense of responsibility towards the community and Italy's artistic heritage, and the desire to give part of the value that BFF generates back to society, in line with the Group's social and sustainability policies.

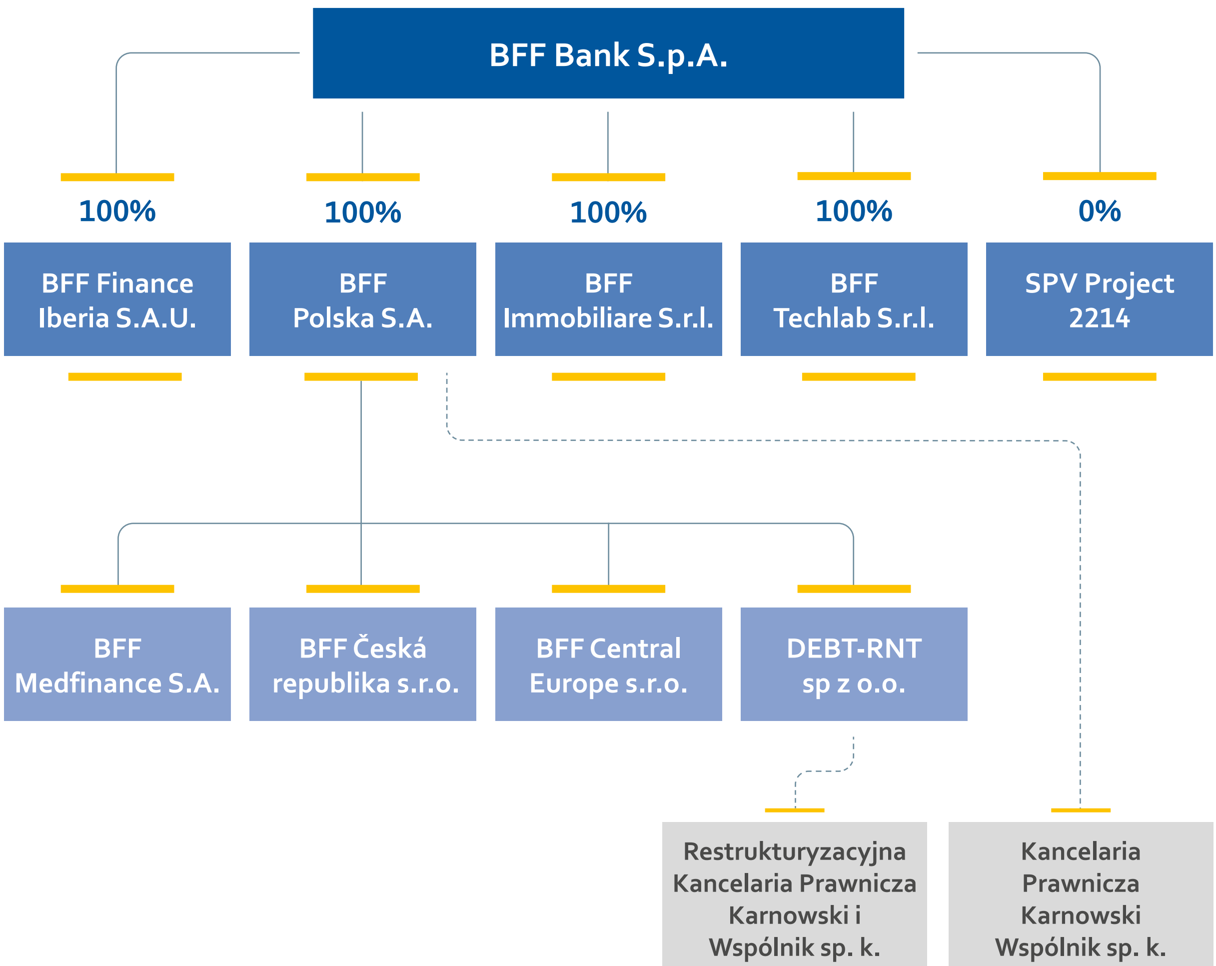
BFF Bank S.p.A.
Parent of the BFF Banking Group
Registered Office in Milan - Via Domenichino 5
Share Capital Euro 144,344,333.90 (fully paid-in)
Milan Company Register,
Tax Code and VAT No. 07960110158

Consolidated Interim Financial Report at June 30,

2024

Contents

Group Structure



At June 30, 2024, BFF Banking Group included the Parent BFF Bank S.p.A. and the following companies:

Company name	Registered and operating office	Relationship type [1]	Ownership relationship		Voting rights %[2]
			Held by	Holding %	
1. BFF Immobiliare S.r.l.	Milan Via Domenichino, 5	1	BFF Bank S.p.A.	100%	100%
2. BFF Techlab S.r.l.	Brescia Via C. Zima, 4	1	BFF Bank S.p.A.	100%	100%
3. SPV Project 2214	Milan Corso Vittorio Emanuele II, 24/28	4	BFF Bank S.p.A.	0%	0%
4. BFF Finance Iberia. S.A.U.	Madrid Paseo de la Castellana, 81	1	BFF Bank S.p.A.	100%	100%
5. BFF Polska S.A.	Łódź Jana Kilińskiego, 66	1	BFF Bank S.p.A.	100%	100%
6. BFF Medfinance S.A.	Łódź Jana Kilińskiego, 66	1	BFF Polska S.A.	100%	100%
7. BFF Česká republika s.r.o.	Prague Roztylská 1860/1	1	BFF Polska S.A.	100%	100%
8. BFF Central Europe s.r.o.	Bratislava Mostova, 2	1	BFF Polska S.A.	100%	100%
9. Debt-Rnt sp. Z O.O.	Łódź Jana Kilińskiego, 66	1	BFF Polska S.A.	100%	100%
10. Komunalny Fundusz Inwestycyjng Zamknięty	Warsaw Plac Dąbrowskiego, 1	4	BFF Polska S.A.	100%	100%
11. MEDICO Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty	Warsaw Plac Dąbrowskiego, 1	4	BFF Polska S.A.	100%	100%
12. Kancelaria Prawnicza Karnowski i Wspólnik sp.k.	Łódź Jana Kilińskiego, 66	4	BFF Polska S.A.	99%	99%
13. Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspolnik sp.k.	Łódź Jana Kilińskiego, 66	4	Debt-Rnt sp. Z O.O.	99%	99%

Key:

(1) Type of relationship:

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

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

As far as points 10 and 11 are concerned, voting rights refer to the investors' right to vote at the Meeting.

The companies in points 12 and 13 above are limited partnerships and are consolidated according to the equity method since their total asset figures are not significant.

BFF Bank also holds a stake in Unione Fiduciaria S.p.A. amounting to 24% of the shares issued, which is consolidated with the equity method (and not line-by-line), as it is a company subject to significant influence.

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

Corporate Bodies as of June 30, 2024

BOARD OF DIRECTORS

Chairman	Ranieri De Marchis	
Chief Executive Officer	Massimiliano Belingheri	
Deputy Chairwoman	Anna Kunkl	
Directors	Domenico Gammaldi Piotr Enryk Stepniak Alexia Ackermann	Mimi Kung Guido Cutillo Susana Mac Eachen

The Board of Directors will remain in office until the Shareholders' Meeting that will approve the Financial Statements at December 31, 2026.

ROLE OF BOARD OF DIRECTORS MEMBERS AND INDEPENDENCE REQUIREMENTS

NAME	OFFICE HELD IN BFF	EXECUTIVE	NON-EXECUTIVE	INDEPENDENCE
Ranieri de Marchis	Chairman			✓
Anna Kunkl	Deputy Chairperson			✓
Massimiliano Belingheri	Chief Executive Officer	✓		
Domenico Gammaldi	Director			✓
Piotr Enryk Stepniak	Director		✓	
Alexia Ackermann	Director			✓
Mimi Kung	Director			✓
Guido Cutillo	Director			✓
Susana Mac Eachen	Director			✓

The composition of BFF's Board of Directors meets the diversity and gender criteria and ensures the presence of a consistent number of Non-executive and/or independent directors, 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

Chairperson	Simone Scettri
Standing Auditors	Simona Elena Pesce Vittorio Dell'Atti
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, 2026.

INDEPENDENT AUDITORS

KPMG S.p.A.

FINANCIAL REPORTING OFFICER

Giuseppe Manno

Composition of the board committees as of June 30, 2024

REMUNERATION COMMITTEE

NAME	QUALIFICATIONS	POSITION
Guido Cutillo	Independent Director	Chairperson
Domenico Gammaldi	Independent Director	Committee Member
Mimi Kung	Independent Director	Committee Member

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

NAME	QUALIFICATIONS	POSITION
Anna Kunkl	Independent Director	Chairperson
Guido Cutillo	Independent Director	Committee Member
Susana Mac Eachen	Independent Director	Committee Member

NOMINATIONS COMMITTEE

NAME	QUALIFICATIONS	POSITION
Mimi Kung	Independent Director	Chairperson
Alexia Ackermann	Independent Director	Committee Member
Susana Mac Eachen	Independent Director	Committee Member

CONTROL AND RISKS COMMITTEE(*)

NAME	QUALIFICATIONS	POSITION
Domenico Gammaldi	Independent Director	Chairperson
Alexia Ackermann	Independent Director	Committee Member
Piotr Henryk Stepniak	Non-Executive Director	Committee Member

(*) As of 2020, the Board of Directors assigned the following responsibilities in the Environment, Social and Governance ("ESG") area to the Control and Risk Committee: investigative, advisory and propositional functions, and more generally support to the Board of Directors on sustainability issues, including the periodic review of updates on the progress of sustainability measures and the consequent impact on the NFS. Furthermore, since 2023, in order to incorporate the provisions introduced by the Bank of Italy's Supervisory expectations for ESG climate-related and environmental risks published on April 8, 2022 in line with analogous ECB initiatives and supplemented on November 24, 2022, the Control and Risks Committee has also supported the Board of Directors in approving the strategic aims and policies on sustainability, including the model for social and cultural responsibility and combating climate change, contributing towards ensuring better risk oversight and taking into account the objectives of the robust and sustainable creation and distribution of value for Bank stakeholders.

01

Report on Operations

1. The Evolution of BFF: a story of success and constant value creation

1985-2009

BFF is born and establishes itself in the market

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

2010-2014

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

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

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

It becomes a bank in 2013.

2015-2020

Listing and European leadership

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

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

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

TODAY

Leader in specialized finance

BFF is the only pan-European platform – present in nine countries – specialized in the management and non-recourse purchase of trade receivables from the public administration and national health systems.

In 2021, through the merger with DEPObank, it also affirmed its leadership in securities services, as the only Italian custodian bank, and in payment services, distributed to more than 100 banks and PSPs in Italy.

In 2023, as part of the new business plan, it confirmed its willingness to grow in its core business and continue on the path of value creation vis-à-vis its shareholders and all stakeholders.


SCALABLE BUSINESS MODEL
LOW CREDIT RISK
OPPORTUNITY REPRESENTED BY DEFERRED PROFITABILITY
M&A RELATED TO THE BUSINESS STRATEGY
SUSTAINABLE BUSINESS
BROAD, DIVERSE FUNDING
A MANAGEMENT TEAM WITH SIGNIFICANT EXPERIENCE
ORGANIZATION ALIGNED WITH THE NEEDS OF SHAREHOLDERS
A Group with a unique ability to generate value for its shareholders, its people and the community

BFF 2028: ever more a bank *like no other*

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

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

OFFER	OPPORTUNITY	
Non-Recourse Factoring Financing for the public sector and healthcare Credit Management	€1,000 billion of market opportunities with potential for volume growth in Italy and abroad	ORGANIC GROWTH
Custodian Global custody Fund accounting Transfer agent	Long-term growth in assets under management and administration in Italy	
Payment intermediary Corporate payments Checks and bills	Epochal transition from cash payments to digital payments in Italy	

Business Model

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

As well as providing the Factoring & Lending services mentioned above the Group is a leader in Italy in Securities Services and banking payment services. It provides these services to more than 400 clients including investment funds, banks, payment and money institutions, large corporations and Public Administrations.

Below is a representation of the services offered and their benefits to customers.

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

FACTORING & LENDING

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

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

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

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

SECURITIES SERVICES

PAYMENTS

- **The structural reduction of costs** for the customer thanks to outsourcing services that guarantee constant adaptation to and compliance with the regulatory framework without the financial burden that usually follows.
- A single interlocutor – **"one stop shop"** – for all back office services for better **cost efficiency and management**.

- **Rapid, customized solutions** thanks to a superior flexibility and agility in managing customer needs.

- **Operational simplification for PSPs*** thanks to a single interbank account, which can be monitored in real time, to join all Italian and European payment services at the same time.

** Payment Service Providers*

Our Mission

Work with honesty and transparency, respecting and valuing people, maintaining leadership in innovation, customer service and execution in the markets, with a low risk profile and high operational efficiency.

Our Vision

Be a leader in specialty finance thanks to a value proposition that is unique in its target markets: a highly specialized and sustainable bank like no other.

Our Values

Meritocracy, ownership, pursuit of excellence (continuous improvement), results oriented, respect.

Sustainability of the BFF Banking Group business model

BFF Banking Group pays particular attention to topics linked to sustainability, assessing the impacts that its business and conduct generate in terms of environmental, social and good governance aspects.

Since 2019 now, BFF has prepared a Consolidated Non-Financial Disclosure, which supplements the Group's financial statements with the main non-financial data and information.

During 2023, the Group reviewed the materiality analysis process and results, aimed at identifying the most relevant sustainability issues for its business. This process led to the updating of the list of impacts identified using an "Inside-Out" perspective, considering the context in which BFF operates.

In light of the activities carried out, the categorization of impacts into the material topics identified in 2022 was confirmed. This process enabled the consolidation of a framework used to measure progress in the medium term and to build an increasingly quantitative approach to ESG metrics, as well as the cultural dimension and value creation in this area.

In 2024, the Group is developing specific projects to adapt its processes, in line with the provisions of Directive (EU) 2022/2464 (CSRD).

Our ESG strategy

In line with the objectives declared during the publication of the 2023 Consolidated Non-Financial Disclosure, BFF continued on its path towards the integration of ESG factors into its strategy, with actions aimed at creating long-term value for the benefit of its internal and external stakeholders.

The Plan "*Ever more a BFF like no other*," unveiled in June 2023, among other things confirms this commitment, declaring equally challenging goals for the Plan's time horizon.

In fact, in the area of the Environment important targets have been set to reduce emissions, in terms of eliminating them completely (Scopes 1 and 2), as well as a commitment to consider future initiatives for its own indirect emissions.

In the Social area, BFF continues to reaffirm the value of its human capital, promoting a corporate culture based on meritocracy, responsibility, and respect, and is committed to generating well-being for the community it operates in by promoting all the actions necessary to support the implementation of the Fast Forward Foundation's Strategic and Operational Plans.

Finally, with regard to Governance, the Group continues to maintain the best market standards and its efforts aimed at ensuring high accountability vis-à-vis stakeholders through the improvement of rating and ESG indices (both in terms of score and coverage).

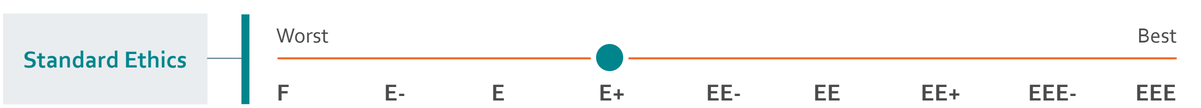
ESG Rating

BFF has continued to develop its dialog with the leading ESG rating agencies with the goal of pursuing the continuous improvement of its performance in the most accredited ESG ratings and an increase in coverage.

This approach led to an upgrade in the following ESG risk ratings, which for BFF represents further encouragement to continue on its path of sustainable growth.

The BFF Group currently has the following sustainability ratings.

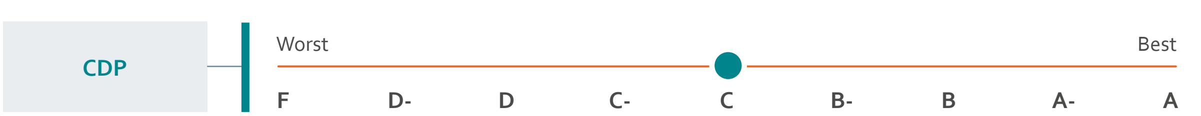
On November 21, 2023, **Standard Ethics** – "Self-Regulated Sustainability Rating Agency", which issues non-financial sustainability ratings, undertaking to promote the main sustainability and governance standards of the European Union, the OECD and the United Nations – **revised the Bank's Corporate Standard Ethics Rating (SER) upwards to "E+" from the previous "E", assigning it a "Positive" outlook**. Standard Ethics highlighted the path undertaken by the Bank in progressively aligning its Sustainability governance tools with the recommendations of the UN, the OECD and the European Union. Furthermore, this alignment took place within a formalized and structural process, in areas relating to Diversity and Inclusion, IT security, the risk of offenses and tax matters. Since 2019, BFF's ESG (Environmental, Social, Governance) performance has been aligned with sector best practices, and an ESG Committee was introduced in July 2022. The Bank has made a tangible commitment in other areas as well, such as environmental policies and ESG financial topics, currently being implemented through targeted policies or specific measures.



In 2024, the rating company Sustainalytics improved BFF's ESG risk rating from 17 to 15, thus confirming the company's placement in the "Low Risk" category.

On January 25, 2024, MSCI, a leading international ESG rating company that analyzes about three thousand companies globally, confirmed BFF's ESG rating at AA.

On February 6, 2024, the rating agency Carbon Disclosure Project (CDP) evaluated the BFF Group's performance with a score of C (on a scale of A to F). This rating bears witness to the path undertaken in terms of the integration of climate factors into the business, operations and risk framework of the Group, and lays the foundations for the continuous strengthening of the commitments and oversight mechanisms adopted.



2. Operational context and significant events

International Economic Landscape

In the first half of 2024, within a tense geopolitical environment caused by the continuation of the war in Ukraine and the emergence of tensions between Israel and Iran (which later subsided after the USA stated that it would not support Israel in any conflict), economic indicators showed relatively stable growth in the United States, the emergence of signs of a recovery in Europe and a widespread decline of core inflation (excluding food and energy), which is paving the way for an inversion of monetary policies. While in the first 5 months of the year the West's three main central banks kept official interest rates as-is (the Federal Reserve at 5.25%-5.50%, the Bank of England at 5.25% and the ECB deposit rate at 4.0%), in June the Frankfurt bank cut them by one quarter of a point, triggering a cycle of expansion in view of the achievement of its inflation target.

The European economy

THE MAIN MACROECONOMIC INDICATORS OF THE EUROPEAN UNION

Indicators	2022	2023	Consensus forecasts	
			2024	2025
Real GDP (annual change)	3.5%	0.5%	1.1%	1.7%
Inflation rate (annual change)	8.9%	6.2%	2.6%	2.2%
Unemployment rate	6.6%	6.6%	6.8%	6.6%
Balance of payments (% of GDP)	1.0%	2.5%	3.1%	3.0%
Public Budget Balance (% of GDP)	-3.4%	-3.5%	-3.0%	-2.7%

Consensus estimates from Bloomberg, updated at 07/15/2024.

After the net halt in GDP growth in 2023, in the first half of 2024 there are signs of a recovery, albeit at limited levels. Growth is being sustained by a gradual improvement in household demand, supported by higher real incomes caused by lower inflation. Businesses on the other hand continue to have little propensity to increase investments, due to the restrictive approach of monetary policy and weak foreign demand. As a result, production activity continued to decline. However, the faith of businesses is on the rise, thanks to greater optimism in the services sector and lower pessimism in manufacturing, and despite the continuing crisis in the construction segment. Based on consensus forecasts, it is estimated that GDP will grow this year by 1.1% (from 0.5% in 2023) and in 2025 by 1.7%.

Inflation in May fell to 2.7% from 3.4% in December, benefiting from the downturn in the core figure (excluding the volatile components of food, energy, alcohol and tobacco) from 4.0% to 3.2%. On average, analysts estimate inflation will fall from 6.2% in 2023 to 2.6% in 2024 and to 2.2% in 2025.

As usually takes place after a restrictive monetary policy cycle, the European Central Bank kept rates stagnant for a relatively long period (9 months) until confirming that inflation had started to return towards its target. Once the reduction of inflationary pressure was established, in early June it reduced benchmark rates by 25 basis points, bringing the deposit rate to 3.75%. For the second half of the year, operators are expecting further reductions, with an implicit market rate for December of 3.18%.

In the bond markets, Bund yields were up (by 43 euro cents on the two-year and by 48 on the ten-year) in the wake of Treasury bonds (up by 50 basis points on the two-year and by 52 on the ten-year), reflecting the improvement in expected growth (which triggered an increase in inflationary expectations despite the decline in core inflation) and the resulting expectation of less expansionary monetary policies compared to what was forecast at the end of last year. The signs of European economic recovery, resulting in a forecast of higher issuer solvency, favored a narrowing of spreads, decreasing the yield spread between the 10-year BTP and Bund by 11 bps to 157. In reality, the decrease in spreads was temporarily held back by the fear, which emerged after the European elections of June 9, that in France a Euroskeptic coalition may take over the government. These fears were erased following the French elections of June 30, and spreads rapidly returned to the values recorded prior to the European elections (130 bps in the case of the BTP-Bund yield spread). There was little impact from the decision to initiate an Excessive Deficit Procedure (EDP) against our country (along with another six), since its net debt is significantly higher than 3%; moreover, the new European rules require a very gradual adjustment process, considering that the structural deficit will need to be reduced by (at least) half a percentage point per year, a goal that seems achievable even in years of modest growth (estimated in the EFD at 1.1% on average for the years between 2024 and 2027). The decline in the spread, limiting long-term rate growth (by 37 basis points on the ten-year BTP, while on the two-year maturity there was a 54 bps increase), allowed the Italian bond market to limit its losses to a modest 0.1% (based on the general MTS index).

The budget policies being implemented in 2024 are moderately restrictive - due to the elimination of the measures taken in previous years to benefit households and businesses to counter the impact of rising energy prices - and should result in a decline in the EU's public deficit according to consensus estimates to 3.0% of GDP (from 3.5% in 2023), a value that should decline further to 2.7% in 2025.

To achieve the improvement in net debt, the growth in public expenditure will likely be limited to levels just lower than those of nominal GDP. In this regard, the European Commission estimates an increase of 3.2% for this year and of 3.7% for the next. Amongst the countries in which BFF operates, the greatest increases should be seen: in 2024, in Poland (+13.1%), Croatia (+8.4%), Portugal (+6.4%) and Spain (+5.7%); in 2025, in Croatia (+7.2%) and Poland (+5.5%). Overall, government spending in the countries where BFF operates is expected to grow by 2.3% this year and 3.5% next year.

PUBLIC EXPENDITURE OUTLOOKS IN THE COUNTRIES WHERE BFF IS PRESENT

Countries	2023 Public Expenditure (billion euros)	2023 Public Expenditure (% of GDP)	Chg 2023/2022	2024 Public Expenditure (billion euros)	2024 Public Expenditure (% of GDP)	Chg 2024/2023	2025 Public Expenditure (billion euros)	2025 Public Expenditure (% of GDP)	Chg 2025/2024
European Union (27 countries)	8,383	49.4	6.0%	8,649	49.2	3.2%	8,968	49.1	3.7%
BFF countries	**4,247.0**	**52.4**	**6.5%**	**4,346.3**	**51.7**	**2.3%**	**4,500.4**	**51.5**	**3.5%**
France	1,608	57.3	3.6%	1,659	57.2	3.2%	1,708	57.0	2.9%
Italy	1,153	55.2	5.2%	1,098	51.5	-4.7%	1,135	51.7	3.4%
Spain	678	46.4	6.3%	717	46.6	5.7%	745	46.5	4.0%
Poland	351	46.7	23.0%	397	49.4	13.1%	419	48.5	5.5%
Czech Republic	139	45.4	12.9%	142	44.6	1.9%	147	44.1	3.6%
Portugal	112	42.3	5.1%	119	43.4	6.4%	124	43.5	4.1%
Greece	111	50.5	1.3%	114	49.6	2.3%	116	48.6	2.0%
Slovakia	58.5	47.9	25.9%	61.0	47.5	4.2%	63.2	46.6	3.7%
Croatia	36.3	47.4	20.2%	39.3	48.3	8.4%	42.2	49.1	7.2%

Source: BFF Insights calculations based on European Economic Forecast, Spring 2024 and Eurostat data.

In the area of government spending, trends in spending on goods and services and investment are of particular significance to BFF's business.

So far public spending on goods and services has shown quite lively performance. In 2023 it grew by 5.8%, with intermediate consumption up in particular (+7.4%), while social benefits in kind rose to a more limited extent (+4.0%). Growth in the countries in which BFF is present was half a percentage point higher than that of the European Union, at 6.3%, with greater dynamism in intermediate consumption (+7.7%) as well as social benefits in kind (+4.2%). In more detail, the increase was particularly consistent in Poland (+17.6%), Croatia (+15.5%) and the Czech Republic (+13.1%).

THE TREND OF PUBLIC EXPENDITURES FOR GOODS AND SERVICES IN THE COUNTRIES WHERE BFF IS PRESENT

Countries	2023 Intermediate Consumption (billion euros)	2023 Intermediate Consumption (% of GDP)	Chg yoy	2023 Social Benefits in Kind (billion euros)	2023 Social Benefits in Kind (% of GDP)	Chg yoy	2023 Public Expenditure for Goods and Services (billion euros)	2023 Public Expenditure for Goods and Services (% of GDP)	Chg yoy
European Union (27 countries)	1,038.6	6.1	7.4%	909.9	5.4	4.0%	1,948.5	11.5	5.8%
BFF countries	**471.9**	**5.8**	**7.7%**	**314.7**	**3.9**	**4.2%**	**786.6**	**9.7**	**6.3%**
France	159.3	5.7	9.3%	178.6	6.4	1.4%	337.9	12.0	5.0%
Italy	122.1	5.8	2.4%	52.3	2.5	5.2%	174.4	8.4	3.2%
Spain	85.0	5.8	7.5%	40.4	2.8	6.7%	125.4	8.6	7.2%
Poland	48.6	6.5	17.5%	15.3	2.0	17.7%	63.9	8.5	17.6%
Czech Republic	18.0	5.9	12.2%	10.5	3.4	14.6%	28.5	9.3	13.1%
Portugal	14.0	5.3	5.0%	4.6	1.7	-2.8%	18.7	7.0	3.0%
Greece	12.0	5.5	4.0%	7.1	3.2	15.9%	19.2	8.7	8.2%
Slovakia	6.9	5.6	5.5%	4.2	3.4	12.1%	11.1	9.1	7.9%
Croatia	6.0	7.8	16.1%	1.6	2.1	13.0%	7.6	9.9	15.5%

Source: BFF Insights calculations based on Eurostat data.

Public expenditure on goods and services includes intermediate consumption and social benefits in kind acquired in the market. Intermediate consumption is all goods and services destined to be transformed into production processes for the direct provision of health and welfare services and the provision of welfare and social security benefits in cash. The social benefits in kind acquired in the market regard goods and services produced by parties that are not part of Public Administrations and made available directly to households; spending on those goods and services regards the Healthcare (expense for pharmaceutical assistance and for healthcare services provided under agreement) and Social Protection functions for the acquisition of welfare services.

Public investments are expected to remain at high levels both this year and the next, thanks to the RRF, EU structural funds and the investments approved by governments. According to Commission estimates, in the European Union their incidence on GDP should rise from 3.5% in 2023 to 3.7% in 2025 and in the countries in which BFF operates from 3.8% to 4.0%. This should take place following persistently sustained growth, reaching 6.9% in the EU in 2024 (from 14.8% in 2023, which was impacted by the factors already mentioned as well as high nominal GDP growth) and 6.8% in 2025 and in the countries in which BFF is present 5.6% (from 19.7% last year) and 6.4%, respectively. Specifically, undoubtedly brilliant trends are expected in Portugal (+26.6% this year and +14.0% next year), Poland (+8.5% and +13.8%), Greece (+16.8% and +1.7%), Croatia (+7.8% and +7.4%), Italy (+2.1% and +12.7%) and Spain (+9.9% and +4.2%).

PUBLIC INVESTMENT OUTLOOKS IN THE COUNTRIES WHERE BFF IS PRESENT

Countries	2023 Public Investments (billion euros)	2023 Public Investments (% of GDP)	Chg 2023/2022	2024 Public Investments (billion euros)	2024 Public Investments (% of GDP)	Chg 2024/2023	2025 Public Investments (billion euros)	2025 Public Investments (% of GDP)	Chg 2025/2024
European Union (27 countries)	592.3	3.5	14.8%	632.9	3.6	6.9%	675.8	3.7	6.8%
BFF countries	**308.3**	**3.8**	**19.7%**	**325.6**	**3.9**	**5.6%**	**346.3**	**4.0**	**6.4%**
France	119.7	4.3	8.5%	124.7	4.3	4.2%	125.9	4.2	0.9%
Italy	66.8	3.2	25.9%	68.2	3.2	2.1%	76.9	3.5	12.7%
Spain	43.4	3.0	16.4%	47.7	3.1	9.9%	49.7	3.1	4.2%
Poland	37.8	5.0	52.5%	41.0	5.1	8.5%	46.7	5.4	13.8%
Czech Republic	15.4	5.0	19.5%	15.6	4.9	1.2%	16.3	4.9	4.8%
Portugal	6.7	2.5	16.8%	8.5	3.1	26.6%	9.7	3.4	14.0%
Greece	8.6	3.9	12.5%	10.1	4.4	16.8%	10.3	4.3	1.7%
Slovakia	5.8	4.7	70.9%	5.3	4.1	-8.7%	6.1	4.5	16.0%
Croatia	4.2	5.4	62.0%	4.5	5.5	7.8%	4.8	5.6	7.4%

Source: BFF Insights calculations based on European Economic Forecast, Spring 2024 and Eurostat data.

The factoring market in Europe

After the slowdown observed last year, in 2024 the factoring market is expected to improve, benefiting from the recovery in GDP in the European Union and the inversion of monetary policies. However, the growth will not be as strong as that observed in recent years, but there will likely be a return to a more normal pace of growth, similar to that seen prior to the pandemic. Indeed, businesses are turning more and more to factoring as a source of funds, as can be seen from the increase in the number of customers, which neared 304,000 last year, a level never reached before.
According to Grand View Research estimates, the European factoring market will grow by roughly 5.5% in 2024 (for overall volumes of around €2,575 billion), to then accelerate at an average growth rate of 8.2% in the 2024-2030 period, increasingly constituting an alternative source of funds to traditional banks, capable of supporting both SMEs and large companies and taking on the innovations introduced by blockchain and supply chain finance platforms.

Looking specifically at the **Italian factoring market**[1] , preliminary data for the first half of 2024 show turnover of €146.8 billion (including €28.5 billion in recourse and €118.3 billion in non-recourse), up by +3.7% from the January-June 2023 period.This growth was driven primarily by international factoring activities, which at the end of March represented over 20% of overall turnover. In the same period, the outstanding amounted to €64.9 billion (of which €15.7 billion in recourse and €49.2 billion in non-recourse), marking slight growth (+0.4%) compared to last year. Advances and fees paid amounted to €52.4 billion (+0.3% over June 30, 2023). The ratio of advances to outstanding stood at 81%, recording a slight increase compared to 79% one year ago.
On the basis of the estimates contained in the May ForeFact Report[2] which brings together the assessments of sector operators, forecasts are positive for 2024, with expected turnover up by 3.6% compared to 2023.
Restricting the analysis only to factoring for the public administration, in the first three months of 2024 there was a 6.6% decline in turnover compared to March 2023, with a total turnover value of €4.6 billion, equal to 6.8% of total factoring volumes in Italy. This result was first and foremost impacted by the trend in economic activity, which struggled to recover from substantial stagnation in 2023, as well as the uncertainties linked to the continuation of the wars in Ukraine and the Middle East and the consolidation of restrictive monetary policies enacted by central banks.

With reference to the volume of receivables from public bodies, the figure in March 2024 came to €7.5 billion, of which €3.1 billion past due, in relation to the notoriously extended payment times of public institutions.
Based on the breakdown of outstanding receivables by type of debtor, those from the health care sector accounted for 33% of the total and those from central, local, and other government agencies for 67%. On the other hand, considering the breakdown by due date, overdue loans amounted to €3.1 billion (42% of the total), of which €2.2 billion were overdue by more than one year.
In this scenario, BFF's market share with respect to the PA stands at 35.9% in terms of outstanding without recourse and 16% in terms of total turnover (without recourse and with recourse)[3].

1) Source: EUF Press release - *Still on the growth path - 2023 factoring figures.*
2) Source: ASSIFACT - *Preliminary monthly statistics – June 2024, Quarterly statistics – March 2024, ForeFact no. 3 – May 2024.*
3) The market share relative to the outstanding is calculated using a market value that includes non-recourse loans to the public administration (central and local administrations, health and social security institutions); this value is 27.1% considering the total outstanding with and without recourse); the market share of turnover is instead calculated using the market value that includes both non-recourse and recourse receivables, as the detailed breakdown is unavailable, and excluding tax and fiscal receivables (source: Assifact).

The Italian Securities Services market

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

In the first five months of 2024, the equivalent value of assets under management in Italy, which is closely linked to the performance of the Group's **Fund Services** and **Global Custody** businesses, grew slightly to €2,344 billion, with an increase of 0.3% compared to the end of 2023, despite the fact that net inflows were down €11.4 billion. This was possible thanks to the significant stock market appreciation and even in the face of a downturn in the bond markets.

THE ITALIAN MANAGED SAVINGS INDUSTRY

Management	Net inflows Jan. - May 2024* (A)	(A)/ Assets under management Dec 2023	Net inflows Jan. - Mar. 2024* (B)	(B)/ Assets under management Dec 2023	Assets under management May 2024*	Assets under management May 2024/ Dec. 2023	Assets under management Mar. 2024*	Assets under management Mar. 2024/ Dec. 2023	Assets under management Dec. 2023*
Collective management	**-6,001**	**-0.5%**	**-3,398**	**-0.3%**	**1,247,999**	**0.4%**	**1,254,418**	**0.9%**	**1,242,840**
Open funds	-7,546	-0.7%	-3,953	-0.3%	1,180,226	2.7%	1,187,521	3.3%	1,149,299
Italian-law funds	7,328	2.9%	3,319	1.3%	263,893	5.3%	260,305	3.9%	250,569
Funds under foreign law	-14,873	-1.7%	-7,272	-0.8%	916,332	2.0%	927,216	3.2%	898,731
Harmonized (UCITs)			-3,981	-0.4%			1,140,302	3.6%	1,100,969
Alternatives			28	0.1%			47,220	-2.3%	48,330
Closed funds	1,545	1.7%	556	0.6%	67,773	-27.5%	66,897	-28.5%	93,540
Portfolio management	**-5,426**	**-0.5%**	**-2,724**	**-0.2%**	**1,096,422**	**0.1%**	**1,108,148**	**1.2%**	**1,094,870**
Management of retail assets	3,486	2.2%	1,729	1.1%	155,855	-0.3%	154,700	-1.0%	156,251
Management of institutional assets	-8,912	-0.9%	-4,453	-0.5%	940,567	0.2%	953,447	1.6%	938,619
Management of insurance products			-1,972	-0.3%			694,891	1.4%	685,069
Management of social security assets			1,191	1.1%			114,881	4.7%	109,711
Other management			-3,672	-2.6%			143,675	-0.1%	143,839
Total managed savings	**-11,427**	**-0.5%**	**-6,122**	**-0.3%**	**2,344,421**	**0.3%**	**2,362,566**	**1.1%**	**2,337,710**

* Values in € million.

Source: BFF Insights calculations based on Assogestioni data.

Analyzing the disaggregated data on net inflows, it can be seen that the decline was driven by foreign open-end funds (-€14.9 billion) and the management of institutional assets (-8.9 billion), while inflows were supported by Italian open-end funds (+7.3 billion), retail asset management (+3.5 billion) and closed-end funds (+1.5 billion).

Amongst the open-end funds, the backslide took place in harmonized funds, while alternative funds remained stable. Indeed, first quarter data show that net inflows of harmonized funds declined by 4.0 billion, while those of alternative funds rose slightly (+28 million).

Assets under management thus came at the end of May to €1,180 billion for open-end funds (50.3% of the total), €67.8 billion for closed-end funds (2.9%), €155.9 billion for retail portfolio management (6.6%) and €940.6 billion for institutional portfolio management (40.1%). Compared to the end of 2023, the equivalent value managed rose by 2.7% for open-end funds and by 0.2% for institutional asset management, while it was down by 27.5% for closed-end funds and by 0.3% for retail asset management.

In the institutional portfolio, pension assets – significant for BFF's business – rose by 4.7% in the first quarter to 114.9 billion, primarily due to positive stock market trends, but also because of the good performance of net inflows (+1.2 billion, up by 1.1% compared to December 2023).

The Payment Market in Italy

In line with what was observed in recent years, again in 2024 all of the prerequisites are in place for significant growth in digital payments.

In March 2024, the migration to the new SEPA schemes (postponed since the original date of November 2023) was completed successfully, coinciding, for BFF Bank, with the change of ACH, as a result of the closure of the Nexi ACH and the transfer for all SEPA services to EBA.

From the perspective of payment initiatives at European level, at the start of 2024 the new regulation that makes instant payments compulsory (IPR) was definitively approved and subsequently published in the Official Journal in April 2024. Aside from making the regulation compulsory on receipt (9 months after publication) and for sending (18 months after publication), the new regulation also makes the Verification of Payee service compulsory, which will need to verify the consistency between the IBAN and the name of the payee before sending the order.

With regard to other regulatory changes underway for the payments sector, full approval is expected at the end of the discussion process taking place in the new Commission and the new Parliament.

The two directives still in the finalization phase by the European Authorities are summarized below:

1) New Payment Systems Directive (PSD3) and its Regulations (PSR)

2) Regulation on Open Finance

These two initiatives will strongly change the payments market over the next few years, opening up further competitive challenges in the industry.

The proposed amendment to the PSD directive aims to harmonize the rules on authorization and supervision of payment institutions. The main innovation of this initiative is the integration of the second e-money directive into the Payment Services Directive (PSD2) and the extensive reduction of authorization requirements. The proposal integrates former e-money institutions (IMELs) as a subcategory of payment institutions (PIs). Furthermore, following what was included in the IPR, the Settlement Finality Directive (SFD) will also be modified, which should make it possible to open the direct settlement phase to payment institutions (PI) as well. If so, this would open up a potentially more competitive scenario for the banking system and BFF. The regulatory details that may allow payment institutions to carry out these operations are still being drafted by the Authorities.

In addition, the Digital Euro project continues, for which the first version of the rulebook is in the completion phase, and roundtable discussions by the European Community have begun to define all processes. The Digital Euro proposal outlines the basic principles of how the ECB's digital currency is to function, which, in its intentions, should complement the use of cash and have the same peculiarities of being free of charge to end users, facilitating both financial inclusion and access to digital payments, as well as being a key element in consolidating monetary sovereignty within the EU. BFF is part of the ABI and ABILab working groups which monitor the evolution of the project in the interbank area.

Every European citizen could have a digital wallet tied to a payment account, to be used for transactions, both offline and online, with a spending limit managed at operational level by their PSP that will provide the wallet service.Online transactions would offer the same level of data protection as existing digital means of payment, while offline payments would guarantee a high level of privacy and data protection for users.

Banks and other PSPs across the EU would distribute the Digital Euro to individuals and businesses, providing basic Digital Euro services free of charge to individuals. PSPs that will deliver the Digital Euro are left with the option of charging a fee for payments to merchants and offering value-added services for a fee to develop innovation.

Merchants throughout the Eurozone would be required to accept the Digital Euro, except for very small merchants who may choose not to accept digital payments. The Digital Euro project was launched in October 2021, and in the fall of 2023 the ECB Governing Council completed the ongoing investigation into the technical characteristics and related deployment arrangements, and launched a preparation phase in order to develop and test the new currency.

Given its role as a collector and intermediary for many banks and PSPs, BFF could play an important role in ensuring interoperability and reachability of the new digital currency, including greater efficiency and effectiveness in any distribution and reporting.

Key events in the Group

This section shows the main events that occurred in H1 2024.

On April 8, BFF announced that it had successfully placed the new social unsecured senior preferred bond for a total of €300 million and with a duration of 5 years at a fixed rate of 4.750% per annum, as part of the EMTN (Euro Medium Term Note) Program of €2.5 billion, established by the Issuer. The Bonds were placed at a reoffer yield of 4.775% (corresponding to a spread of 190 basis points on the reference mid-swap rate) payable every year and were intended only for qualified institutional investors in Italy and abroad, pursuant to Regulation S of the United States Securities Act of 1933, as amended. Consistent with the Bank's funding plan, this issue was carried out to enable compliance with MREL requirements, compulsory for BFF as of January 1, 2025. The net proceeds of the Bonds will be allocated to finance and/or refinance the Eligible Social Assets, as defined in the Bank's Social Bond Framework published in September 2023. This was the first issue as part of the Social Bond Framework. The transaction recorded total demand exceeding €67.5 million, equal to roughly 2.25 times the offer (approx. €425 million at the reoffer), with high quality and broad geographical diversification of the institutional investors.

On April 18, the Shareholders' Meeting elected the new Board of Directors, with Ranieri de Marchis as the new Independent Chairman with 95% of the votes and confirming Massimiliano Belingheri as Chief Executive Officer. The Shareholders' Meeting also approved the 2023 financial statements and the proposed distribution of a dividend from the 2023 profits of €0.541 per share, which, along with the interim dividend of €0.438 distributed in September 2023, brought the total dividend for 2023 to €0.979 per share.

On April 24, BFF paid the balance of the 2023 dividend, which was approved by the Shareholders' Meeting on April 18.

On April 29, 2024, BFF received the report from the Bank of Italy containing the results of the follow up inspections concluded on January 12, 2024. In the Supervisory Letter, the Bank of Italy identified certain critical issues and submitted compliance findings on i) Chief Executive Officer remuneration mechanisms, ii) corporate governance mechanisms and iii) the classification of public receivables based on the indications set forth in EBA guidelines. In particular, this last finding regards the application of the suspension of the calculation of late payment days for the purpose of the prudential classification of the credit exposure in default.
The Bank responded to these findings on July 11, 2024. Pending the examination of the Bank's decisions on the basis of the inspection findings presented, the Regulator established that the Bank should temporarily refrain from approving or carrying out (i) the distribution of profits (generated starting from the current year 2024) or other capital elements; (ii) the payment of the variable part of remuneration; (iii) the additional expansion of operations abroad, by opening new branches or expanding under the provision of services regime in new countries.

On May 23, the Moody's rating agency placed all of BFF's ratings and assessments under review for downgrade. The rating action originated from what was disclosed to the market by BFF on May 9 and 10, 2024 relating to the supervisory measures undertaken by the Bank of Italy.
On June 20, 2024, the rating agency DBRS Morningstar confirmed BFF's ratings, with the Long-Term Issuer Rating of BB (high) and the investment grade Long-Term Deposit rating of BBB (low), both with a stable outlook.

In the course of 2024, BFF announced that Morningstar Sustainalytics, as part of an update of its research methodology, assigned the BFF Group an ESG (Environmental, Social, Governance) risk rating of 15.0, marking an improvement over the score assigned after the previous analysis and confirming the company in the "Low Risk" category. BFF is in the 9th percentile of the "Regional Banks" sub-industry, in the 14th percentile of the "Banks" category and in the 13th percentile of the entire Morningstar Sustainalytics universe.

Focus on the main events concerning the Consolidated Interim Financial Report at June 30, 2024

The most significant elements concerning the Consolidated Interim Financial Report at June 30, 2024 are the new classification of the loan portfolio for prudential purposes and the change in the estimated late payment interest and the lump-sum indemnity for debt collection ("40 euros").

The new loan portfolio classification originates from the compliance finding on the classification of public receivables contained in the Bank of Italy inspection report received by BFF on April 29, 2024, to which the Bank responded on July 11, 2024.
The compliance finding regarded in particular the application of the suspension of the calculation of late payment days for the purposes of the prudential classification of the credit exposure in default, and therefore resulted in a revision of how loans classified as past due are calculated, triggering a significant increase in the item in question until reaching a level of €1,692.4 million at June 30, 2024, compared to €219.9 million at December 31, 2023 and €200.0 million at June 30, 2023.
Please recall that impaired assets are classified in keeping with the prudential definition of default (i.e. past due, unlikely to pay and non-performing), which assumes that there is an effective 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 Parent exposures) are treated differently. The actual credit risk profile assumed by the Bank is limited, as it has been assumed primarily with respect to public bodies not subject to procedures resulting in the risk of a loss of principal and the classification described above could result in significant distortions in the representation of the Bank's accounting, prudential and capital strength information. This is also corroborated by the very limited credit losses recorded. If the Bank exclusively represents impaired exposures net of those assumed with regard to public bodies not subject to procedures entailing the risk of a loss of principal, the total would decline from the current €1,814.2 million to €43.6 million.

The change in estimate for the recognition of late payment interest and the lump-sum indemnity for debt collection ("40 euros") instead took place after the updating of the time series concerning the relative collection percentages and the new elements emerging from that update. The time series are updated on an annual basis when the financial statements are prepared, and the change in collections is analyzed on a quarterly basis to confirm the recognition percentages in periodic reporting.

In the course of 2024, the Group, in making that update, refined several aspects of the model being used: in particular: (i) the database was critically reviewed, (ii) the time series were updated, including collections recorded in December 2023 and (iii) their reference period was critically analyzed, in order to make it more uniform with the mix of counterparties currently in the portfolio, current operating methods and increased correspondence between the late payment interest and 40 euros databases. In this respect, for late payment interest the 2015-2023 time series was used, deeming the observations relating to the 2010-2014 period to be not very representative as they relate to collections that referred almost exclusively to the Italian NHS, which today represents just 30% of the overall provision. In compliance with the requirement set out in IAS 8.34, which calls for the adjustment of estimates when there are changes in the circumstances on which the estimate was based or when new information is obtained, the Bank increased the percentage of recognition of late payment interest and 40 euros, from 50% to 65%.
Pursuant to IAS 8.36, the change in estimate was recognized on a forward-looking basis during the year of the change and, therefore, reflected in the year 2024.
In the period ending on June 30, 2024, the change in recovery rate generated higher non-recurring receivables and revenue of €137.9 million (€98.0 million net of taxes) and higher recurring receivables and revenue in future periods and relating to the first half of 2024 of €15.6 million (€11.1 million net of taxes).

3. Operating performance

KEY HIGHLIGHTS

RESPONSE TO THE BANK OF ITALY

1. Response sent to the Bank of Italy on the classification of receivables, governance and company remuneration practices in July 2024;
2. Loan portfolio reclassification applied for prudential purposes, generating a higher past due amount of €1,429 million, additional RWAs of €1,801 million and IFRS 9 provisions of €0.7 million as at June 30, 2024.

OPERATING PERFORMANCE

1. Normalized net profit in the first half of 2024 amounting to €71.0 million, up by 5% year on year, excluding the gain on the sale of some HTC government securities of €19.8 million in the first half of 2023;
2. Percentage of recognition of late payment interest and the lump-sum indemnity for debt collection ("40 euros") increased from 50% to 65%, a value below the historical level recorded of 77.5% (weighted average collection of the 2015-2023 period), which generated a capital increase of €109 million;
3. Loans and receivables with customers at record levels for the period in the first half of 2024 of €5.6 billion, +7% compared to the first half of 2023;
4. Loan/Deposit ratio of 69%, stable balance sheet, high liquidity with strong growth in deposits of €8.1 million, +10% compared to the first half of 2023;
5. Late payment interest rate of 12.25% applied as of July 1, 2024.

SHARE CAPITAL

1. CET 1 ratio of 11.9%, close to the threshold of 12% for the payment of dividends, and TCR of 14.8%, including the net profit for the first half of 2024, well above the SREP coefficient;
2. Significant improvement in the leverage ratio to 6.2%.

MAIN ITEMS IN THE INCOME STATEMENT

(€ million)

Normalized Income Statement	06.30.2024	06.30.2023	%
Factoring & Lending Revenues	**218.0**	**186.2**	**17%**
Payments Revenues	**32.5**	**29.2**	**11%**
Security Services Revenues	**11.8**	**12.4**	**-5%**
Other revenue	136.1	124.6	9%
of which HTC Securities Portfolio	102.2	78.6	30%
Total Revenues	**398.4**	**352.4**	**13%**
Cost of money[4]	(201.1)	(150.9)	33%
Total Net Revenue	**197.3**	**201.4**	**-2%**
Operating Costs incl. net adjustments on property, equipment and investment property, as well as intangible assets	(91.3)	(88.0)	4%
Cost/Income ratio (%)	46%	44%	200 bps
Net value adjustments/write-backs for credit risk	(6.3)	(1.4)	340%
Normalized pretax profit	99.7	112.0	-11%
Normalized profit for the period	**71.0**	**81.9**	**-13%**
Reported profit for the period[5]	**161.8**	**76.1**	**112%**

4) Including the profit on trading in derivatives used to hedge exposures to interest rates and currencies.

5) The reported profit for the period includes some non-recurring items. In the first half of 2024, these items referred to: the change in asset values, including the change relating to late payment interest and the lump-sum indemnity for debt collection ("40 euros") for €94.3 million, the cost of stock options for €2.5 million, the adjustment of the settlement agreement with the Chief Executive Officer for (€0.6) million, the amortization of customer contracts amounting to €0.9 million and other non-recurring costs for €0.7 million. In H1 2023, these items refer to: the settlement agreement with the Chief Executive Officer for €1.8 million, the cost of stock options for €0.5 million, the amortization of customer contracts amounting to €0.9 million and other non-recurring costs of €2.6 million.

The condensed consolidated half-yearly financial statements at June 30, 2024 show the equity and economic elements of BFF Banking Group.

During the first half of 2024, the Group focused on consolidating and developing its core businesses by implementing initiatives to win more and more new customers and market shares, offer new products and services, push its role as a "second-tier bank" and reprice its products to take into account changing macroeconomic conditions.

On the funding front, efforts were focused on using the funding made available by the Securities Services and Payments BUs and, with a view to diversifying funding sources and optimizing costs, by the online deposit accounts offered in all the regions the Group operates in with this product to finance its investments.

In the first half of 2024 (i) total revenue rose by 13% compared to the same period of 2023, or by 20% excluding the gain on the sale of some HTC government securities of €19.8 million, realized in the first half of 2023, (ii) net revenue decreased by 2% compared to the first half of 2023, and rose by +9% excluding the above-mentioned gain on the sale of certain government securities in the first half of 2023, (iii) the cost of funding was higher due to higher interest rate levels, (iv) costs were higher than last year by 4% despite investments, inflation and the renewal of the Italian national banking sector contract, (v) net value adjustments were up by €4.9 million due to higher provisions on some specific positions, primarily in Italy and Poland, and (vi) the normalized net profit came to €71 million (-13% compared to the first half of 2023, or +5% excluding the above-mentioned gain on the sale of several government securities).

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

Group profit

Reported net profit for the year

In terms of overall profitability, the cumulative performance of the Group's BUs, influenced by the phenomena indicated above, led to a reported net profit of €161.8 million, including the non-recurring items that influenced the profit for the year, the details of which are shown in the table below.

Normalized net profit for the year

Eliminating the non-recurring items that impacted the results at June 30, 2024, the Group's normalized profit stands at €71.0 million, down 13% compared to the same period of the previous year, or up by 5% excluding the gain on the sale of several HTC government securities of €19.8 million, realized in the first half of 2023.

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

- the revenue of the F&L BU rose by 17% with the effect of the increase in the percentage of recognition of late payment interest and the lump-sum indemnity for debt collection ("40 euros") from 50% to 65% and with the increase in rates applied to calculate late payment interest (12.5% in the first half of 2024 and 10.5% in the first half of 2023), partially offset by a lower "rescheduling/gains on collections of late payment interest" spread;
- fees of the Securities Services and Payments Bus, compared to the first half of 2023, with the former down slightly (due to the loss of certain lower-margin customers and the renegotiation of certain contracts) and the latter up thanks to the acquisition of new banking customers in the instant payments and SEPA payments segments;
- stable operating efficiency compared to the first half of 2023, with a cost/income ratio of 46% (44%, or 48% in the first half of 2023 excluding the gain mentioned above deriving from the sale of government securities), despite inflation and higher costs incurred to support business growth and implement initiatives to improve the Group's processes and IT architecture, freeing up additional efficiency and reducing operational risks in the future.

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

Adjustments – €m	06.30.2024	06.30.2023	YoY %
BFF Group - Reported profit	**161.8**	**76.1**	**112%**
Stock options	2.5	0.5	
Other non-recurring costs	0.7	2.6	
Settlement agreement with the CEO	(0.6)	1.8	
Amortization of DEPObank's "customer contracts"	0.9	0.9	
Changes in asset values, including the change in estimate relating to late payment interest and the lump-sum indemnity for debt collection ("40 euros")	(94.3)	-	
BFF Group - Normalized profit	**71.0**	**81.9**	**-13%**

On the following pages, in order to provide a precise presentation of the performance of the various BUs, the comments will refer to normalized income statement data, eliminating the non-recurring elements that influenced the results at June 30, 2024 and June 30, 2023.

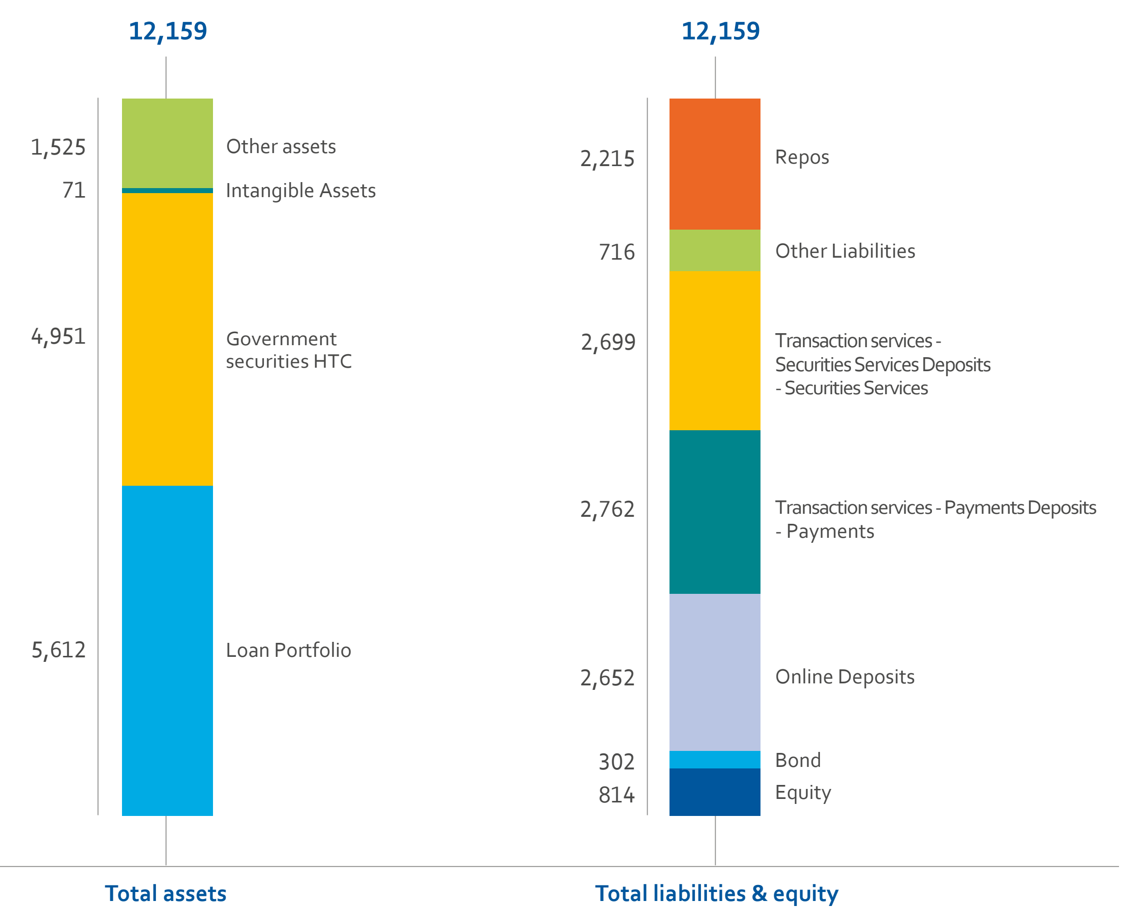
Group Statement of Financial Position

On the Balance Sheet front, during the first half of 2024 the Group continued to focus on optimizing the costs related to the various forms of funding, which remain below average market interest rates, while in any event maintaining high diversification, and on improving the returns of the various forms of lending.

Deposits amounted to €8.1 billion, up 10% compared to H1 2023. Note that on April 8, BFF announced that it had successfully placed the new social unsecured senior preferred bond for a total of €300 million and with a duration of 5 years at a fixed rate of 4.750% per annum. Please also note that the loan portfolio includes the increase in receivables for late payment interest and the lump-sum indemnity for debt collection ("40 euros"), resulting from the increase in the percentage of recognition from 50% to 65%.

The Group continued to effectively manage excess liquidity, with improved effects on both its leverage and profitability.

(€m)



Lending

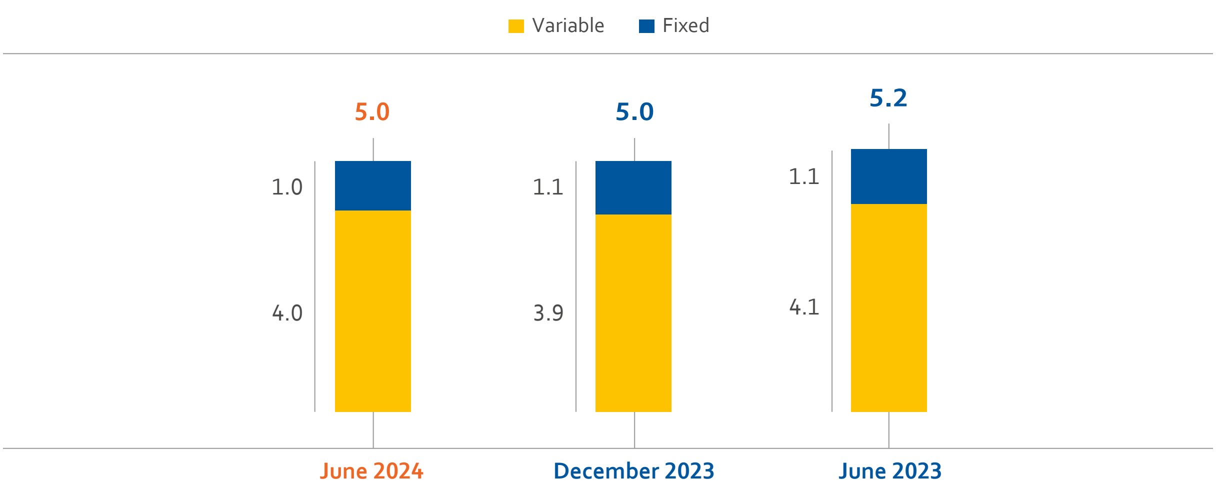
The Factoring & Lending Loan Portfolio was €5.6 billion, up by 7% compared to June 2023 and stable compared to December 31, 2023. International markets now account for around 39% of total loans to customers. The level of loans and receivables with customers reached all-time highs for the period, also thanks to a favorable context and good sales. With respect to December 31, 2023, all countries saw an increase compared to the previous year with the exception of Italy (which, however, reached +2% over the first half of 2023), still penalized by the departure of the sales director in the first half of 2024, and Spain, which however recorded a 58% increase over June 30, 2023, reflecting the volume growth trend. A positive growth trend was confirmed in both Poland and Greece.

Loan Portfolio (€m)	06.30.2024(*)	12.31.2023(*)	06.30.2023(*)
Italy	3,429	3,448	3,375
Spain	482	599	306
Poland	976	919	891
Slovakia	248	245	239
Portugal	248	223	250
Greece	213	166	174
Other countries (Croatia, France and the Czech Republic)	18	16	17
Total	**5,612**	**5,617**	**5,252**

(*) *Including "Ecobonus" tax assets for €281.5 million according to the HTC Business Model (€354.2 million and €238 million as at December 31, 2023 and June 30, 2023, respectively) and €65.6 million according to the trading business model (€59.9 million and €0 million at December 31, 2023 and June 30, 2023, respectively), accounted for under Other assets in the Statement of Financial Position, and "on-balance sheet" provisions relating to late payment interest and the lump-sum indemnity for debt collection ("40 euros") for €702 million (€528 million and €508 million as of December 31, 2023 and June 30, 2023, respectively).*

The portfolio of government bonds reached €5.0 billion, stable compared to December 31, 2023 and down by 5% compared to the same period of the previous year.

HTC SECURITIES PORTFOLIO (billion euros)



Funding

On the liability front, the optimization of sources of funding continues, by maintaining online deposit funding and through the placement of a new Social senior unsecured-preferred bond, for a nominal amount of €300 million and maturing on March 20, 2029 and with the option for early redemption in favor of the Issuer one year prior to the maturity of the bonds.

The Transaction Services department, with its Securities Services and Payments BUs, raised approximately €5.5 billion compared to €6.4 billion as of December 31, 2023, with a reduction in the share of Securities Services of €0.2 billion (from €2.9 billion as of December 31, 2023 to €2.7 billion as of June 30, 2024), primarily due to a change in fund investment policies, and the amount generated by Payments of around €0.7 billion (from €3.5 billion as of December 31, 2023 to €2.8 billion as of June 30, 2024) thanks to lower banking system liquidity. With respect to June 30, 2023, Security Services BU deposits were stable (€2.7 billion as of June 30, 2024 and €2.6 billion as at June 30, 2023), while those of the Payments BU declined by 0.2 billion from €3.0 billion as of June 30, 2023 to €2.8 billion as of June 30, 2024 due to lower banking sector liquidity.

The Group continued to offer the online deposit account solution aimed at retail and corporate customers and guaranteed by the Interbank Deposit Protection Fund in Italy with Conto Facto, in Spain, the Netherlands, Ireland and Germany with Cuenta Facto and lastly in Poland with Lokata Facto.

At June 30, 2024 total nominal takings of Conto Facto, Cuenta Facto, and Lokata Facto amounted to a total of €2.65 billion, down by approximately €0.1 billion from December 31, 2023. Compared to June 2023, retail deposits were up by 0.9 billion, +52% with an improvement in the debt/deposit ratio to 69%.

The nominal value of outstanding bond issues as of June 30, 2024 totaled €450 million (related to the AT1 issue and the new Social Senior Preferred bond issue) compared to €150 million as of December 31, 2023.

Repos amounted to €2.2 billion, up compared to €1.7 billion as of December 31, 2023. Compared to June 2003, Repos were down by around €1.0 billion.

The leverage ratio totaled 6.2% thanks to the higher shareholders' equity.

Finally, note that BFF continues to have no financing with the European Central Bank (ECB), neither ordinary (OMA) nor extraordinary (PELTRO, TLTRO etc).

Equity, Own Funds and Equity Ratios

BFF Banking Group continues to maintain its capital strength, also thanks to capital ratios and equity that do not include the normalized consolidated net profit for the year.

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 12.0% 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 year-end. Please note that following the findings sent by the Bank of Italy on April 29, 2024, to which the Bank responded on July 11, and pending the examination of the Bank's determinations, the Regulator temporarily suspended the distribution of profits generated starting from the current year 2024.

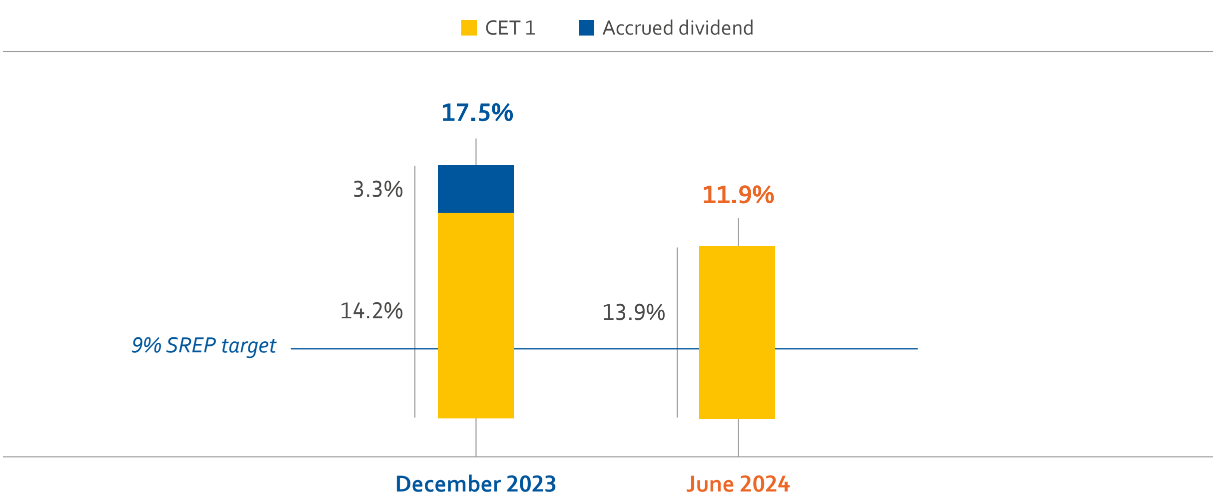
Equity as of June 30, 2024 amounted to €814.5 million, while BFF Banking Group's Equity as of the same date amounted to €746.4 million, including 150 million of an Additional Tier 1 unsecured and rated subordinated bond placed on January 19, 2022; the overall exposure to risks with respect to the business conducted is largely adequate to the capital endowment and risk profile identified.

The capital ratios CET1, Tier 1 Capital Ratio and Total Capital Ratio are 11.9%, 14.8% and 14.8%, respectively, and therefore far above minimum regulatory limits, although they were lower than the target CET1 ratio of 12.0% due to the increase in the amount past due following the new portfolio classification and despite the capitalization of profits in the first half of the year. In any event, the Bank believes that it will be able to return to CET1 levels higher than 12% by strengthening the collection process, developing the AIRB model and evaluating the application of other mitigation factors, after consulting with the Bank of Italy. The leverage ratio indicator has improved to 6.2% thanks to higher equity.

Finally, recall that on September 18, 2023 the Bank of Italy, as Resolution Authority, adopted the 2022 resolution plan for BFF Banking Group, confirming resolution as a crisis management strategy for the BFF Bank Group and defining the MREL requirements applicable as of January 1, 2025.

COMMON EQUITY TIER 1 RATIO

RWAs	**3,077**	**5,029**
RWA density	**43%**	**71%**



Changes in the workforce

At June 30, 2024 the total number of BFF Banking Group employees amounted to 849 persons. In the course of 2024, 65 people were hired, 29 in Italy, 6 in Spain, 27 in Poland, 1 in Slovakia and 2 in Greece.

Below is the breakdown by country:

06.30.2024	Italy	Spain	Poland	Slovakia	Czech Republic	Greece	Portugal	Total
HEADCOUNT JUNE 30, 2024	**558**	**63**	**187**	**14**	**2**	**12**	**13**	**849**

12.31.2023	Italy	Spain	Poland	Slovakia	Czech Republic	Greece	Portugal	Total
HEADCOUNT DECEMBER 31, 2023	**543**	**64**	**185**	**13**	**2**	**10**	**13**	**830**

The breakdown of the workforce by gender as at June 30, 2024 remained unchanged from December 31, 2023, with 54% women and 46% men.

Below are the details broken down by country:

06.30.2024	Women	%	Men	%	Total
Italy	277	50%	281	50%	558
Spain	32	51%	31	49%	63
Poland	131	70%	56	30%	187
Slovakia	7	50%	7	50%	14
Czech Republic	1	50%	1	50%	2
Greece	5	42%	7	58%	12
Portugal	4	31%	9	69%	13
Total	**457**	**54%**	**392**	**46%**	**849**

12.31.2023	Women	%	Men	%	Total
Italy	274	50%	269	50%	543
Spain	30	47%	34	53%	64
Poland	130	70%	55	30%	185
Slovakia	7	54%	6	46%	13
Czech Republic	1	50%	1	50%	2
Greece	4	40%	6	60%	10
Portugal	3	23%	10	77%	13
Total	**449**	**54%**	**381**	**46%**	**830**

Factoring & Lending BU
Main KPIs and Economic Results

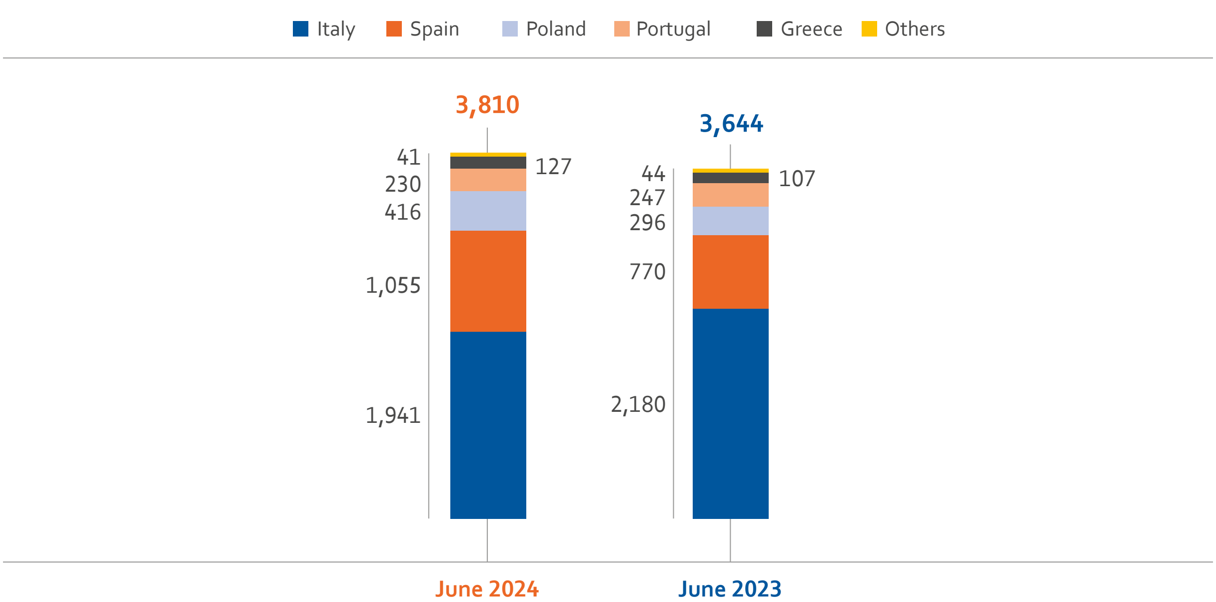
The Factoring & Lending BU carries out its lending and offers its services through products such as non-recourse factoring, lending and credit management to public administration bodies and private hospitals.

The Group currently performs these activities in nine countries (Italy, Croatia, France, Greece, Poland, Portugal, the Czech Republic, Slovakia and Spain).

Thanks to rising interest and inflation rates, which are causing companies to reconsider their working capital strategies, and good commercial performance, the main indicators of the Factoring & Lending BU showed positive trends.

The loan portfolio amounted to €5.6 billion as at June 30, 2024 and, therefore, in line with December 31, 2023 (€5.6 billion) and up by 7% compared to June 30, 2023 (€5.3 billion), while the volumes of loans acquired and disbursed were up compared to the previous year (€3,810 million vs €3,644 billion, +5% year on year) across nearly all countries with the exception of Italy, where a new sales organization was introduced starting from the second quarter of 2024, with a new sales director as of July 2024, and in Slovakia as a result of a greater focus on the national healthcare system with longer durations and higher margins.

VOLUMES



DSO recorded by BFF on factoring activities and credit management on behalf of third parties showed a reduction of collection times in Italy, Spain, Greece and Portugal compared to December 31, 2023.

Specifically, for Italy, DSO usually increases at the end of the year due to the concentration of acquisitions, and declines in subsequent months. DSO in June 2023 and 2024 was indeed aligned, with no deterioration in collection times.

Also in Spain, DSO usually increases at the end of the year due to the concentration of acquisitions, and declines in subsequent months. In June 2024, DSO was up compared to June 2023, with a deterioration in collection times due to the lack of funds on the part of public bodies.

In Slovakia, DSO is aligned with June 2023 and down compared to December 2023 due to (i) a better trend in payments of the current part by public borrowers and (ii) installment plans that were agreed upon for 30% of the exposure.

With respect to the increase in DSO in France, this figure should also be analyzed in consideration of the very small size of the business. In Croatia, the Group collected all remaining positions and has no exposures as of June 30, 2024.

DSO – days (BFF data, Acquisitions and Management, Public and Private):

	06.30.2024	12.31.2023	06.30.2023
Italy	146	159	144
Spain	108	191	70
Portugal	125	127	140
Greece	218	254	282
Croatia	-	40	37
France	166	76	86
Slovakia	786	934	785

The provision for late payment interest and the provision relating to the lump-sum indemnity for debt collection ("40 euros") amounted to €916 million and €253 million and overall were up 9% compared to the same period last year. The table below shows the shares not yet recognized in the Income Statement as of June 30, 2024 and 2023 and as of December 31, 2023. The increase in the share recognized in the income statement in the first half of 2024 was impacted by the change in the percentage of recognition of late payment interest and the lump-sum indemnity for debt collection from 50% to 65%: the share not recognized still remains at significant levels.

The gross yield on loans and receivables with customers increased compared to the first half of 2023, reaching 7.6%, +13%, thanks to the growth in rates, which impacted the rate to be applied on the calculation of default interest, and more generally the repricing carried out with customers.

The cost of credit remains at negligible levels thanks to the high standing of the customers served and the rigorous origination process and monitoring of credit, despite the larger portfolio of loans to customers and some specific write-downs in Italy, Spain and Poland.

€mln	06.30.2024	12.31.2023	06.30.2023
Provision for late payment interest	916	869	823
Lump-sum indemnity provision	254	264	251
Provision for late payment interest not transferred to the income statement	380	474	441
Lump-sum indemnity provision not transferred to the income statement	87	132	126
Gross yield on loans and receivables with customers % (net of "40 euros")	7.6%	7.6%	6.7%

Normalized interest income amounted to €205.1 million compared to €171.9 million in the first half of 2023 (+19% year on year), and was positively affected by the growth in rates, which impacted the rate to be applied on the calculation of late payment interest, and more generally by the repricing implemented with customers as well as by the increase in the loan portfolio. The increase in the percentage of recognition of late payment interest and the lump-sum indemnity for debt collection from 50% to 65% was partially offset by the lower "rescheduling/capital gains" spread.

The "rescheduling/capital gains" spread included in net interest income, i.e. the differential between capital gains generated by the receipts of late payment interest exceeding 50% accounted for on an accrual basis and rescheduling, i.e., the effects related to the discounting of receivables not collected according to internal estimates and therefore reprojected forward over time, was negative when compared to the same period last year (-€4.2 million).

Normalized other operating expenses and income included in Other revenue, include the economic impacts deriving from the lump-sum indemnity for debt collection ("40 euros") which in the course of the first half of 2024 led to an impact of €9.0 million, down compared to €11.4 million in the first half of 2023, substantially due to a different volume mix in Italy.

The Total normalized Net Revenue therefore amounted to €218.0 million, up €186.2 million compared to the same period of 2023, thanks mainly to the phenomena described previously.

€M (normalized values)	06.30.2024	06.30.2023
Interest income	205.1	171.9
of which "rescheduling/capital gains" spread	0.6	4.9
Other Revenue (including other operating expenses and income)	12.9	14.3
Total net revenue	**218.0**	**186.2**

Securities Services BU
Main KPIs and Economic Results

Securities Services is the BU which deals with custodian banking for investment funds and related services such as global custody, fund accounting and transfer agents for national managers and various investment funds – such as pension funds, mutual funds and alternative funds – as well as banks and other financial institutions (i.e., stock brokerage firms). This business is focused on the Italian market.

In the first part of the year, the Securities Services area saw good performance.

Specifically, Fund Services saw their assets under management rise, driven by the good trend in Alternative Investment Funds (in the first 6 months of 2024, AIF assets grew by 11.2%), and at the start of 2024 BFF Bank was officially nominated as the custodian bank of Cassa Forense, with €17 billion in AuD. BFF is currently ranked first in terms of market share for the number of pension fund customers to which it offers its custodian services. On the Global Custody side, the good results recorded derived from the consolidation of strategic initiatives aimed at: i) further expansion and improvement of the commercial experience; ii) an expansion to new financial operators (stock brokerage firms, etc.) through the offer of specialized added-value custodian bank services, as well as the offer of Paying Agent, Account and Custodian Bank services to Corporate customers and iii) seizing the opportunities also deriving from regulatory interventions, such as Emir Refit, ECMS and SFTR Reports, which on one hand represent an opportunity to strengthen in the market the role of correspondent bank and reference partner as part of Global Custody, and on the other hand make it possible to offer new value added products and services which will be able to contribute to a further increase in BFF's revenues in the course of 2024.

The main indicators of the Securities Services BU showed generally positive trends compared to the end of 2023 and the same period of the previous year, due to the effects linked to good financial market performance and commercial initiatives.

The Custodian's Assets under Deposit (AuD) amounted to €64.2 billion, up 9% from December 31, 2023 and 23% compared to June 30, 2023 thanks to the positive flow of new assets acquired, which began in 2023 and continued in the first half of 2024. The on-boarding of Cassa Forense is expected to take place in the second half of 2024. Global Custody's Assets under Custody (AuC) amounted to €119.1 billion, an increase of 13% from June 30, 2023, excluding several low-profitability customers that left in the 4th quarter of 2023.

The balance of customer deposits was influenced by the change in investment policies adopted by many funds and therefore shows an increase of +3% compared to the same period of last year.

	06.30.2024	12.31.2023	06.30.2023
Custodian Bank (AuD, €M)	64,202	58,842	52,395
Global Custody (AuC, €M)	119,065	111,343	169,859
Deposits - Final Balance (€M)	2,699	2,886	2,626

The level of normalized Net fee and commission income was lower than the first half of 2023 due to the loss of several low-profitability customers and the renegotiation of some contracts.

€M (normalized values)	06.30.2024	06.30.2023
Net fee and commission income	11.8	12.3
Other Revenue (including other operating expenses and income)	0.0	0.0
Total net revenue	**11.8**	**12.4**

Payments BU
Main KPIs and Economic Results

The Payments BU is the business unit that deals with payment processing, corporate payments and checks and bills and has as customers medium-small Italian banks and medium-large companies. The business is concentrated on domestic customers.

As the leading independent operator in Italy in the field of processing services dedicated to PSPs (Payment Service Providers: Banks, IMELs, Payment Institutions) and in specialized collection and payment services for large corporates and the Public Administration, BFF is benefiting from a growing payments market thanks to the progressive digitalization of payment instruments.

In the first six months of 2024, the BU recorded positive performance even to an extent exceeding expectations in the digital payments sectors and, primarily, in the area of payment processing by banks, IMELs and payment institutions. Good performance was also recorded in the settlement sector for international cards and corporate and PA payments. A more robust operating structure is also making it possible to improve the role of service bank, also given the acquisition of new customers and the expectation of an increase in volumes that can potentially be drawn from them over the coming years.

In the traditional and domestic payments sector, the downward trend in which was recorded systematically at market level, BFF instead, through initiatives and products offered to banks and financial operators, is concentrating and boosting its activity as a service bank, notably in the cashier's checks, bank checks and bills segments.

As seen in 2023, the market is showing the effects of the evolution and digitalization of the Payment System and the ongoing aggregation of banks, not to mention potential increased competitiveness in the Payments sector, also led by the ECB and the European Commission.

However, in this context, the progressive affirmation in the payments market of new operators such as Payment Institutions, IMELs, TPPs and Fintech companies continues to cause requests to BFF for payment intermediation services to rise. Furthermore, in the period in question, it is also worth noting the positive impact for BFF of the closure of the Nexi/BI-Comp SEPA CSM, which favored a significant increase in the customer base.

The fact that it is now compulsory for PSPs to send and receive instant payments and the revision underway on the Payment Services Directive (PSD) are resulting in the realization of the desired sector growth forecasts, with outlooks for further and new market opportunities in the near future as well.

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

The number of transactions grew by 24% to 444 million transactions thanks mainly to the SEPA and instant payments sectors.

The deposit balance of €2,762 million reduced compared to €3,495 million as of December 31, 2023 and €2,976 million as of June 30, 2023, primarily due to lower liquidity in the banking system.

	06.30.2024	12.31.2023	06.30.2023
Transactions (no. transactions M)	444	767	359
Deposits - Final Balance (€M)	2,762	3,495	2,976

The level of Net Commissions was higher than in the first half of 2023 and amounted to €26.6 million, primarily as a result of increased operations and despite a pricing structure with steady fees.

€M (normalized values)	06.30.2024	06.30.2023
Net fee and commission income	26.6	23.4
Other Revenue (including other operating expenses and income)	5.9	5.8
Total net revenue	**32.5**	**29.2**

Operating costs

On the Administrative Expenses front, the Group continued to maintain a strong focus on cost control and, where possible, to improve its operational efficiency, maintaining a cost/income ratio of 46% in the first half of 2024 compared to 44% (48% excluding the gain relating to the sale of some government bonds of €19.8 million) in the first half of 2023, despite inflation, the renewal of the national Italian banking sector contract and the investments made and aimed at improving processes, improving the Group's technological infrastructure and supporting the Group's growth in its core business.

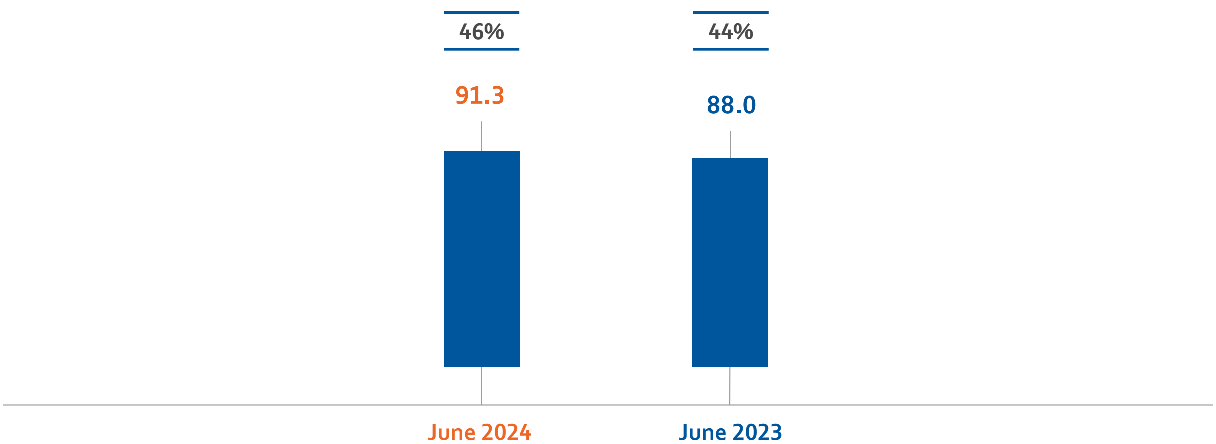
The costs of the Factoring & Lending BU rose by 4% compared to the first half of 2023, justified for the most part by the increase in expenses linked to personnel. The costs of the Payments BU rose by 7% compared to the first half of 2023, due to the increase in expenses linked to personnel and ICT. The costs of the Securities Services BU rose by 4% due to higher costs for upgrading ICT systems and personnel costs.

Other Costs remained basically stable compared to the same period of the previous year.

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

With regard to the Resolution Fund, recall that Regulation (EU) 806/2014 governing the Single Resolution Mechanism, which came into force on January 1, 2016, has established the European Single Resolution Fund (SRF), managed by the new European resolution authority, the Single Resolution Board. Starting from that date, the National Resolution Funds (NRF) set up by Directive (EU) 2014/59 (Bank Recovery and Resolution Directive - BRRD) and implemented in 2015, became part of the new European Resolution Fund. In 2024, the resolution fund was not paid after the Single Resolution Board targets were met.

COST / INCOME RATIO



Factoring & Lending	(23.5)	(22.6)
Payments	(17.5)	(16.4)
Securities Services	(10.8)	(10.4)
Other	(39.5)	(38.6)

Main items in the statement of financial position

Brief comments are provided below on the key items in the consolidated statement of financial position.

Cash and cash equivalents

(Values in thousand euros)

Items	06.30.2024	12.31.2023	Changes
a) Cash	183	205	(21)
b) Current accounts and sight deposits at Central Banks	12,269	157,536	(145,540)
c) Current accounts and sight deposits at banks	133,924	99,467	34,729
Total	**146,376**	**257,208**	**(110,832)**

As of June 30, 2024, this item mainly includes unrestricted deposits with the Bank of Italy, amounting to €12 million (€157 million as of December 31, 2023), as well as current accounts held by the parent and its subsidiaries at third-party banks, amounting to €134.2 million (€99.5 million as of December 31, 2023). Specifically, "Current accounts and sight deposits at banks" mainly refer for €124.9 million to BFF Bank, for €8.6 million to BFF Polska Group, for €403 thousand to BFF Finance Iberia and for €60 thousand to *BFF Techlab*.

Financial assets measured at fair value through profit or loss

(Values in thousand euros)

Items	06.30.2024	12.31.2023	Changes
a) financial assets held for trading	831	1,167	(336)
c) other financial assets subject to mandatory fair value measurement	166,593	164,856	1,737
Total	**167,424**	**166,023**	**1,401**

This item, which at June 30, 2024 amounted to €167.4 million, includes the "Financial assets held for trading" of €0.8 million, which mainly includes the positive fair value of derivative instruments classified as trading assets but used for the operational hedges of exchange rate risk that the Bank is exposed to and the "Other financial assets subject to mandatory fair value measurement" of €166.6 million, which mainly include the "UCI units" managed in part by the "Italian SGR Investment Fund," and to a lesser extent by the "Atlante Fund" and, as of the end of 2022, by the Ingenii fund of which the Bank has subscribed units for a value of €135 million as of June 30, 2024. The value of UCI units recognized in the financial statements as of June 30, 2024 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	06.30.2024	12.31.2023	Changes
Government securities - (HTC&S)	-	-	-
Equity securities	140,510	137,520	2,990
of which:			
a) Banks	125,368	125,535	(167)
b) Other issuers:	15,142	11,985	3,157
Total	**140,510**	**137,520**	**2,990**

This item, which as of June 30, 2024 amounted to €140.5 million, 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 €15.1 million.

The item increased compared to December 31, 2023 mostly due to (i) the adjustment to fair value for €1.8 million.

Financial assets measured at amortized cost

(Values in thousand euros)

Items	06.30.2024	12.31.2023	Changes
Government securities - (HTC)	4,950,941	4,957,182	(6,241)
Loans and receivables with banks	582,648	593,561	(10,912)
Loans and receivables with customers	5,322,877	5,255,083	67,794
Total	**10,856,466**	**10,805,826**	**50,640**

The amount relating to the item Government Securities – (HTC) consists entirely of Italian government securities classified in the Held to Collect (HTC) portfolio and purchased to hedge liquidity risk, for a total value of around €5.0 billion, in line with the figure recorded as of December 31, 2022 (€5.0 billion).

"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 subsidiary 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 subsidiary through "*Lokata Facto*". The item also includes "Loans and receivables with banks – Reverse repurchase agreements" relating to contracts governed by the Global Master Repurchase Agreement (GMRA) as well as "Loans and receivables with banks – Others" which derive from the provision of activities and services offered.

With regard to "Loans and receivables with customers", the item mainly includes trade receivables referring to factoring activities and loans made by BFF Polska Group. Note that, as indicated by the Bank of Italy, the ecobonus tax assets are recognized under "Other Assets" in the amount of approximately €347.1 million, of which €281.5 million according to the HTC Business Model and €65.6 million under the Trading Business Model.

(Values in thousand euros)

Items	06.30.2024	12.31.2023	Changes
Factoring activities (outright purchases, late payment interest and recovery expenses)	3,688,512	3,868,719	(180,207)
Trade receivables purchased below face value	35,012	25,768	9,244
Other exposures	1,599,353	1,360,596	238,757
Total	**5,322,877**	**5,255,083**	**67,794**

Credit quality for prudential purposes

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

With regard to credit quality, total net impaired exposures increased by €1,814.2 million at June 30, 2024 compared to €333.4 million as of December 31, 2023. The increase was mainly caused by impaired past due exposures (+€1,472.5 million compared to December 31, 2023): this item was significantly impacted by the portfolio reclassification carried out as of June 30, 2024 in order to respond to the compliance finding of the Bank of Italy on the definition of past due receivables, without however corresponding to an effective deterioration of the underlying credit quality.

Indeed, in response to the finding, the Bank classified for prudential purposes and as a result also in the preparation of the condensed consolidated half-yearly financial statements an increase in past due receivables of €1,429 million, which will be released as the receivables are collected. For prudential purposes, these receivables represent an amount of additional RWAs of €1,801 million.

Non-Performing exposures, whose overall gross amount was €1,845.8 million at June 30, 2024 with impairment losses totaling €31.6 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, 2024, the total non-performing loans of the Banking Group, net of impairment, amounted to €96.5 million. Among these non-performing exposures, €90.9 million (94.2% of the total) concerned regional authorities in financial distress, which will return to performing status once the recovery procedure has been completed.

Gross non-performing loans amounted to €118.3 million (€120.9 million as of December 31, 2023) and related adjustments amounted to €21.8 million (€21.1 million as of December 31, 2023).

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

Unlikely-to-pay positions

Unlikely to pay exposures reflect the 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 installments). 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, 2024, gross exposures classified as unlikely to pay totaled €33.1 million (€19.1 million as of December 31, 2023) and related adjustments amounted to €7.9 million (€5.4 million as of December 31, 2023) for a net amount of €25.3 million (€13.7 million as of December 31, 2023). The increase over the previous year can primarily be ascribed to some public exposures in Poland.

Impaired past due exposures

Impaired past due exposures consist of positions vis-à-vis entities with a past-due situation, where the overall amount of past-due and/or overdue exposures has been higher than, for at least 90 consecutive days, *(i)* the relative materiality threshold (relative limit of 1% given by the ratio between the total past-due and/or overdue amount and the total amount of all credit exposures to the same Debtor) and (ii) the absolute materiality threshold (absolute limit equal to €100 for retail exposures and €500 for non-retail exposures).

As of June 30, 2024, net past due exposures amounted to a total, for the entire Banking Group, of €1,692.4 million (€219.9 million as of December 31, 2023): gross exposures totaled €1,694.4 million and relevant adjustments amounted to around €2.0 million. 98.8% of these exposures relate to public counterparties.

As noted previously, this item was significantly impacted by the portfolio reclassification carried out as of June 30, 2024 in order to respond to the compliance finding on the previous classification of public receivables carried out by the Bank, without however corresponding to an effective deterioration of the underlying credit quality and which entailed an additional past due amount of €1,429 million.

Specifically, the compliance finding regarded the application of the suspension of the calculation of late payment days for the purposes of the prudential classification of the credit exposure in default, and therefore resulted in a revision of how loans classified as past due are calculated.

As already recalled when the 2023 financial statements were drafted, impaired assets are classified in keeping with the prudential definition of default (i.e. past due, unlikely to pay and non-performing), which assumes that there is an effective 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 Bank exposures) are treated differently. The actual credit risk profile assumed by the Bank is limited, as it has been assumed primarily with respect to public bodies not subject to procedures resulting in the risk of a loss of principal and the classification described above could result in significant distortions in the representation of the Bank's accounting, prudential and capital strength information. This is also corroborated by the very limited credit losses recorded. If the Bank exclusively represents impaired exposures net of those assumed with regard to public bodies not subject to procedures entailing the risk of a loss of principal, the total would decline from the current €1,814.2 million to €43.6 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".

Table with official prudential presentation

(Values in thousand euros)

Type	06.30.2024			12.31.2023		
	Gross amount	Write-downs/ write-backs	Net value	Gross value	Write-downs/ write-backs	Net value
Impaired exposures purchased performing (Stage 3)	1,842,498	(31,437)	1,811,061	355,498	(27,668)	327,831
Impaired exposures purchased non-performing (Stage 3)	3,299	(198)	3,101	5,785	(201)	5,584
Performing exposures (Stage 1 and 2)	3,510,005	(1,291)	3,508,714	4,923,350	(1,682)	4,921,668
Total	**5,355,803**	**(32,926)**	**5,322,877**	**5,284,634**	**(29,551)**	**5,255,083**

A breakdown of "Impaired exposures purchased performing (stage 3)" past due exposures is provided below, showing (i) the amount deriving from the new reclassification and (ii) the part assumed with regard to public bodies not subject to procedures entailing the risk of loss of principal.

(Values in thousand euros)

	Net value at 06.30.2024		Net value at 06.30.2024
Pre-reclassification exposures	**385,606**	**Exposures to public bodies not subject to procedures entailing the risk of loss of principal**	**1,770,585**
Additional past due exposures due to reclassification	1,428,557	Exposures to private bodies or pubic bodies subject to procedures entailing the risk of loss of principal	43,577
Total Net Exposures	**1,814,162**	**Total Net Exposures**	**1,814,162**

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

Property, equipment and investment property and intangible assets

(Values in thousand euros)

Items	06.30.2024	12.31.2023	Changes
Property, equipment and investment property	68,750	60,690	8,060
Intangible assets	71,347	74,742	(3,395)
- of which goodwill	*30,957*	*30,957*	0
Total	**140,097**	**135,432**	**4,666**

At June 30, 2024, the item "Property, equipment and investment property" amounted to a total of €68,750 thousand. Of this amount, €13,332 thousand related to BFF Bank, €52,399 thousand related to BFF Immobiliare, €2,198 thousand to BFF Polska Group, €675 thousand to BFF Finance Iberia and €146 thousand related to *BFF Techlab.*

The amount includes primarily: i) land amounting to €18,890 thousand, including €2,640 thousand relating to BFF Bank and €16,250 thousand relating to the purchase of the building area located in Milan by the subsidiary BFF Immobiliare, for the purpose of building the future headquarters of BFF Bank; ii) buildings (including capitalized extraordinary maintenance) amounting to €38,743 thousand including the building in Rome - Via Elio Chianesi 110/d owned by DEPObank, and the property under construction by BFF Immobiliare; iii) right-of-use assets relating to the application of IFRS 16 to leases amounting to €6,125 thousand. The increase over 2023 was caused by progress made on the work to construct the new building that will house the BFF Bank headquarters for €15.3 million, partially offset by the early termination of a rental agreement on one of the offices located in Milan for €7.7 million.

Intangible assets largely consist of (i) investments in new programs and software used for multiple years by BFF Bank for €20.2 million, (ii) customer relationships recognized in BFF Bank following the acquisition of Depo for €17,787 thousand and for the remainder (iii) the goodwill arising from the acquisition of BFF Polska Group in 2016 for €22,146 thousand, the former IOS Finance (now merged into BFF Finance Iberia) in 2019 totaling €8,728 thousand and BFF TechLab in the last quarter of 2022, totaling €83 thousand.

As of June 30, 2024, the Bank has not performed any impairment testing on intangible assets with a definite useful life and goodwill, as no impairment trigger events have been identified.

Hedging derivatives, equity investments and financial liabilities held for tradinge

(Values in thousand euros)

Items	06.30.2024	12.31.2023	Changes
Equity investments	14,411	13,160	1,251
Financial liabilities held for trading	1,390	1,215	175
Hedging derivative liabilities	308	-	308

The items Hedging derivative liabilities respectively included the negative fair values related to the use of currency swap contracts to hedge loans disbursed in zloty to Polish subsidiaries under existing intercompany agreements and the Transaction Services BU's funding in currencies other than the euro. At December 31, 2023 there were no liabilities for outstanding derivatives.

The item Equity investments refers to the equity investment in two law firms in which BFF Polska is a limited partner, as well as the equity investment in Unione Fiduciaria equal to 24% of the shares issued. Note that the aforementioned investments are measured using the equity method.

The item Financial liabilities held for trading includes the negative fair value at June 30, 2024 of derivative instruments classified as hedging instruments of the investment in the Polish subsidiary.

Tax assets and liabilities

(Values in thousand euros)

Items	06.30.2024	12.31.2023	Changes
Tax assets	**98,173**	**113,658**	**(15,486)**
current	42,581	57,414	(14,833)
prepaid	55,592	56,244	(652)
Tax liabilities	**165,470**	**123,790**	**41,680**
current	4,881	2,472	2,409
deferred	160,589	121,318	39,271

As at June 30, 2024, current tax assets and liabilities amount to €42,581 thousand and €4,881 thousand, respectively, and include the net balance of the Group's tax positions with respect to tax authorities, in accordance with the provisions of IAS 12.

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

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	06.30.2024	12.31.2023	Changes
Other assets	587,735	655,393	(67,658)
Other liabilities	488,059	555,354	(67,295)

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.

At June 30, 2024, Other assets also include ecobonus tax assets acquired through non-recourse factoring transactions of €347.1 million (€414.1 million at December 31, 2023) of which €281.5 million according to the HTC Business Model (€354.2 million as of December 31, 2023) and €65.6 million according to the Trading Business Model (€59.9 million as of December 31, 2023).

Financial liabilities measured at amortized cost

(Values in thousand euros)

Items	06.30.2024	12.31.2023	Changes
Amounts due to banks	2,234,248	2,269,074	(34,826)
Amounts due to customers	8,112,594	8,545,110	(432,516)
Securities issued	301,681	14	301,668
Total	**10,648,523**	**10,814,197**	**(165,675)**

The item "Amounts due to banks" mainly consists of "current accounts and demand deposits", mainly deriving from payment service 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 €2,652 million for online deposit accounts ("conto facto") offered in Italy, Spain and Germany, the Netherlands, Ireland and Poland (restricted deposits and current accounts), compared to €2,744 million at December 31, 2023.

With respect to Securities issued, on April 12, 2024, a new social senior preferred unsecured bond was issued (ISIN XS2068241400), for a nominal amount of €300 million, with a "Ba2" rating attributed by the Moody's rating agency. This is the first social bond issue, with a maturity date of March 20, 2029 and the option of early redemption in favor of the Issuer, which may be exercised on March 20, 2028.

Provisions for risks and charges

(Values in thousand euros)

Items	06.30.2024	12.31.2023	Changes
Commitments and other guarantees provided	197	530	(333)
Employee benefits	6,356	7,009	(653)
Other provisions	31,206	28,325	2,881
Total	**37,759**	**35,864**	**1,894**

At June 30, 2024 "Provisions for risks and charges" mainly include allocations to "Pension and similar obligations" and allocations to "Other Provisions" to cover likely risks of loss in litigation.

Main items in the Consolidated Income Statement

In the first half of 2024, the Group's net profit amounted to €161.8 million, compared to €76.1 million in the first half of 2023. Normalizing both results, i.e., eliminating all non-recurring items that affected the results of both half-year periods, the normalized result for the first half of 2024 is €71.0 million compared to €81.9 million earned in the first half of 2023.

Total income

(Values in thousand euros)

Items	06.30.2024	06.30.2023	Changes
Maturity commissions and late payment interest on non-recourse trade receivables	245,660	115,005	130,655
Interest income on securities	102,337	78,638	23,699
Other interest	83,035	77,668	5,367
Interest and similar income	**431,032**	**271,311**	**159,721**
Interest expenses	(198,122)	(145,686)	(52,435)
Net fee and commission income	**39,666**	**36,218**	**3,447**
Dividends and similar income	13,334	6,670	6,665
Net trading income	1,470	(5,252)	6,722
Net hedging loss			0
Profits (losses) on disposal or repurchase of:			0
a) financial assets measured at amortized cost	233	19,842	(19,608)
b) financial assets measured at fair value through other 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 subject to mandatory fair value measurement	(3,988)	(405)	(3,583)
Total income	**283,625**	**182,552**	**101,073**

Net interest income as at June 30, 2024 amounted to €232.9 million, up from €125.6 million in the first half of 2023 (normalized values of €126.1 million and €125.6 million, respectively) and benefited from the update in the percentage recognition of late payment interest from 50% to 65%.

The value of net commissions as of June 30, 2024 was €40.0 million, up from €36.2 million in the first half of 2023 (normalized values of €40.0 million and €36.2 million, respectively), mainly due to an increase in activities.

As of June 30, 2024, the intermediation margin amounted to €283.6 million (€176.8 million normalized) and declined compared to €182.6 million as of June 30, 2023 due to higher profits in 2023 relating to the gain on the sale of some government securities for €19.8 million, offset in part by higher dividends of €6.7 million received in 2024 compared to 2023.

Administrative costs

(Values in thousand euros)

Items	06.30.2024	06.30.2023	Changes
Personnel expenses	(41,538)	(40,595)	944
Other administrative expenses	(47,486)	(49,245)	(1,758)
Total administrative expenses	**(89,024)**	**(89,839)**	**815**

Administrative expenses as of June 30, 2024 amounted to approximately €89.0 million (€85.4 million normalized) compared to €89.8 million (€83.6 million normalized) in H1 2023. Normalized administrative expenses increased by €1.8 million due to personnel costs, following the change in the national collective bargaining agreement, 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, partly offset by the fact that no Resolution Fund payment needed to be made (€6.4 million in 2023), after the Single Resolution Board target was reached.

Other operating income, net

At June 30, 2024, under "Other operating income, net", the Group recorded an amount equal to €34.7 million (€9.0 million normalized) relating to the lump-sum indemnity for debt collection ("40 euros") compared to €11.4 million in the first half of 2023 (€11.4 million normalized): there was a reduction in the normalized value year-on-year due to the different purchase mix in the first half of 2024 compared to the same period of 2023.

4. Group's Objectives and Policies on the Assumption, Management and Hedging of Risks

Risk Management and Compliance with Prudential Supervision Regulations

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

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

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

The regulation applicable at June 30, 2024 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 2023 Report" (the "ICAAP/ILAAP 2023 Report" sent to the Bank of Italy on April 4, 2024) 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, as well as public disclosure in compliance with provisions 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, 2024 the impact on CET 1 deriving from the application of calendar provisioning was roughly €2.24 million, compared to June 30, 2023 when it amounted to €505 thousand. The increase in the calendar share can be attributed in particular to the reclassification of the Group loan portfolio following the inspections performed by the Supervisory Authority. However, the Bank, not identifying an effective increase in the credit risk of the positions reclassified to non-performing status, believes that any calendar provisioning will be released over time on the basis of credit exposure collections.

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 August 14, 2020 it published 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. This clarification note was later amended on October 15, 2020, February 15, 2021 and September 23, 2022, the latter date being that on which the Group adopted the most recent interpretation criteria concerning the definition of default.

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. This would have the effect of a substantial reduction in the amount of past-due receivables, with the underlying credit risk remaining the same. The benefit of such an approach was also described by the Bank to the various reference trade associations, also in order to highlight the distortion in terms of the representation of the risk profile of the approach by counterparty in the most appropriate fora and in working groups with the supervisory authorities.

Monitoring and control of Liquidity

Despite the current macroeconomic scenario, characterized by the continuation of the tensions deriving from the Russia/Ukraine conflict, the recent outbreak of the Israel-Palestine conflict and international tensions, 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 2024. This document illustrates indicators and related thresholds in order to trigger the appropriate actions and escalation and decision processes, with a view to preventing and managing a possible liquidity crisis.

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

During the fourth quarter of 2023, also in consideration of the current geopolitical context, the Risk Management Function developed a new forward-looking model for the conditioning of PDs, replacing the previous one which depended on the assumptions of the external infoprovider. The new model is based on the macroeconomic scenarios published by the EBA (European Banking Authority) during the 2023 stress test.

During the second quarter of 2024, the Risk Management Function performed a sensitivity analysis on the macroeconomic scenarios currently in production with those published by the European Central Bank (reference of the EBA EU wide stress test of 2023 which already included possible macroeconomic effects deriving from the current geopolitical situation) in June 2024. This analysis makes it possible to evaluate any divergences in the update of variables compared to the values of the variables in use in the model.

The results of the analysis show, in general, an improvement in the macroeconomic situation thanks to the gradual recovery of GDP and lower inflation, driven by the easing of the European Central Bank's monetary tightening; indeed, the update of the variables published by the ECB reflects this improved economic condition, with respect to the scenario estimates used for the EBA stress test in 2023.

On the basis of the analyses performed, the Risk Management Function believes that it is not necessary to update the macroeconomic model as the changes with respect to the scenarios currently being used are not significant. However, it will continue to monitor the evolution of macroeconomic variables until the IFRS 9 model update planned by the end of 2024.

5. Internal Control System

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

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

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

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

- **First-level controls** (line controls) aim to ensure that transactions are carried out correctly, and are performed by the same operating structures that execute the transactions, also with the support of IT procedures and constant monitoring by the heads of such operating structures.
- **Second-level controls** aim to ensure the correct implementation of the risk management process and compliance with the regulatory framework, including the risk of money laundering and terrorist financing. The functions responsible for such controls, Risk Management and Compliance & AML, are distinct from business functions and contribute to the definition of risk governance policies and the risk management process. The Risk Management Function and the Compliance and AML Function – organizationally and functionally autonomous and distinct – report to the Chief Executive Officer and are independent of the internal audit function, as it performs audits on them The duties and respective responsibilities are governed within the pertinent internal regulations of the same functions.
  In this regard, please note that on May 25, 2023 the Bank's Board of Directors established the ICT and Security Risk Control Function, which is responsible for managing and supervising ICT and security risks, as well as checking for the compliance of ICT operations with the ICT and security risk management system.
- **Third-level controls** and **internal audit** activities are instead carried out by the Group's Internal Audit Function, reporting directly to the Board of Directors.

Control functions

Risk Management

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

Specifically, during the first half of the year, the Function mainly *(i)* carried out the ICAAP/ILAAP process, updated the risk management thresholds and metrics in line with the Group's strategic forecasts, revised the Contingency Funding Plan and Recovery Plan. Furthermore, the Function worked on the new reclassification scenario as of June 30, 2024, in response to the Supervisory Authority finding on the methodologies for the determination of past due loans.

Lastly, please note that the Group conducted a series of careful assessments and analyses with regard to the possibility of adopting the internal rating based (IRB) method for credit risk, in which the Risk Management Function is involved with regard to a number of topics.

Compliance and Anti-Money Laundering (AML)

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

During the reference period, the Function continued with its ex post advisory, assurance and control activities based on the Annual Plan approved by the Board of Directors on December 21, 2023.

As of the end of April 2024, the Function acknowledged the findings submitted by the Supervisory Authority and began working to resolve them.

Internal Audit Function

Internal audits are carried out by the Group's Internal Audit function, directly reporting to the Board of Directors. The Internal Audit function carries out independent controls for the Parent Company, the foreign branches and the other Group companies with which servicing agreements are in place that govern the provision of the audit service. Moreover, the Parent Company's Internal Audit Function performs management and coordination with respect to the Internal Audit Function of the subsidiary BFF Polska S.A., whose head functionally reports to the Head of the Parent Company function. The Group Internal Audit Charter approved by the Board of Directors specifies that the Internal Audit function, within the third-level controls, evaluates the overall functioning of the internal control system, bringing to the attention of the corporate bodies any possible improvements.

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

In the first half of 2024, the Internal Audit function performed audits in line with the 2024 Audit Plan prepared according to a risk-based approach, approved by the Board of Directors in December 2023, following up on the findings issued and reporting quarterly on the work done to the Bank's governance and control bodies, through its dashboard.

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

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

Other control functions and bodies

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

Supervisory Body pursuant to Italian Legislative Decree 231/2001

The Parent has an Organization, Management and Control Model (hereinafter referred to as the "Model") prepared pursuant to Italian Legislative Decree 231 of June 8, 2001 (hereinafter also referred to as the "Decree"), drafted in compliance with the requirements of such Decree as well as the guidelines of Assifact and ABI.

The Model includes a General Part, which provides a summary description of the reference regulatory framework, the key characteristics and features of the Model identified within the operations defined as "sensitive" for the purposes of the Decree, the structure and composition of the Supervisory Body as well as the description of the system of sanctions to prevent violation of the provisions contained in the Model. It also includes Special Parts comprising: i) the Matrix of operations at risk of committing a criminal offense, intended to identify the criminal offenses that may potentially be committed as part of the parent's operations; ii) the Protocols of the Departments and Organizational Units of the parent, which detail the operations, audits and reporting mechanisms intended to ensure that the parent's organizational and control system, including the foreign branches, complies with the rules in the Decree; iii) Table of Information Flows to the Supervisory Body. The Bank also adopted a Code of Ethics that defines the set of ethical values embraced by the Bank and the BFF Group, and that, among other things, ensures the prevention of criminal offenses as per the Decree. Moreover, the Bank has put in place a Whistleblowing procedure and a specific Anti-Corruption Policy.

The parent makes sure that all employees receive adequate training on the Decree, especially in the event of updates to related regulations.

The work done by the Supervisory Body, whose term of office was renewed by the Board of Directors on April 18, 2024 with the same composition for the subsequent three-year period, in the first half of 2024 was mainly aimed at ascertaining recipients' effective compliance with the Model; the Model's effectiveness and adequacy with respect to the corporate structure and its effective ability to prevent the crimes referred to in the Decree; the appropriateness of updating the Model where it is found to be necessary to adapt it.

Furthermore, the Supervisory Body had ongoing meetings with the Compliance & AML Function regarding the planning of risk assessment activities in order to update the 231 Model, with the support of a qualified outside consultant, following the Model quality review performed in the course of 2023 in order to verify its alignment with best market practices, and also in relation to the evolution and growth of the Bank over the last few years.

The Supervisory Body reports to the Board of Directors on the results of the activities it has performed every six months.

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

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

6. Other information

Transactions with related parties

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

On June 27, 2023 the Bank approved the update of the RPT Regulation and Conflict of Interest Management Policy to better clarify the proper interpretation of a specific provision in order to make it consistent with the underlying regulatory rationale.

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

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

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

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

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

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

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

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

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

Research and Development

In accordance with the Group's Business Plan in force, the projects identified during the year pursue the main objectives of business development, efficiency of internal processes aimed at risk containment and the constant improvement of services, and the strengthening of IT systems and technological infrastructure.
More specifically, the most important initiatives are as follows:

- Evolution of products and services offered with a view to guaranteeing always broad coverage of the reference market: in Factoring & Lending, please note the "Capital Relief in other countries" initiative successfully launched in Italy in 2023 and now also extended to other Group geographical areas; in the Transaction Services area, the "Social Insurance Funds" initiative was aimed at improving the platform used for the service to allow for an extension of the sales package.
- Adoption of an Intelligent Document Processing platform which, by training Artificial Intelligence (AI) algorithms on specific use cases, allows for the scalable and progressive introduction of AI skills to boost the efficiency of and streamline manual activities on operating processes that require the processing of significant volumes of documents.
- Multi-year strategic and transformational project aimed at placing data at the center of the operating and decision-making processes of the BFF Bank Group (data-driven). During the current year, the goal is to define the bases of this transformation (i) identifying and analyzing the main action areas, (ii) the enabling organizational, procedural and technological elements, (iii) launching the creation of a data platform and data quality, the establishment of a data governance structure.

- Creation of a single Core Banking platform for Time Deposit service management, to replace the various solutions currently active in the different countries (Spain and Poland) aimed at normalizing processes in compliance with regulations in force. The distinctive elements that guided the selection of this solution are (i) Time-to-market, by adopting a market solution, (ii) flexible platform and scalability, capable of covering a broad range of financial services and effectively supporting the Bank's growth targets.
- Multi-year project for creating an innovative Group platform to support the core factoring & lending business by revising and restructuring the underlying processes and through investments in information systems and in existing processes aimed at managing new types of services ancillary to non-recourse factoring requested by customers in the various countries the Group operates in.

Unusual or atypical transactions

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

Bonds and ratings

On May 22, 2024, the Moody's agency placed all of BFF's ratings and assessments under review for downgrade. The rating action originates from what was disclosed to the market by BFF on May 9 and 10, 2024 relating to the supervisory measures undertaken by the Bank of Italy.

The ratings placed under observation for a possible downgrade, *inter alia*, include:

- BFF's Baseline Credit Assessment ("BCA") of "ba2";
- The long-term issuer rating of "Ba2";
- The Senior Unsecured Debt rating of "Ba2";
- The Long-Term Bank Deposit rating of "Baa3";
- The Short-Term Bank Deposit rating of "P-3."

The Moody's rating action of last May 22 also includes a negative adjustment of one notch on the corporate behavior, as well as a lowering of the Bank's governance issuer profile score (IPS) from G-2 to G-4, according to the rating agency's environmental, social and governance (ESG) framework. As a result, BFF's credit impact score was reduced from CIS-2 to CIS-4.
The assessment relating to the "review for downgrade" will mainly be concentrated on the implications of the Bank of Italy's findings and corrective measures. According to the Moody's opinion, BFF's BCA could stabilize if the corrective measures taken by the Bank are able to successfully mitigate financial and governance risks. Furthermore, Moody's would confirm the Deposit and Debt Ratings if the Bank maintained its current buffer of liabilities subject to bail-in.

As regards the bonds issued by BFF, please note that the following issues are outstanding as of June 30, 2024:

- The Additional Tier 1 bond issued in January 2022 in the amount of €150 million, which Moody's gave a rating of B2 at the time of issue. As noted previously, the rating is currently under review for a possible downgrade;
- The social unsecured senior preferred bond in the total amount of €300 million maturing on March 20, 2029 and with early redemption in favor of the Issuer on March 20, 2028 at a fixed rate of 4.750% per annum, which Moody's gave a rating of "Ba2" at the time of issue. As noted previously, the rating is currently under review for a possible downgrade.

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

On June 5, 2024, Moody's published an update of the Credit Opinion, taking up the topics already outlined in the May 22 press release.

For more details, please see the note published by Moody's on their website.

On June 20, 2024, DBRS Morningstar ("DBRS"), following an Annual Review, confirmed the Group's ratings, with the Long-Term Issuer Rating at BB (high) and the investment grade Long-Term Deposit rating at BBB (low), both with a stable outlook. Furthermore, DBRS believes that the Bank of Italy inspections do not entail an actual increase in credit risk nor do they impact the outlooks and risk profile underlying BFF's business.

The DBRS analysis reflects the Bank's strong profitability, which the agency expects will continue in the near future, at levels higher than those of domestic peers, assuming that, in a declining interest rate scenario, its liability structure will be repriced more rapidly than its assets and that volumes will remain high in a context of lower liquidity, with solid operational efficiency and a low cost of risk.

DBRS's confirmation of the rating also reflects (i) the Bank's leadership position in the niche sector of the management and non-recourse factoring of trade receivables due from the Public Administration and the National Healthcare Service, and its degree of diversification by geographical area and business line, (ii) the adequate capitalization profile and asset quality and (iii) the solid liquidity position, with lower recourse to wholesale funding sources.

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 information refer to the DBRS press release published on the agency's website and the Investors > Debt > Ratings section of the Group website.

On June 27, 2024, to complete the Bank's rating review process, DBRS published the Rating Report, confirming the Group's risk profile and taking up the topics already outlined in the June 20 press release.

For additional details, please refer to the DBRS website.

For ESG ratings, please refer to the "Sustainability of the BFF Banking Group business model" section.

Events after the end of H1 2024

On July 11, 2024, the Bank approved and sent the responses to the Bank of Italy regarding the classification of receivables, governance and company practice on remuneration.

There are no other significant events to be reported subsequent to the end of the reporting period. In particular, in relation to what is required under IAS 10, in the period between the end of the first half of 2024 and the date of the approval of these condensed consolidated half-yearly financial statements, no events took place that would require an adjustment of the data presented in the financial statements.

7. Share Capital, Shareholder Structure, Shareholder Resolutions, and Share Performance

Share capital

During the first half of 2024, the share capital increased from 186,944,029 shares, corresponding to €143,946,902 as at January 12, 2024, to 187,576,177 shares corresponding to €144,433,656 as at June 30, 2024, as a result of the partial execution of the delegated free capital increase in the period between January 12, 2024 and June 30, 2024 through the issuance of new BFF ordinary shares equal to 632,148[6] for a nominal amount of €486,754 and assigned to BFF Group personnel for needs related to remuneration and incentive plans (2020 Management by Objectives and 2016 and 2020 Stock Option Plan).

As of June 30, 2024, the option rights relating to the stock option plans in place amounted to 11,830,700 options assigned and not yet exercised, of which 7,665,700 could be exercised. As of December 31, 2023, the option rights relating to the Stock Option Plans in place amounted to 13,221,900 options assigned and not yet exercised, of which 8,996,900 could be exercised.

With regard to the options granted under the 2016 Stock Option Plan, as of June 30, 2024 6,000 were assigned and still exercisable as they have vested, representing all plan shares still in existence. As of December 31, 2023, 96,000 were assigned and still exercisable as they have vested, representing all plan shares still in existence.

With regard to the 2020 Stock Option Plan, as of June 30, 2024, the number of stock options granted and not exercised are 4,415,700, of which 1,614,000 have vested and are exercisable. As of December 31, 2023, the number of stock options granted and not exercised is 5,461,400, of which 2,227,700 had vested and were exercisable.

With regard to the 2022 Stock Option Plan, as of June 30, 2024, 7,409,000 options have been granted (of which 3,244,000 are equity settled and cash-less and 4,165,000 are cash settled/phantom shares), none of which yet exercisable. As of December 31, 2023, 7,664,500 options had been granted (of which 3,439,500 are equity settled and cash-less and 4,225,000 are cash settled/phantom shares), none of which yet exercisable.

6) Following the resolution of the Extraordinary Shareholders' Meeting of April 2, 2020 - to increase the share capital of the Bank without consideration, in a divisible manner and in several tranches, pursuant to Art. 2349 of the Italian Civil Code, for a total amount not exceeding €5,254,563.16, through the issue of up to 6,824,108 ordinary shares for the purposes connected with the Group's remuneration and incentive policies, including the "2020 Banca Farmafactoring Banking Group Stock Option Plan" (the 2020 Capital Increase) - said 2020 Capital Increase was partially implemented through the issue of 632,148 new ordinary shares for a nominal amount of €486,754 in the period between January 12 and June 30, 2024.

Treasury shares

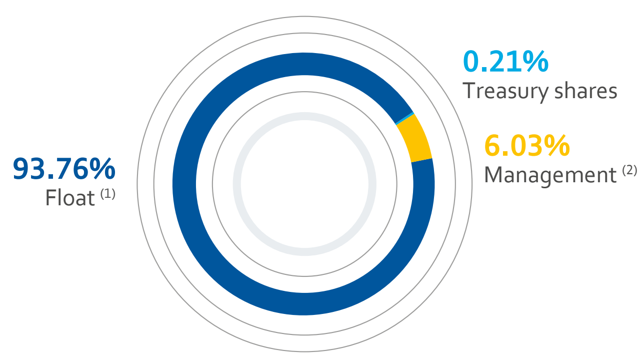
At June 30, 2024, the Bank owned 401,975 treasury shares, accounting for 0.2% of share capital, down from 494,854 on December 31, 2023 following the assignment of treasury shares as set forth below.

In 2024, 92,879 treasury shares were allotted following the exercise of stock options and the payment of variable remuneration in financial instruments, of which 34,644 to the Chief Executive Officer and 58,235 to beneficiaries not on staff.

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 June 28, 2024, Management and their Closely Associated Persons held 6.03% of the share capital, up from 5.98% as of December 31, 2023. Treasury shares held by the Bank – 401,975 – amount to 0.21% of the share capital.



Total number of shares issued: 187,460,174
Source: CONSOB and information of BFF. Percentage is calculated based on the total number of shares issued at 06/30/2024.

(1) (i) As of 09/18/2023 Capital Research and Management Company held 9.7 million shares, for a quota equal to 5.2% of the Bank's share capital. (ii) As of 06/28/2024 JPMorgan Asset Management Holdings Inc. held 5.9 million shares, for a quota equal to 3.2% of the Bank's share capital.

(2) (i) As of 06/30/202, pursuant to the Market Abuse Regulation, Massimiliano Belingheri - Relevant Party of the Bank - and his Closely Related Persons, are the beneficiaries (directly or indirectly) of a total investment of 11.0 million shares, for a quota equal to 5.9% of the Bank's share capital. The remaining quota of the management refers to the BFF shares held by the 5 vice presidents in office at that date and by their respective Closely Related Persons. (ii) As of 03/10/2023, pursuant to the regulation on ownership structures, the Bali Trust indirectly held 9.0 million BFF shares, equal to 4.8% of the Bank's share capital. The Bali Trust is an irrevocable trust linked to Massimiliano Belingheri and his heirs.

Shareholder Resolutions

On April 18, 2024, the Ordinary Shareholders' Meeting of the Bank resolved:

- to set aside €52,303,766 for the distribution to Shareholders of the distributable part of net profit for the year;
- to approve the distribution in cash in favor of the shareholders of a dividend of €101,213,994, of which €52,303,766 from a portion of the Parent Company's stated net profit and €48,910,228 from a portion of the retained earnings reserve. The dividend balance, before legal withholding tax, is therefore €0.541 for each of the 187,218,044 ordinary shares outstanding at the coupon date (no. 9) of April 22, 2024 (ex date). Such dividend includes the portion attributable to any treasury share held by the Company at the record date. Pursuant to Article 83-terdecies of Italian Legislative Decree no. 58 of February 24, 1998 (Consolidated Law on Finance), entitlement to the dividend payment is established based on the accounts of the intermediary as referred to in Article 83-quater, paragraph 3, of the Consolidated Law on Finance, at the end of the accounting date of April 23, 2024 (record date);
- to approve the new "2024 Remuneration and Incentive Policy for the members of the Strategic Supervision, Management and Control Bodies and the Personnel of the BFF Banking Group" included in Section I of the Board of Directors' Report;
- to approve the policies for determining compensation in the event of early termination of office or termination of employment, including limits on such compensation;
- to approve the second section of the Annual Report on the Remuneration Policy and Compensation Paid pursuant to Article 123-ter, paragraph 6 of Italian Legislative Decree no. 58/1998;
- to appoint nine directors in compliance with the gender balance guidance of current laws and regulations, who will remain in office for the period 2024-2026. The Ordinary Shareholders' Meeting appointed Ranieri de Marchis as Chairman of the Board of Directors and confirmed Massimiliano Belingheri as Chief Executive Officer;
- with regard to the composition of the Board of Statutory Auditors, to appoint the new members of the Board of Statutory Auditors and their Chair, who will remain in office for the period 2024-2026;
- to revoke the previous authorization to repurchase and dispose of treasury shares of the Bank granted by the Shareholders' Meeting of April 13, 2023 for the part not executed by the date of this resolution and therefore without prejudice to the transactions carried out in the meantime, and to authorize the Board of Directors – pursuant to and for the purposes of Art. 2357 of the Italian Civil Code – to repurchase up to 8,868,516 ordinary shares of the Bank, taking into account the shares already in stock.

On April 18, 2024, the Extraordinary Shareholders' Meeting of the Bank resolved to:

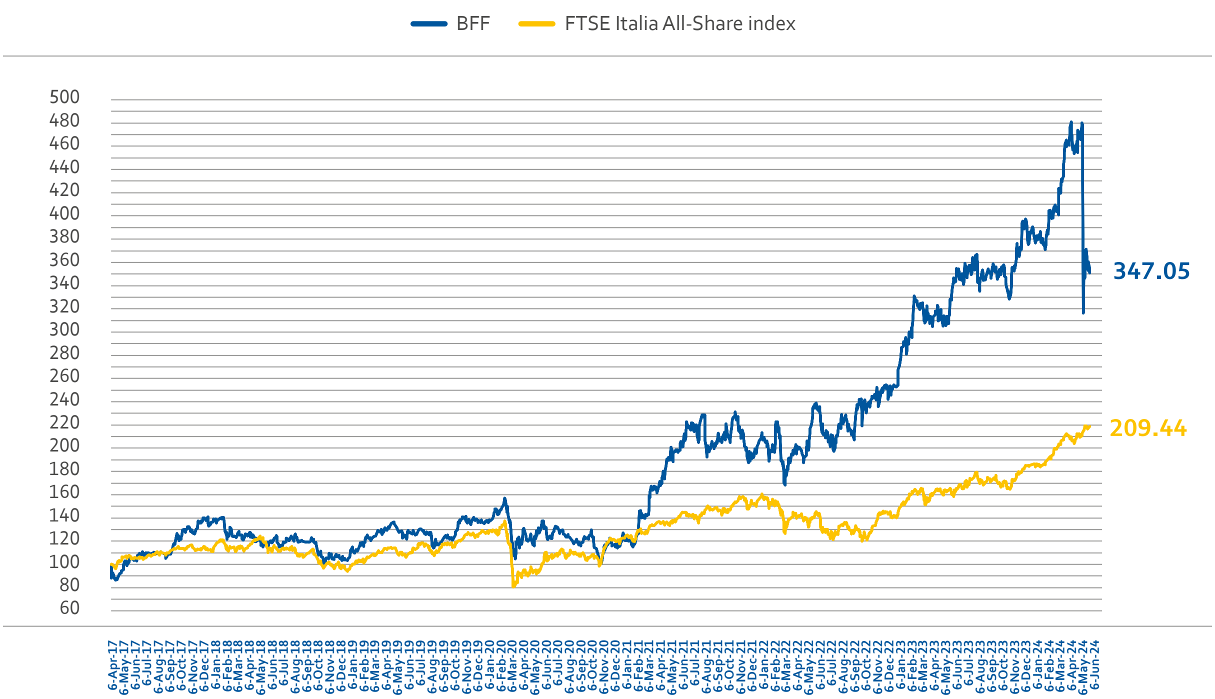
- approve the proposal by the Board of Directors to modify articles 15 (fifteen), 18 (eighteen), 20 (twenty), and 25 (twenty-five) of the By-laws, approving those changes in the text provided in the illustrative report, for the reasons set forth therein.

Share performance

The BFF Bank stock (ISIN Code: IT0005244402 – Italian stock exchange ticker: BFF) has been traded on the Euronext Milan market of Borsa Italiana since April 7, 2017, "Finance" Industry and "Financial Services" Super Sector.

The BFF share price at June 28, 2024 was €8.87, up by 89% over the IPO share placement price of €4.70. From listing to June 28, 2024, the Bank distributed a total gross dividend of €4.39 per share. Taking into consideration the distributed dividends, and assuming them to be reinvested in the BFF share on ex-date, total return for shareholders at June 28, 2024 compared to the IPO placement price was 247%. The FTSE Italia All-Share Index total return was 109%.

Total Return since IPO, with reinvested dividends(*)



(*) *At June 28, 2024, the BFF share is part, inter alia, of the following FTSE indexes: FTSE Italia All-Share Financials; FTSE Italia All-Share Financial Services; FTSE Italia All Share Mid Cap; FTSE Italy SMID Cap Tradable Plus; FTSE Italia MIB Storico; FTSE Italia PIR PMI; FTSE Italia PIR PMI Cap; FTSE RAFI Developed Europe Mid Small Net; FTSE RAFI Developed Europe Mid Small; FTSE RAFI Developed ex US Mid Small 1500; FTSE RAFI Developed Mid Small ex US 1500; FTSE Italy Small Cap Index - Specialty Finance.*

8. Business Outlook

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 2024 (as among other things approved in the 2024 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 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%.
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 the achievement of carbon neutrality targets and doubling investment in social impact initiatives.

These targets were confirmed with the market disclosure of July 11, despite the increase in past due exposure by €1,429 million and additional RWAs by €1,801 million, following the Bank of Italy findings, and offset by the increase from 50% to 65% of the percentage of recognition of late payment interest and the lump-sum indemnity for debt collection, which entailed a capital increase of €109 million.

02

Condensed Consolidated Interim Financial Statements

as at June 30, 2024

Consolidated Statement of Financial Position

(Values in thousand euros)

Assets		**06.30.2024**	**12.31.2023**
10.	Cash and cash equivalents	146,376	257,208
20.	Financial assets measured at fair value through profit or loss	167,424	166,023
	a) financial assets held for trading	*831*	*1,167*
	c) other financial assets subject to mandatory fair value measurement	*166,593*	*164,856*
30.	Financial assets measured at fair value through other comprehensive income	140,510	137,520
40.	Financial assets measured at amortized cost	10,856,466	10,805,826
	a) loans and receivables with banks	*582,648*	*593,561*
	b) loans and receivables with customers	*10,273,818*	*10,212,265*
70.	Equity investments	14,411	13,160
90.	Property, equipment and investment property	68,750	60,690
100.	Intangible assets	71,347	74,742
	of which		
	- goodwill	*30,957*	*30,957*
110.	Tax assets	98,173	113,658
	a) current	*42,581*	*57,414*
	b) deferred	*55,592*	*56,244*
120.	Non-current assets held for sale and discontinued operations	8,046	8,046
130.	Other assets	587,735	655,393
TOTAL ASSETS		**12,159,238**	**12,292,266**

(Values in thousand euros)

Liabilities and equity		06.30.2024	12.31.2023
10.	Financial liabilities measured at amortized cost	10,648,523	10,814,197
	a) due to banks	*2,234,248*	*2,269,074*
	b) due to customers	*8,112,594*	*8,545,110*
	c) debt securities issued	*301,681*	*14*
20.	Financial liabilities held for trading	1,390	1,215
40.	Hedging derivatives	308	-
60.	Tax liabilities	165,470	123,790
	a) current	*4,881*	*2,472*
	b) deferred	*160,589*	*121,318*
80.	Other liabilities	488,059	555,354
90.	Post-employment benefits	3,261	3,033
100.	Provision for risks and charges:	37,759	35,864
	a) commitments and guarantees given	*197*	*530*
	b) pensions and similar obligations	*6,356*	*7,009*
	c) other provisions for risks and charges	*31,206*	*28,325*
120.	Valuation reserves	9,238	7,993
140.	Equity instruments	150,000	150,000
150.	Reserves	286,390	277,762
155.	Interim dividend	-	(54,451)
160.	Share premium reserve	66,277	66,277
170.	Share capital	144,434	143,947
180.	Treasury shares	(3,652)	(4,377)
200.	Profit for the period	161,781	171,662
TOTAL LIABILITIES AND EQUITY		**12,159,238**	**12,292,266**

Consolidated Income Statement

(Values in thousand euros)

	Items	06.30.2024	06.30.2023
10.	Interest and similar income	431,032	271,311
	of which: interest income calculated according to the effective interest method	*419,309*	*258,685*
20.	Interest and similar expense	(198,122)	(145,686)
30.	**Net interest income**	**232,910**	**125,625**
40.	Fee and commission income	54,257	55,036
50.	Fee and commission expense	(14,591)	(18,817)
60.	**Net fee and commission income**	**39,666**	**36,218**
70.	Dividends and similar income	13,334	6,670
80.	Profits (losses) on trading	1,470	(5,252)
100.	Profits (losses) on disposal or repurchase of:	233	19,696
	a) financial assets measured at amortized cost	*233*	*19,842*
	b) financial assets measured at fair value through other comprehensive income	*-*	*(146)*
110.	Profits on other financial assets and liabilities at fair value through profit or loss	(3,988)	(405)
	b) other financial assets subject to mandatory fair value measurement	*(3,988)*	*(405)*
120.	**Total income**	**283,625**	**182,552**
130.	Net impairment losses/gains for credit risks associated with:	(3,315)	(1,856)
	a) financial assets measured at amortized cost	*(3,315)*	*(1,856)*
150.	**Net income from banking activities**	**280,310**	**180,696**
180.	**Net income from banking and insurance activities**	**280,310**	**180,696**
190.	Administrative expenses:	(89,024)	(89,839)
	a) personnel expenses	*(41,538)*	*(40,595)*
	b) other administrative expenses	*(47,486)*	*(49,245)*
200.	Net provisions for risks and charges	(3,019)	415
	a) commitments and guarantees given	*333*	*(105)*
	b) other net provisions	*(3,352)*	*520*
210.	Depreciation and impairment losses on property, equipment and investment property	(2,324)	(2,332)
220.	Amortization and impairment losses on intangible assets	(4,989)	(3,928)
230.	Other net operating income	44,690	19,315
240.	**Operating costs**	**(54,666)**	**(76,368)**
250.	Profits on equity investments	1,550	(425)
290.	**Profit before tax from continuing operations**	**227,194**	**103,903**
300.	Income taxes for the period on continuing operations	(65,413)	(27,757)
310.	**Profit after tax from continuing operations**	**161,781**	**76,146**
330.	**Profit for the period**	**161,781**	**76,146**
350.	**Profit for the period attributable to the owners of the parent**	**161,781**	**76,146**
	Basic earnings per share	**0.87**	**0.41**
	Diluted earnings per share	**0.86**	**0.40**

Consolidated Statement of Comprehensive Income

(Values in thousand euros)

Items		06.30.2024	06.30.2023
10.	**Profit for the period**	**161,781**	**76,146**
	Other components net of taxes that may not be reclassified to profit or loss	**32**	**(4)**
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	32	(4)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserves connected with equity-accounted investments	-	-
100.	Revenues or costs of a financial nature related to insurance contracts issued	-	-
	Other income components, net of taxes, reclassified to the income statement	**1,674**	**268**
110.	Hedging of foreign investments	(413)	(2,134)
120.	Foreign exchange differences	806	2,143
130.	Cash flow hedges		-
140.	Hedging instruments (undesignated elements)	-	-
150.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	1,281	260
160.	Non-current assets held for sale and discontinued operations	-	-
170.	Share of valuation reserves connected with equity-accounted investments	-	-
180.	Revenues or costs of a financial nature related to insurance contracts issued	-	-
190.	Revenues or costs of a financial nature relating to outward reinsurance	-	-
200.	**Total other comprehensive income net of tax**	**1,706**	**264**
210.	**Comprehensive income (Items 10+200)**	**163,487**	**76,410**
220.	Consolidated comprehensive income attributable to non-controlling interests		-
230.	**Consolidated comprehensive income attributable to the owners of the parent**	**163,487**	**76,410**

Statement of Changes in Consolidated Equity

H1 2024	Balances as at 12.31.2023	Change to opening balances	Balances as at 01.01.2024	Allocation of result for the previous year	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	143,947	-	143,947	-	-
b) other shares	-	-	-	-	-
Share premium reserve	66,277	-	66,277	-	-
Reserves:					
a) retained earnings	268,055	-	268,055	15,997	-
b) other	9,706	-	9,706	-	-
Valuation reserves	7,993	-	7,993	-	-
Equity instruments	150,000	-	150,000	-	-
Interim dividend	(54,451)	-	(54,451)	54,451	-
Treasury shares	(4,377)	-	(4,377)	-	-
Profit for the period	171,662	-	171,662	(70,448)	(101,214)
Equity attributable to the owners of the parent	**758,812**	**-**	**758,812**	**-**	**(101,214)**

H1 2023	Balances as at 12.31.2022	Change to opening balances	Balances as at 01.01.2023	Allocation of result for the previous year	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	142,870	-	142,870	-	-
b) other shares	-	-	-	-	-
Share premium reserve	66,277	-	66,277	-	-
Reserves:					
a) retained earnings	222,734	-	222,734	86,018	-
b) other	10,419	-	10,419	-	-
Valuation reserves	6,853	-	6,853	-	-
Equity instruments	150,000	-	150,000	-	-
Interim dividend	(68,550)	-	(68,550)	68,550	-
Treasury shares	(3,884)	-	(3,884)	-	-
Profit for the period	232,048	-	232,048	(154,568)	(77,480)
Equity attributable to the owners of the parent	**758,768**	**-**	**758,768**	**-**	**(77,480)**

(Values in thousand euros)

Changes in the year										Equity attributable to the owners of the parent as at 06.30.2024
Change in reserves	Equity transactions								Consolidated comprehensive income for the first half of 2024	
	Issue of new shares	Repurchase of treasury shares	Interim dividend	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity interests		
-	487	-	-	-	-	-	-	-	-	**144,434**
-	-	-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	-	-	-	**66,277**
(7,501)	-	-	-	-	-	-	-	-	-	**276,551**
77	-	-	-	-	-	-	56	-	-	**9,840**
(461)	-	-	-	-	-	-	-	-	1,706	**9,238**
	-	-	-	-	-	-	-	-	-	**150,000**
-	-	-	-	-	-	-	-	-	-	**-**
725	-	-	-	-	-	-	-	-	-	**(3,652)**
-	-	-	-	-	-	-	-	-	161,781	**161,781**
(7,160)	**487**	**-**	**-**	**-**	**-**	**-**	**56**	**-**	**163,487**	**814,469**

(Values in thousand euros)

Changes in the year										Equity attributable to the owners of the parent as at 06.30.2023
Change in reserves	Equity transactions								Consolidated comprehensive income for the first half of 2024	
	Issue of new shares	Repurchase of treasury shares	Interim dividend	Extraordinary distribution of dividends	Changes in equity instruments	Derivatives on treasury shares	Stock options	Changes in equity interests		
-	735	-	-	-	-	-	-	-	-	**143,605**
-	-	-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	-	-	-	**66,277**
(6,119)	-	-	-	-	-	-	-	-	-	**302,633**
989	-	-	-	-	-	-	(1,427)	-	-	**9,981**
(502)	-	-	-	-	-	-	-	-	264	**6,615**
-	-	-	-	-	-	-	-	-	-	**150,000**
-	-	-	-	-	-	-	-	-	-	**-**
2,286	-	(2,794)	-	-	-	-	-	-	-	**(4,392)**
-	-	-	-	-	-	-	-	-	76,146	**76,146**
(3,346)	**735**	**(2,794)**	**-**	**-**	**-**	**-**	**(1,427)**	**-**	**76,410**	**750,866**

Consolidated Statement of Cash Flows

Indirect method

(Values in thousand euros)

A. OPERATING ACTIVITIES	06.30.2024	06.30.2023[(*)]
1. Operations	231,970	**109,907**
- profit for the period (+/-)	161,781	76,146
- gains/losses on financial assets held for trading and other assets/liabilities measured at fair value through profit or loss (+/-)	-	(28)
- gains/losses on hedging operations (+/-)	308	66
- net impairment losses/gains for credit risk (+/-)	154	1,856
- depreciation, amortization and net impairment losses on property, equipment and investment property and intangible assets (+/-)	7,313	6,259
- net allocations to provisions for risks and charges and other costs/income (+/-)	(3,019)	(415)
- net revenues and costs of insurance contracts issued and outward reinsurance (-/+)	-	-
- taxes, duties and unpaid tax credits (+/-)	65,414	27,757
- net impairment losses/reversals of impairment losses on discontinued operations, net of the tax effect (+/-)	-	-
- other adjustments (+/-)	19	(1,733)
2. Cash flow generated/absorbed by financial assets	**9,175**	**958,897**
- financial assets held for trading	-	(1,383)
- financial assets designated at fair value	(1,737)	-
- financial assets subject to mandatory fair value measurement	-	(39,037)
- financial assets measured at fair value through other comprehensive income	(1,115)	(2,834)
- financial assets measured at amortized cost	(42,438)	1,123,741
- other assets	54,464	(121,589)
3. Cash flow generated/absorbed by financial liabilities	**(230,162)**	**(1,414,314)**
- financial liabilities measured at amortized cost	(164,176)	(1,399,682)
- financial liabilities held for trading	659	63
- financial liabilities carried at fair value	-	-
- other liabilities	(66,645)	(14,695)
4. Cash generated/absorbed by insurance contracts issued and outward reinsurance	**-**	**-**
- insurance contracts issued that constitute liabilities/assets (+/-)	-	-
- outward reinsurance constituting assets/liabilities (+/-)	-	-
Net cash generated/absorbed by funding activities	**10,983**	**(345,510)**

(cont'd)

(Values in thousand euros)

B. INVESTING ACTIVITIES	06.30.2024	06.30.2023(*)
1. Liquidity generated by	-	-
- sales of equity investments	-	-
- dividends collected on equity investments	-	-
- sales of property, plant and equipment	-	-
- sales of intangible assets	-	-
- sales of subsidiaries and business units	-	-
2. Liquidity absorbed by	**(20,723)**	**(12,131)**
- purchases of equity investments	-	532
- purchases of property, plant and equipment	(19,149)	(9,606)
- purchases of intangible assets	(1,574)	(3,057)
- purchases of subsidiaries and business units	-	-
Net cash absorbed by investing activities	**(20,723)**	**(12,131)**
C. FINANCING ACTIVITIES		
- issue / purchase of treasury shares	-	(2,794)
- issue/purchase of equity instruments	-	-
- distribution of dividends and other purposes	(101,214)	(77,480)
- sale/purchase of ownership interests in subsidiaries	-	-
Net cash generated/absorbed by financing activities	**(101,214)**	**(80,274)**
NET CASH GENERATED/ABSORBED DURING THE FINANCIAL YEAR D=A+/-B+/-C	**(110,954)**	**(437,915)**

(*) certain items as at June 30, 2023 were restated to make the data more comparable.

Reconciliation

(Values in thousand euros)

Financial statement items	Amount	
	06.30.2024	06.30.2023
Cash and cash equivalents at start of the period	257,208	634,879
Total net cash generated/absorbed during the financial year	(110,954)	(437,915)
Cash and cash equivalents: effect of changes in exchange rates	122	421
Cash and cash equivalents at end of the period	**146,376**	**197,385**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Shareholders,

The Notes are broken down into the following parts:

Part A	–	Accounting policies
Part B	–	Information on the Consolidated Statement of Financial Position
Part C	–	Information on the Consolidated Income Statement
Part D	–	Consolidated Comprehensive Income
Part E	–	Information on risks and related hedging policies
Part F	–	Consolidated Equity
Part G	–	Business Combinations of companies or business units
Part H	–	Transactions with related parties
Part I	–	Payment agreements based on equity instruments
Part L	–	Segment Reporting
Part M	–	Lease Reporting

Part A - Accounting policies

A.1 GENERAL

Section 1 - Statement of compliance with International Financial Reporting Standards

The condensed interim consolidated financial statements (hereinafter also referred to as the "interim consolidated financial statements") as at June 30, 2024 were prepared in accordance with article 154ter of Italian Legislative Decree 58/1998 and in accordance with the International Accounting Standards (IASs/IFRSs) issued by the IASB, endorsed by the European Commission, as provided for by Regulation (EC) No 1606 of July 19, 2002 governing the application of IASs/IFRSs and related interpretations (IFRIC interpretations), endorsed by the European Commission and in force at the end of the reporting period.

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

Specifically, these consolidated interim financial statements were prepared in compliance with IAS 34 "Interim Financial Statements", which indicates avoiding the repetition of information that has already been recorded in the last Annual Financial Statements, including with regard to the accounting policies continued from the previous year, with the exception of new standards, amendments and interpretations applicable for years beginning as of January 1, 2024, as specified in Section 2, Basis of presentation.

The interim consolidated financial statements were prepared using the same accounting policies already in use for the preparation of the consolidated financial statements at December 31, 2023, 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.

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

Section 2 - Basis of presentation

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

The consolidated half-yearly financial statements consist of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the statement of changes in consolidated shareholders' equity, the consolidated cash flow statement, the notes to the consolidated financial statements and the directors' report on operating performance.

In accordance with the provisions of Article 5, paragraph 2, of Italian Legislative Decree no. 38 of February 28, 2005, the interim consolidated financial statements are drafted in thousands of euros, when not specified otherwise, and also show the corresponding comparisons with the previous year with regard to items on the statement of financial position, and with the same period of the previous year with regard to items on the profit and loss statement.

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

Standards, amendments and interpretations effective from 2024 or amended and not yet endorsed

As of the date of these interim consolidated financial statements, the following standards or revisions thereof have been endorsed and are applicable as of January 1, 2024:

- Amendments to IFRS 16 Leases, clarifying how to account for lease liabilities in a sale and lease-back transaction (Reg. EU 2023/2579);
- Amendments to IAS 1 - Presentation of the financial statements, clarifying the classification of liabilities as current or non-current and Non-current liabilities with covenants (Reg. EU 2023/2822);
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial instruments: disclosures, governing supplier finance arrangements (Reg. EU 2024/1317).

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, 2025:

- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates", governing cases in which there is a lack of exchangeability. The IASB published the document on August 15, 2023, which is expected to enter into force on January 1, 2025;
- Amendments to IFRS 9 Financial Instruments" and IFRS 7 Financial instruments: disclosure, relating to the classification of financial instruments. The IASB published the document on May 30, 2024, which is expected to enter into force on January 1, 2026;
- IFRS 18 Presentation and Disclosure in Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures. The IASB published the documents on April 9, 2024 and May 9, 2024, which are expected to enter into force on January 1, 2027.

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.

Section 3 - Scope and basis of consolidation

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

Subsidiaries

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

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

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

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

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

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

The amount, if any, by which the consideration exchanged (represented by the fair value of the assets transferred, liabilities assumed and equity instruments issued), any non-controlling interests in the acquired company and the fair value at the acquisition date of any investments in the acquired company measured with the equity method that exceeds the fair value of the assets acquired and liabilities assumed is recognized as goodwill; where the price is lower, the Group performs a new assessment of the identifiable assets acquired and the identifiable liabilities assumed (including contingent) and recognizes any residual difference directly in the income statement.

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

1. Shares in companies within the scope of consolidation

At June 30, 2024, BFF Banking Group included the Parent BFF Bank S.p.A. and the following companies:

Company name	Registered and operating office	Relationship type (1)	Ownership relationship		Voting rights %(2)
			Held by	Holding %	
1. BFF Immobiliare S.r.l.	Milan Via Domenichino, 5	1	BFF Bank S.p.A.	100%	100%
2. BFF Techlab S.r.l.	Brescia Via C. Zima, 4	1	BFF Bank S.p.A.	100%	100%
3. SPV Project 2214	Milan Corso Vittorio Emanuele II, 24/28	4	BFF Bank S.p.A.	0%	0%
4. BFF Finance Iberia. S.A.U.	Madrid Paseo de la Castellana, 81	1	BFF Bank S.p.A.	100%	100%
5. BFF Polska S.A.	Łódź Jana Kilińskiego, 66	1	BFF Bank S.p.A.	100%	100%
6. BFF Medfinance S.A.	Łódź Jana Kilińskiego, 66	1	BFF Polska S.A.	100%	100%
7. BFF Česká republika s.r.o.	Prague Roztylsá 1860/1	1	BFF Polska S.A.	100%	100%
8. BFF Central Europe s.r.o.	Bratislava Mostova, 2	1	BFF Polska S.A.	100%	100%
9. Debt-Rnt sp. Z O.O.	Łódź Jana Kilińskiego, 66	1	BFF Polska S.A.	100%	100%
10. Komunalny Fundusz Inwestycyjng Zamknięty	Warsaw Plac Dąbrowskiego, 1	4	BFF Polska S.A.	100%	100%
11. MEDICO Niestandaryzowany Sekurytyzacyjny Fundusz Inwestycyjny Zamknięty	Warsaw Plac Dąbrowskiego, 1	4	BFF Polska S.A.	100%	100%
12. Kancelaria Prawnicza Karnowski i Wspólnik sp.k.	Łódź Jana Kilińskiego, 66	4	BFF Polska S.A.	99%	99%
13. Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspolnik sp.k.	Łódź Jana Kilińskiego, 66	4	Debt-Rnt sp. Z O.O.	99%	99%

Key:

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

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

As far as points 10 and 11 are concerned, voting rights refer to the investors' right to vote at the Meeting.

BFF Bank also holds a 24% stake in Unione Fiduciaria S.p.A., which is consolidated with the equity method (and not in its entirety), as it is a company subject to significant influence.

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

Section 4 - Events after the reporting period

On July 11, 2024, the Bank approved and sent the responses to the Bank of Italy regarding the classification of receivables, governance and company practice on remuneration.

There are no other significant events to be reported subsequent to the end of the reporting period. In particular, in relation to what is required under IAS 10, in the period between the end of the first half of 2024 and the date of the approval of these condensed consolidated half-yearly financial statements, no events took place that would require an adjustment of the data presented in the financial statements.

Section 5 - Other issues

Board renewal process

On April 18, 2024, the Shareholders' Meeting elected the new Board of Directors as well as the new Board of Statutory Auditors, the latter entirely appointed at the proposal of investors. Both bodies will remain in office until the approval of the financial statements for the year ending December 31, 2026.

Inspection of the Bank of Italy

Between September 11, 2023 and January 12, 2024, the Bank of Italy carried out an inspection at BFF.
The Supervisory Authority submitted the results of the above-mentioned assessments to the Bank's Board of Directors on April 29, 2024.
In the Supervisory Letter, the Bank of Italy identified certain critical issues and submitted compliance findings on i) Chief Executive Officer remuneration mechanisms, ii) corporate governance mechanisms and iii) the classification of public receivables based on the indications set forth in EBA guidelines. In particular, this last finding regards the application of the suspension of the calculation of late payment days for the purpose of the prudential classification of the credit exposure in default.

The Bank responded to the Supervisory Authority on July 11, 2024 in order to promptly resolve the findings received. Specifically, the Bank reclassified the loan portfolio for prudential purposes, increasing the past due exposure at June 30, 2024 by around €1,429 million, which generated additional RWAs of around €1,801 million and IFRS 9 provisions of €0.7 million.

The Bank does not expect any significant increase in the credit risk on those exposures and continues to focus on optimizing RWAs, by strengthening the collection process, developing the AIRB model and evaluating the application of other mitigation factors, after consulting with the Supervisory Authority.

Please recall that impaired assets are classified in keeping with the prudential definition of default (i.e. past due, unlikely to pay and non-performing), which assumes that there is an effective 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. The actual credit risk profile assumed by the BFF Group is limited, as it has been assumed primarily with respect to public bodies not subject to procedures resulting in the risk of a loss of principal and the classification described above could result in significant distortions in the representation of the group's accounting, prudential and capital strength information. This is also corroborated by the very limited credit losses recorded.

Authorization to repurchase treasury shares

The treasury share purchase aims to equip the Parent 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".

The Bank's Ordinary Shareholders' Meeting of April 18, 2024 approved revoking the previous authorization granted by the Shareholders' Meeting of April 13, 2023, for the part not yet executed, and authorizing 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 the Shareholders' Meeting, in pursuit of the purposes set out in the illustrative report on the authorization to purchase and dispose of treasury shares; the maximum number of shares to be purchased is 8,868,516, representative of 5% of the 187,218,044 shares without a nominal amount representing the entire subscribed and paid-up share capital of the Parent, amounting to €144,157,893.80 (taking into account the treasury shares already in stock on the date of publication of that Illustrative Report).

Please note that, as set forth in the press release of May 9, 2024, the Bank withdrew its request to purchase treasury shares disclosed to the market on October 6, 2023 and submitted to the Bank of Italy on October 12, 2023.

Resolution of the Shareholders' Meeting on the allocation of profits

On April 18, 2024, the Shareholders' Meeting approved: i) the separate financial statements of the year ending on December 31, 2023, which show a profit for the year of €131,360,488; ii) €203,417 to the legal reserve (to bring the reserve to 20% of the Share Capital as of today); iii) €24,402,280 to the Retained earnings reserve (corresponding to two and a half times the extraordinary tax calculated on the increase in net interest income - Extraordinary tax on extra profits of banks); iv) €106,754,790 to the Shareholders, of which €52,303,766 to be distributed in April 2024 and €54,451,025 already distributed in September 2023 in the form of an interim dividend. The amount of €106,754,790 indicated above added to (i) €48,910,228, expected to be distributed by drawing from the distributable share of the Retained earnings reserve and (ii) €27,487,351 already taken from the distributable share of the Retained earnings reserve and distributed in September 2023 in the form of an interim dividend, would result in the total amount of dividends distributed in 2023 being €183,152,369, corresponding to the Group's normalized consolidated net profit; v) the 2024 remuneration and incentive policy, the policies for the determination of compensation in the case of early termination of the employment relationship and the Report on compensation paid in 2023, expressing an advisory vote on this last point; vi) the proposal to authorize the Board of Directors to proceed with the purchase of BFF ordinary shares (up to 8,868,516 taking into account the treasury shares already in stock).

Risks, uncertainties and impacts of the Russia/Ukraine conflict and the Israel/Palestine war

During the first half of 2024 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.

- 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 Bank has not recorded any directly associated 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 Parent's operations, note that the impacts of the Russia/Ukraine conflict were contained also thanks to development of the business, as discussed in the part relating to commercial aspects.

In light of the Parent's business model and the nature of its risk counterparties, the Russia/Ukraine conflict 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 the Russia/Ukraine conflict").

Following is information on topics and measures already undertaken in prior years with a view to continuity also during 2024:

- Commercial aspects: with regard to the Factoring and Lending BU, an overall increase in factoring and customer financing volumes should be noted despite performance that did not reach last year's levels in Italy, Portugal and Slovakia.

  The *Securities Services BU* continued to record good performance due to good market trends, new AIF initiatives and specialized services offered to institutional customers.

  The *Payments 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: the current macroeconomic scenario is characterized by a high degree of uncertainty, influenced by the continuation of the Russia/Ukraine conflict, the recent outbreak of the Israel/Palestine conflict and tensions at international level, with repercussions on the credit system as well. In this context, the Parent focused its attention on the oversight mechanisms required to monitor the liquidity position, and in particular:

  (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 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.

Furthermore, the consequences of the Russia/Ukraine conflict and the Israel/Palestine war 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.

A.2 - MAIN ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements were prepared using the same accounting policies already in use for the preparation of the consolidated financial statements at December 31, 2023, 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.

Use of estimates and assumptions in the preparation of financial reporting

As part of the preparation of the consolidated financial statements, the parent had to make valuations and estimates that influence the application of accounting policies and the amounts of assets, liabilities, costs and 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 Group's last annual financial statements.

In accordance with IFRS, the elaboration of estimates by management is a prerequisite for the preparation of the interim consolidated financial statements at June 30, 2024. 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 emergency situation deriving from the Russia/Ukraine conflict, the current values recognized in the consolidated financial statements at June 30, 2024 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 and the lump-sum indemnity for debt collection ("40 euros"), based on an analysis of historical multi-year company data. In this regard please note that the Group, as mentioned below, updated its estimates in the first half of 2024;
- 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 consolidated financial statements were prepared;

- Employee benefits based on actuarial assumptions, and provisions for risks and charges;
- The recoverability of deferred tax assets;
- Any impairment of equity investments, goodwill and intangible assets: in light of the results as of June 30, 2024, there are no trigger events that could impact the valuation of equity investments, goodwill and intangible assets with a finite useful life.

Change in estimates relating to the percentage recognition of late payment interest and the lump-sum indemnity for debt collection ("40 euros")

The Group recognizes receivables for late payment interest and the lump-sum indemnity for debt collection (the "40 euros receivable") on an accrual basis on the basis of time series concerning the percentage of recovery and collection times, developed using the appropriate analysis tools.

If the updates bring to light significant variances, the Parent updates the estimate used for accounting purposes.

During the year, the estimate was refined; for additional details, please refer to the disclosures contained in part B "Information on the Balance Sheet" - section 4 "Financial assets measured at amortized cost" in the paragraph "Receivables due from customers" and part C "Information on the consolidated income statement" - section 1 "Interest", for late payment interest, and section 16 "Other net operating income", for the 40 euros receivable.

Change in the methodology for determining late payment days for the purpose of the prudential classification of the exposure to public customers

On April 29, 2024, the parent received the report from the Bank of Italy containing the results of the follow up inspections concluded on January 12, 2024, formalizing a compliance finding on the current classification of public receivables, irrespective of the representation of an associated credit risk, which are based on the indications set forth in EBA guidelines. In particular, the finding regards the application of the suspension of the calculation of late payment days for the purpose of the prudential classification of the credit exposure in default.

The Bank responded to the Supervisory Authority on July 11, 2024 in order to promptly resolve the findings received. Specifically, the Bank reclassified the loan portfolio for prudential purposes, increasing the past due exposure at June 30, 2024 by around €1.429 million.

The increase in the past due exposure generated additional RWAs of around €1.801 million and additional IFRS 9 provisions of €0.7 million.

The Bank continues to focus on optimizing RWAs, by strengthening the collection process, developing the AIRB model and evaluating the application of other mitigation factors. The application of the prudential backstop will begin at the end of the second year as of the date of classification of the positions as past due, i.e. after June 2026.

Since the Bank does not expect any significant increase in the credit risk of these exposures, the effect of the application of the resulting calendar provisioning will be subsequently released over time on the basis of credit exposure collections.

Please recall that impaired assets are classified in keeping with the prudential definition of default (i.e. past due, unlikely to pay and non-performing), which generally assumes that there is an effective correspondence between the 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. The actual credit risk profile assumed by the BFF Group is limited, as it has been assumed primarily with respect to public bodies not subject to procedures resulting in the risk of a loss of principal and the classification described above could result in significant distortions in the representation of the group's accounting, prudential and capital strength information. This is also corroborated by the very limited credit losses recorded.

Measurement of impairment losses on financial assets

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

The impairment model is characterized by:

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

In the fourth quarter of 2023, the Parent – at consolidated level – revised the methodological set-up of the staging allocation, establishing criteria more representative of the deterioration of credit risk with respect to the Group's business and the methodology of forward-looking and point in time components relating to Probability of Default, which is more aligned with market best practices and the specific nature of the business.

IFRS 9 - Update to reflect the financial crisis due to the Russia/Ukraine conflict and the impacts of the Israel/Palestine conflict

During the fourth quarter of 2023, the Risk Management Function developed a new forward-looking model for the conditioning of PDs, replacing the previous one which depended on the assumptions of the external infoprovider. The new model is based on the macroeconomic scenarios published by the EBA (European Banking Authority) during the 2023 stress test.

During the second quarter of 2024, the Risk Management Function performed a sensitivity analysis on the macroeconomic scenarios currently in production with those published by the European Central Bank (reference of the EBA EU wide stress test of 2023) in June 2024. This analysis makes it possible to evaluate any divergences in the update of variables compared to the values of the variables in use in the model.

The results of the analysis show, in general, an improvement in the macroeconomic situation thanks to the gradual recovery of GDP and lower inflation, driven by the easing of the European Central Bank's monetary tightening; indeed, the update of the variables published by the ECB reflects this improved economic condition, with respect to the scenario estimates used for the EBA stress test in 2023.

On the basis of the analyses performed, the Risk Management Function believes that it is not necessary to update the macroeconomic model as the changes with respect to the scenarios currently being used are not significant. However, it will continue to monitor the evolution of macroeconomic variables until the IFRS 9 model update planned by the end of 2024.

A4 - INFORMATION ON FAIR VALUE

Qualitative information

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

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

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

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

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

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

Specifically:

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

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

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

The valuation techniques used are adapted to the specific characteristics of the assets and liabilities being valued. The choice of inputs is aimed at 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, 2024 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.

A.4.2 Processes and sensitivity of valuations

At June 30, 2024 the Group does not own financial instruments classified in fair value level 3.

A.4.3 Fair value hierarchy

At June 30, 2024, as in 2023, there were no transfers between Level 1, Level 2 and Level 3.

A.4.5 Fair value hierarchy

Quantitative information

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

(Values in thousand euros)

Financial assets/liabilities measured at fair value	06.30.2024			12.31.2023		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
1. Financial assets measured at fair value through profit or loss	1	167,423		6	166,017	
a) financial assets held for trading	1	829		6	1,161	
b) financial assets carried at fair value						
c) other financial assets subject to mandatory fair-value valuation		166,593			164,856	
2. Financial assets measured at fair value through other comprehensive income		140,510		9,366	128,153	
3. Hedging derivatives						
4. Property, equipment and investment property						
5. Intangible assets						
Total	**1**	**307,933**	**-**	**9,372**	**294,170**	**-**
1. Financial liabilities held for trading		1,390			1,215	
2. Financial Liabilities measured at fair value						
3. Hedging derivatives		308				
Total		**1,699**	**-**		**1,215**	**-**

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

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

(Values in thousand euros)

Assets and liabilities not valued at fair value or valued at fair value on a non-recurring basis	06.30.2024				12.31.2023			
	CA	L1	L2	L3	CA	L1	L2	L3
1. Financial assets measured at amortized cost	10,856,466	4,875,000		5,905,525	10,805,826	4,891,959		5,848,643
2. Property, equipment and investment property held for investment								
3. Non-current assets held for sale and discontinued operations	8,046			12,000	8,046			12,000
Total	**10,864,512**	**4,875,000**	**-**	**5,917,525**	**10,813,872**	**5,946,465**		**5,766,623**
1. Financial liabilities measured at amortized cost	10,648,523	283,848		10,346,841	10,814,197			10,814,197
2. Liabilities linked to assets held for sale								
Total	**10,648,523**	**283,848**	**-**	**10,346,841**	**10,814,197**	**0**		**10,814,197**

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

A.5 INFORMATION ON THE “DAY ONE PROFIT/LOSS”

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

Part B - Information on the Consolidated Statement of Financial Position

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

ASSETS

Section 1 - Cash and cash equivalents - Item 10

€146,376 thousand

Cash and cash equivalents: breakdown

(Values in thousand euros)

	Total 06.30.2024	Total 12.31.2023
a) Cash	183	205
b) Current accounts and sight deposits at Central Banks	12,269	157,536
c) Current accounts and sight deposits at banks	133,924	99,467
Total	**146,376**	**257,208**

As of June 30, 2024, this item mainly includes unrestricted deposits with the Bank of Italy, amounting to €12.3 million (compared to €157.5 million as of December 31, 2023), as well as current accounts held by the Bank and its subsidiaries at third-party banks as of June 30, 2024, amounting to €133.9 million. Specifically, "Current accounts and sight deposits at banks" mainly refer for €124.9 million to BFF Bank, for €8.6 million to BFF Polska Group, for €403 thousand to BFF Finance Iberia and for €60 thousand to BFF Techlab.

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

€167,424 thousand

This item is broken down as follows:

- Financial assets held for trading of €0.8 million, which primarily includes the positive fair value of derivative instruments classified as trading assets but used for the operational hedges of exchange rate risk that the Group is exposed to;
- Other financial assets subject to mandatory fair value measurement of €166.6 million, which mainly include the "UCI units" managed in part by the "Italian SGR Investment Fund" and, to a lesser extent, by the "Atlante Fund" and, as of 2022, by the Ingenii Fund, with units subscribed by the parent for a value of €135 million at June 30, 2024. The value of UCI units recognized in the financial statements has been updated to the latest available NAV made available by these funds.

2.1 Financial assets held for trading: breakdown by type

(Values in thousand euros)

Items/values	Total 06.30.2024			Total 12.31.2023		
	L1	L2	L3	L1	L2	L3
A. On-balance-sheet assets						
1. Debt securities						
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	5	-	-
2. Equity securities	1	-	-	1	-	-
3. UCI units	-	-	-	-	-	-
4. Loans						
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total (A)	**1**	**-**	**-**	**6**	**-**	**-**
B. Derivatives						
1. Financial derivatives						
1.1 held for trading	-	830	-	-	1,140	-
1.2 connected to the fair value option	-	-	-	-	-	-
1.3 others	-	-	-	-	-	-
2. Credit derivatives						
2.1 held for trading	-		-	-	21	-
2.2 connected to the fair value option	-	-	-	-	-	-
2.3 others	-	-	-	-	-	-
Total (B)	**-**	**830**	**-**	**-**	**1,161**	**-**
Total (A+B)	**1**	**830**	**-**	**6**	**1,161**	**-**

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

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

(Values in thousand euros)

Items/values	Total 06.30.2024	Total 12.31.2023
A. On-balance-sheet assets		
1. Debt securities	**-**	**5**
a) Central Banks		
b) Public administrations		2
c) Banks		3
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
2. Equity securities	**1**	**1**
a) Banks	-	-
b) Other financial companies:		
of which: insurance companies		
c) Non-financial companies	1	1
d) Other issuers		
3. UCI units	**-**	**-**
4. Loans		
a) Central Banks		
b) Public administrations		
c) Banks		
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
f) Households		
Total A	**1**	**6**
B. Derivatives		
a) Central counterparties		
b) Others	830	1,161
Total B	**830**	**1,161**
Total (A+B)	**831**	**1,167**

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

(Values in thousand euros)

Items/values	Total 06.30.2024			Total 12.31.2023		
	L1	L2	L3	L1	L2	L3
1. Debt securities						
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	5,368	-	-	-	-
2. Equity securities	-	-	-	-	-	-
3. UCI units	-	161,225	-	-	164,856	-
4. Loans						
4.1 Reverse repurchase agreements	-	-	-	-	-	-
4.2 Others	-	-	-	-	-	-
Total	-	166,593	-	-	164,856	-

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

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

(Values in thousand euros)

	Total 06.30.2024	Total 12.31.2023
1. Equity securities		
of which: banks	-	-
of which: other financial companies	-	-
of which: other non-financial companies	-	-
2. Debt securities	**5,368**	-
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	**5,368**	-
3. UCI units	**161,225**	**164,856**
4. Loans		
a) Central Banks	-	-
b) Public administrations	-	-
c) Banks	-	-
d) Other financial companies	-	-
of which: insurance companies	-	-
e) Non-financial companies	-	-
f) Households	-	-
Total	**166,593**	**164,856**

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

€140,510 thousand

At June 30, 2024 this item included:

- the stake in the Bank of Italy of €125.4 million;
- other minor investments worth approximately €15.1 million.

The change compared to December 31, 2023 mostly due to the adjustment to fair value of the investments of €1.8 million.

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

(Values in thousand euros)

Items/values	Total 06.30.2024			Total 12.31.2023		
	L1	L2	L3	L1	L2	L3
1. Debt securities	-	-	-	-	-	-
1.1 Structured securities	-	-	-	-	-	-
1.2 Other debt securities	-	-	-	-	-	-
2. Equity securities	11,616	128,894	-	9,366	128,153	-
3. Loans	-	-	-	-	-	-
Total	11,616	128,894	-	9,366	128,153	-

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

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

(Values in thousand euros)

Items/values	Total 06.30.2024	Total 12.31.2023
1. Debt securities	-	-
a) Central Banks		-
b) Public administrations		
c) Banks		
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
2. Equity securities	**140,510**	**137,520**
a) Banks	125,575	125,534
b) Other issuers:	14,935	11,985
- other financial companies	12,965	10,698
of which: insurance companies		
- non-financial companies	1,970	1,287
- others		
3. Loans	-	-
a) Central Banks		
b) Public administrations		
c) Banks		
d) Other financial companies		
of which: insurance companies		
e) Non-financial companies		
f) Households		
Total	**140,510**	**137,520**

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

€10,856,466 thousand

This item is broken down as follows:

- Loans and receivables with banks of €582,648 thousand;
- Loans and receivables with customers of €10,273,817 thousand, which, based on the guidance in IFRS 9, from January 1, 2018 also includes the Held to Collect (HTC) securities portfolio of €4,950.9 million.

Loans and receivables with banks

€582,648 thousand

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

(Values in thousand euros)

Type of operations/Values	Total 06.30.2024						Total 12.31.2023					
	Carrying Amount			Fair value			Carrying Amount			Fair value		
	Stage one and Stage two	Stage three	Purchased or originated credit impaired	L1	L2	L3	Stage one and Stage two	Stage three	Purchased or originated credit impaired	L1	L2	L3
A. Loans and receivables with Central Banks	**85,971**					**85,971**	**203,963**					**203,963**
1. Time deposits	16,024			X	X	X	14,757			X	X	X
2. Mandatory reserve	69,947			X	X	X	189,206			X	X	X
3. Repurchase agreements				X	X	X				X	X	X
4. Others				X	X	X				X	X	X
B. Loans and receivables with banks	**496,677**					**496,677**	**389,598**					**389,598**
1. Loans	496,677						389,598					
1.1. Current accounts				X	X	X				X	X	X
1.2. Time deposits	21,976			X	X	X	15,966			X	X	X
1.3. Other loans:	474,701			X	X	X	373,632			X	X	X
- Reverse repurchase agreements	368,736			X	X	X	299,776			X	X	X
- Loans for leases				X	X	X				X	X	X
- Others	105,965			X	X	X	73,856			X	X	X
2. Debt securities												
2.1. Structured securities												
2.2. Other debt securities												
Total	**582,648**	**-**	**-**	**-**	**-**	**582,648**	**593,561**	**-**	**-**	**-**	**-**	**593,561**

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

As of June 30, 2024, the item "Loans and receivables with Central Banks - Mandatory Reserve," amounting to €69.9 million, also includes the amounts deposited in compliance with the reserve requirement of client banks, for which the parent BFF provides the service indirectly, while "Time deposits" include the balance of the amount deposited with the national bank of Poland (*Narodowy Bank Polski*) for the funding made by the Polish branch through "Lokata Facto," amounting to €16,024 thousand.

"Loans and receivables with banks - time deposits" referred for €21,976 thousand to the amount deposited with *Banco de España* as CRM (*Coeficiente de Reservas Mínimas*), in relation to the funding carried out by the Bank's Spanish branch through "Cuenta Facto."

The item "Loans and receivables with banks – Repurchase agreements," amounting to €368.7 million, refers to contracts governed by Global Master Repurchase Agreements (GMRAs) with other banks.

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

This item does not include any impaired assets.

Loans and receivables with customers

€10,273,818 thousand, including Held to Collect securities of €4,950,941 thousand

This item mainly includes loans to customers of €5,322.9 million (mainly amounts due from debtors in relation to factoring activities) and €4,950.9 million in debt securities in the HTC portfolio.

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

BFF Bank and BFF Finance Iberia's non-recourse trade receivables include both principal and late payment interest accruing as from the due date of the trade receivable. In order to compute amortized cost, including late payment interest recognized on an accrual basis, BFF Bank updates the time series of data regarding the late payment interest collection percentages and times on an annual basis, when the financial statements are prepared, and the evolution of collections is analyzed quarterly, to confirm the recognition percentages when periodic reporting is prepared.

In the course of 2024, the Group, in making that update, refined several aspects of the model being used: in particular: (i) the database was critically reviewed, (ii) the time series were updated, including collections recorded in December 2023 and (iii) their reference period was critically analyzed, in order to make it more uniform with the mix of counterparties currently in the portfolio, current operating methods and increased correspondence between the late payment interest and 40 euros databases. In this respect, for late payment interest the 2015-2023 time series was used, deeming the observations relating to the 2010-2014 period to be not very representative as they relate to collections that referred almost exclusively to the Italian NHS, which today represents just 30% of the overall provision. In compliance with the requirement set out in IAS 8.34, which calls for the adjustment of estimates when there are changes in the circumstances on which the estimate was based or when new information is obtained, the Bank increased the percentage of recognition of late payment interest and 40 euros, from 50% to 65%.

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

The total net amount of impaired exposures for BFF Banking Group is €1,814.2 million. Of this amount, €96.5 million relates to non-performing loans (including €90.9 million relating to municipalities and provincial governments in financial distress, of which €3.1 million were purchased already impaired) and €25.3 million to unlikely-to-pay exposures. Past due exposures amounted to €1,692.4 million, of which 98.8% relating to public counterparties. As noted previously, this item was significantly impacted by the portfolio reclassification carried out as of June 30, 2024 in order to respond to the compliance finding on the previous classification of public receivables carried out by the Bank, without however corresponding to an effective deterioration of the underlying credit quality and which entailed an additional past due amount of €1,429 million.

This item also includes lump-sum debt collection expenses (40 euros). Italian Legislative Decree no. 231 of 10/9/2002, implementing Directive 2000/35/EC on combating late payment in commercial transactions, establishes on compensation for collection expenses that *"The creditor is due, without any placement in default being required, a lump-sum amount of €40 by way of compensation for damages. This is without prejudice to proof of higher damages, which may include debt collection assistance costs".*

BFF's interpretation has been confirmed by the ruling won by the parent at the Court of Justice of the European Union on October 20, 2022, which constitutes the binding interpretation for the national rulings of all Member States as well, and confirmed the right to recover at least €40 for each past-due invoice with respect to the Public Administration, irrespective of the amount and whether a certain amount of invoices are part of a single payment agreement.

The parent therefore tracked the collections of collection expenses to develop a time series which currently has a depth of 5 years. Considering recent case law, the rising collection trend and growing collection percentages aligned with those of late payment interest, starting from December 31, 2022 the decision was made to include this type of revenue in the financial statements by modifying the method for estimating revenue.

Also with respect to collection expenses, the time series update noted previously increased the percentage of recognition from 50% to 65%.

Pursuant to IAS 8.36, the change in estimate was recognized on a forward-looking basis during the year of the change and, therefore, reflected in the year 2024.

At June 30, 2024, the change in the recovery rate of late payment interest receivables and the 40 euros receivable generated higher non-recurring receivables and revenue of €137.9 million and higher receivables and revenue in the first half of 2024 of €15.6 million.

Debt securities classified in the HTC portfolio, equal to €4,950.9 million, are measured at amortized cost. The relevant interest is therefore recognized in the income statement using the effective rate of return.

At June 30, 2024, this portfolio consists primarily of government securities purchased to hedge liquidity risk and to optimize the cost of money. It has a total face value of €4,957.0 million and fair value of €4,875.0 million, with a negative difference, before taxes, of around €76 million compared to the carrying amount on the same date, not recognized in the financial statements.

4.2 Financial assets measured at amortized cost: breakdown by type of loans to customers
€10,273,818 thousand

(Values in thousand euros)

Type of operations/ Values	Total 06.30.2024						Total 12.31.2023					
	Carrying Amount			Fair value			Carrying Amount			Fair value		
	Stage one and Stage two	Stage three	Purchased or originated credit impaired	L1	L2	L3	Stage one and Stage two	Stage three	Purchased or originated credit impaired	L1	L2	L3
1. Loans	**3,508,714**	**1,811,061**	**3,101**			**5,322,877**	**4,921,668**	**327,831**	**5,584**			**5,255,082**
1.1 Current accounts	218	535		X	X	X	21,049	447		X	X	X
1.2 Repurchase agreements	58,315			X	X	X	52,424			X	X	X
1.3 Mortgages				X	X	X				X	X	X
1.4 Credit cards and personal loans, including salary assignment loans	36			X	X	X	62			X	X	X
1.5 Finance leases	287			X	X	X	520			X	X	X
1.6 Factoring	1,791,105	1,470,277	3,101	X	X	X	3,233,839	272,207	5,584	X	X	X
1.7 Other loans	1,658,752	340,250		X	X	X	1,613,774	55,177		X	X	X
2. Debt securities	**4,950,941**						**4,957,182**			**4,891,959**		
2.1. Structured securities												
2.2. Other debt securities	4,950,941			4,875,000			4,957,182			4,891,959		
Total	**8,459,655**	**1,811,061**	**3,101**	**-**	**-**	**5,322,877**	**9,878,850**	**327,831**	**5,584**	**4,891,959**	**-**	**5,255,082**

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

This item breaks down as follows:

- Performing factoring amounted to a total of €1,791,105 thousand for BFF Banking Group:
  I. This included non-recourse trade receivables purchased as performing, registered under the name of the assigned debtor, with the conditions for derecognition, and measured at amortized cost, worth a total of €1,370,252 thousand for BFF Bank and €396,731 thousand for the subsidiary BFF Finance Iberia.
  II. The right to accrued and accruing late payment interest on them and the right to collection expenses when they fall due are acquired upon purchase.
  III. Trade receivables purchased below face value totaled €30,538 thousand in relation to late payment interest and €4,473 thousand for collection expenses.
  IV. Performing non-recourse factoring of BFF Polska Group totaled €24,122 thousand.
- Other performing loans due from customers amounted to €1,658,752 thousand. They mainly include:
  I. Accrued late payment interest of about €149,306 thousand, including €115,703 thousand relating to BFF Bank and €33,603 relating to the Spanish subsidiary. This amount has already been recognized in the income statement in the current and prior years and refers only to late payment interest accrued. Therefore, of the €536.3 million in late payment interest recognized in the income statement, and referring to the provision existing at June 30, 2024, €149.3 million refers to the item under review, while of the remaining amount, €240.5 million was recognized under "factoring" and €146.5 million under other impaired loans, primarily past due;
  II. collection expenses of €70,951 thousand, of which €43,500 thousand relating to BFF Bank, €27,452 thousand referring to the Spanish subsidiary and €1,812 thousand relating to BFF Central Europe; this amount, along with the €89,467 thousand classified under impaired loans, has already been transferred to the income statement and refers to collection expenses already accrued on trade receivables purchased outright;
  III. security deposits of approximately €157.3 million for settlement activities related to the transactions typical of the Securities Services and Banking Payments business areas;
  IV. security deposits for transactions in place with Cassa Compensazione e Garanzia for €198.4 million;
  V. financing activities of BFF Polska Group of €970,739 thousand.
- Reverse repurchase agreements amounting to €58,315 thousand. These are exposures arising from contracts with customers regulated by the Global Master Repurchase Agreement (GMRA).
- Current account credit facilities amounting to €218 thousand are for the use of lines of credit granted to funds and asset management companies using the custodian bank services (as part of the services offered by the Securities Services business unit) or by corporate customers to whom collection and payment services are provided (as part of the services provided by the Banking Payments Department).
- Performing finance leases of BFF Polska Group totaled €287 thousand.
- BFF Banking Group's net impaired assets amounted to a total of €1,814,162 thousand, compared to €333,414 thousand at December 31, 2022. The increase was mainly caused by impaired past due exposures: this item was significantly impacted by the portfolio reclassification carried out as of June 30, 2024 in order to respond to the compliance finding of the Bank of Italy on the definition of past due receivables, without however corresponding to an effective deterioration of the underlying credit quality. They include:

- Non-performing loans are exposures to parties that are in a state of insolvency or in basically similar situations, regardless of any loss projections made by the parent. At June 30, 2024, the overall total of the Banking Group's non-performing loans, net of impairment, amounted to €96,538 thousand, of which €3,101 thousand purchased already impaired. Net non-performing loans concerning Italian municipalities and provincial government in financial distress amounted to €90,896 thousand, accounting for 94.2% of the total. Gross non-performing loans amounted to €118,318 thousand (€120,923 thousand at December 31, 2023). The related impairment totaled €21,780 thousand (€21,117 thousand at December 31, 2023). The portion of the allowance for late payment interest relating to non-performing exposures, recognized at the time of the change in estimate in 2014, was equal to €1 million, entirely impaired. Taking account of this amount, too, gross non-performing loans amounted to €119,328 thousand and relevant adjustments totaled €22,790 thousand. With reference to the parent, at June 30, 2024 total non-performing loans, net of any estimated impairment losses, amounted to €91,272 thousand, of which €90,896 thousand concerned Italian municipalities and provincial governments in financial distress; this case is classified as non- performing in accordance with the indications given by the Supervisory Authority, despite the fact that BFF Banking Group has the legal right to receive 100% of the capital and late payment interest at the end of the insolvency procedure. Specifically, the amount of €3,101 thousand refers to loans and receivables due from local entities (municipalities, provinces) already in financial distress at the time of purchase and purchased at special conditions. The remaining positions referring to BFF Bank are impaired based on subjective assessments arising from legal opinions. Gross non-performing loans relating to BFF Polska Group amounted to €22,369 thousand. After estimated impairment losses of €18,049 thousand they amounted to €4,320 thousand.
- BFF Banking Group's unlikely to pay exposures mainly refer to BFF Polska Group's positions. These exposures reflect the judgment made by the intermediary about the unlikelihood that – excluding such actions as the enforcement of guarantees – 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 installments). As of June 30, 2024, gross exposures classified as unlikely to pay amounted to €33,119 thousand (€19,125 million at December 31, 2023), of which €25,323 thousand attributable to BFF Polska Group (€15,840 thousand at December 31, 2023), €4,253 thousand to the Parent (€3,087 thousand at December 31, 2023) and €3,542 thousand to BFF Finance Iberia (€198 thousand at December 31, 2023). The total net value is €25,251 thousand (€13,718 thousand at December 31, 2023), referring primarily to BFF Polska Group.
- Net past due exposures of BFF Banking Group amounted to €1,692,374 thousand. They refer to the parent for €1,463,220 thousand, to the Spanish subsidiary for €22,611 thousand and to BFF Polska Group for €206,542 thousand. 98.8% of these exposures relate to public counterparties. This category increased sharply compared to December 31, 2023 following the portfolio reclassification carried out to respond to the compliance findings on the previous classification of public receivables carried out by the parent, contained in the Bank of Italy inspection report delivered on April 29, 2024 and to which BFF responded on July 11, 2024.

Please recall that impaired assets are classified in keeping with the prudential definition of default (i.e. past due, unlikely to pay and non-performing), which assumes that there is an effective 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. The actual credit risk profile assumed by the BFF Group is limited, as it has been assumed primarily with respect to public bodies not subject to procedures resulting in the risk of a loss of principal and the classification described above could result in significant distortions in the representation of the group's accounting, prudential and capital strength information. This is also corroborated by the very limited credit losses recorded.

Fair value

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

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

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

(Values in thousand euros)

	Gross value					Total adjustments				Total partial write-offs (*)
	Stage one	of which: Instruments with low credit risk	Stage two	Stage three	Purchased or originated credit impaired	Stage one	Stage two	Stage three	Purchased or originated credit impaired	
Debt securities	4,952,888					1,948				
Loans	3,959,202		133,468	1,842,498	3,299	1,070	236	31,437	**198**	
Total 06.30.2024	**8,912,090**	**-**	**133,468**	**1,842,498**	**3,299**	**3,018**	**236**	**31,437**	**198**	**-**
Total 12.31.2023	**9,898,972**	**-**	**577,110**	**355,498**	**5,785**	**3,186**	**485**	**27,668**	**201**	**-**

(*) Value presented for informational purposes.

Section 7 - Equity investments - Item 70

€14,411 thousand

The amount refers to the equity investment in Unione Fiduciaria of 24% of the capital thereof, as well as the equity investment in two law firms in which BFF Polska is a limited partner.

Note that the aforementioned investments are consolidated using the equity method (and not in full).

7.1 Equity investments: information on shareholding relationships

Name	Registered office	Operational headquarters	Type of relationship	Ownership relationship		Voting rights %
				Held by	Holding %	
A. Jointly controlled companies						
B. Companies over which significant influence is exercised						
1. Unione Fiduciaria	Milan (Italy)	Milan (Italy)	Voting right in the Shareholders' Meeting	BFF Bank S.p.A.	24%	24%
C. Exclusively controlled companies						
2. Kancelaria Prawnicza Karnowski i Wspólnik sp.k.	Łódź (Poland)	Łódź (Poland)	Other forms of control	BFF Polska S.A.	99%	99%
3. Restrukturyzacyjna Kancelaria Prawnicza Karnowski i Wspolnik sp.k.	Łódź (Poland)	Łódź (Poland)	Other forms of control	Debt-Rnt sp. Z O.O	99%	99%

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

€68,750 thousand

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

(Values in thousand euros)

Assets/Values	Total 06.30.2024	Total 12.31.2023
1. Proprietary assets	**62,625**	**46,163**
a) land	18,890	18,890
b) buildings	38,743	24,868
c) furniture	3,315	332
d) electronic systems	763	747
e) others	914	1,325
2. Lease rights of use	**6,125**	**14,527**
a) land	-	-
b) buildings	5,262	13,806
c) furniture	-	-
d) electronic systems	4	5
e) others	859	716
Total	**68,750**	**60,690**
of which: obtained by enforcement of guarantees received	-	-

Section 10 - Intangible assets - Item 100

€71,347 thousand (of which €30,957 thousand relating to goodwill)

10.1 Intangible assets: breakdown by type of asset

(Values in thousand euros)

Assets/Values	Total 06.30.2024		Total 12.31.2023	
	Finite useful life	Indefinite useful life	Finite useful life	Indefinite useful life
A.1 Goodwill	X	**30,957**	X	**30,957**
A.2 Other intangible assets	**40,390**	-	**43,785**	-
of which: software	**14,330**		**13,960**	
A.2.1 Assets measured at cost:				
a) Intangible assets created internally	-	-	-	-
b) Other assets	40,390	-	43,785	-
A.2.2 Assets measured at fair value:	-		-	
a) Intangible assets created internally	-	-	-	-
b) Other assets	-	-	-	-
Total	**40,390**	**30,957**	**43,785**	**30,957**

The item primarily consists of the amount of goodwill arising from the acquisition of BFF Polska Group in 2016 of €22,146 thousand, the former IOS Finance (now merged into BFF Finance Iberia) in 2019 of €8,728 thousand and BFF Techlab (formerly MC3 – Informatica) in the final quarter of 2022 of €83 thousand, as well as the Customer Contracts amounting to €17,787 thousand.

Aside from goodwill and customer contracts, the item also includes other intangible assets with a finite life that refer to investments in new multi-year software, amortized on a straight-line basis over their estimated useful lives (not exceeding 4 years for the entire Banking Group).

With respect to goodwill with an infinite useful life recognized in the financial statements and in line with what is described in IAS 36, an impairment test was performed at the end of 2023 on goodwill recognized in the financial statements, concerning BFF Polska Group, BFF Iberia (formerly IOS Finance) and BFF Techlab (formerly MC3 - Informatica) in order to determine its recoverable amount. The *impairment test* did not identify any losses of value of goodwill or intangible assets with an indefinite useful life.

At June 30, 2024, no indicators of risks that the carrying amount of intangible assets recognized in the financial statements was lower than their recoverable amount had been identified.

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

As at June 30, 2024, current tax assets and liabilities amount to €42,581 thousand and €4,881 thousand, respectively, and include the net balance of the Group's tax positions with respect to tax authorities, in accordance with the provisions of IAS 12. In particular, these items include the net balance of current tax liabilities for the period, calculated according to a prudential estimate of the tax charge due for the period, determined on the basis of the current tax code, and current tax assets represented by prepayments made in the course of the period. Current taxes correspond to the amount of income taxes due for the period.

11.1 Deferred tax assets: breakdown

€55,592 thousand

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

11.2 Deferred tax liabilities: breakdown

€160,589 thousand

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, as well as prior years' allowance for impairment losses.

Section 12 - Non-current assets held for sale and discontinued operations and associated liabilities - Asset item 120 and Liability item 70

12.1 Non-current assets held for sale and discontinued operations: breakdown by type of asset

(Values in thousand euros)

	Total 06.30.2024	Total 12.31.2023
A. Assets held for sale		
A.1 Financial assets		
A.2 Equity investments		
A.3 Property, equipment and investment property	8,046	8,046
of which: obtained by enforcement of guarantees received		
A.4 Intangible assets		
A.5 Other non-current assets		
Total (A)	**8,046**	**8,046**
of which measured at cost	8,046	8,046
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3		
B. Discontinued operations		
B.1 Financial assets measured at fair value through profit or loss		
- financial assets held for trading		
- financial assets at fair value		
- other financial assets subject to mandatory fair value measurement		
B.2 Financial assets measured at fair value through other comprehensive income		
B.3 Financial assets measured at amortized cost		
B.4 Equity investments		
B.5 Property, equipment and investment property		
of which: obtained by enforcement of guarantees received		
B.6 Intangible assets		
B.7 Other assets		
Total (B)	**-**	**-**
of which measured at cost		
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3		

(cont'd)

(Values in thousand euros)

	Total 06.30.2024	Total 12.31.2023
C. Liabilities linked to assets held for sale		
C.1 Payables		
C.2 Securities		
C.3 Other liabilities		
Total (C)	-	-
of which measured at cost		
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3		
D. Liabilities linked to discontinued operations		
D.1 Financial liabilities measured at amortized cost		
D.2 Financial liabilities held for trading		
D.3 Financial liabilities designated at fair value		
D.4 Provisions		
D.5 Other liabilities		
Total (D)	-	-
of which measured at cost		
of which measured at fair value level 1		
of which measured at fair value level 2		
of which measured at fair value level 3		

In accordance with the provisions of IFRS 5, after the sale agreement was signed for the property located at via Domenichino 5, owned by the Parent, at June 30, 2024 and December 31, 2023 its net carrying amount of €8,046 thousand was reclassified from the item in question to asset item 120 in the statement of financial position "Non-current assets and discontinued operations". The sale will be completed by the end of 2024.

Section 13 - Other assets - Item 130

13.1 Other assets: breakdown

€587,735 thousand

(Values in thousand euros)

Breakdown	06.30.2024	12.31.2023
Security deposits	4,107	4,107
Invoices issued and to be issued	11,112	11,663
Payment flows to be credited	143,315	128,613
Other exposures	60,590	77,335
Accrued income and prepaid expenses	21,512	19,584
Ecobonus tax assets	347,099	414,092
Total	**587,735**	**655,393**

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

Accrued income and prepaid expenses mainly refer to the deferral of costs relating to administrative expenses.

Other assets refer primarily to non-trade receivables due from sundry debtors, pending items, and legal fees to be recovered.

At June 30, 2024, the item ecobonus tax assets, amounting to €347.1 million (€414.1 million at December 31, 2023), includes both receivables acquired through factoring transactions according to the HTC Business Model of €281.5 million (€354.2 million at December 31, 2023) and €65.6 million according to the Trading Business Model (€59.9 million at December 31, 2023). These receivables are recognized and measured in accordance with the fair value method.

Specifically, HTC Ecobonus tax assets, down compared to the figure recorded at the end of the previous year, relate to receivables purchased by the Parent Company with non-recourse factoring operations and deriving from existing tax incentives. As set forth by tax regulations in force, these tax assets in question are used to offset the payment of taxes and contributions and are classified in Asset item 130 “Other assets” in line with what has been defined by the Bank of Italy in the Bank of Italy/Consob/Ivass Document no. 9: "Coordination table between Bank of Italy, Consob and Ivass on the application of IAS/IFRS”.

LIABILITIES

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

€10,648,523 thousand

This item is broken down as follows at June 30, 2024:

- amounts due to banks of €2,234,248 thousand;
- amounts due to customers of €8,112,594 thousand;
- debt securities issued of €301,681 thousand.

Amounts due to banks

€2,234,248 thousand

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

(Values in thousand euros)

Type of operations/Values	Total 06.30.2024				Total 12.31.2023			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Amounts due to central banks	**1,448**	**X**	**X**	**X**	**3,582**	**X**	**X**	**X**
2. Amounts due to banks	**2,232,800**	**X**	**X**	**X**	**2,265,492**	**X**	**X**	**X**
2.1 Current accounts and sight deposits	836,886	X	X	X	920,978	X	X	X
2.2 Time deposits	170,712	X	X	X	181,081	X	X	X
2.3 Loans	1,014,619	X	X	X	1,089,129	X	X	X
2.3.1 Repurchase agreements - payable	1,014,619	X	X	X	1,089,129	X	X	X
2.3.2 Others		X	X	X		X	X	X
2.4 Debts for commitments to repurchase equity instruments		X	X	X		X	X	X
2.5 Lease liabilities		X	X	X		X	X	X
2.6 Other Payables	210,582	X	X	X	74,304	X	X	X
Total	**2,234,248**	**-**	**-**	**-**	**2,269,074**	**-**	**-**	**-**

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

The item mainly consists of "current accounts and demand deposits" of about €836.9 million, deriving especially from payment service operations, and includes the balances of accounts of bank customers. The item also includes the amount of Repo contracts with bank counterparties for roughly €1.0 billion.

The item also includes "Time deposits", which are mainly related to deposits required for the services rendered to client banks, such as indirect compliance with mandatory reserve requirements.

Amounts due to customers

€8,112,594 thousand

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

(Values in thousand euros)

Type of operations/Values	Total 06.30.2024				Total 12.31.2023			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
1. Current accounts and sight deposits	3,682,443	X	X	X	4,297,019	X	X	X
2. Time deposits	2,437,689	X	X	X	2,711,140	X	X	X
3. Loans	1,352,815	X	X	X	796,014	X	X	X
3.1 repurchase agreements	1,200,029	X	X	X	568,796	X	X	X
3.2 Others	152,786	X	X	X	227,217	X	X	X
4. Liabilities in respect of commitments to repurchase own equity instruments		X	X	X		X	X	X
5. Payables for leasing	4,251	X	X	X	15,236	X	X	X
6. Sundry liabilities	635,396	X	X	X	725,702	X	X	X
Total	**8,112,594**				**8,545,110**			

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

As at June 30, 2024, the item mainly consisted of "current accounts and demand deposits" for an amount of €3,682 million relating to balances on operational accounts, i.e. accounts opened for customers (e.g. funds, asset management companies, corporate customers and other institutions) related to the custodian bank core business and loans from "repurchase agreements" for €1.2 billion.

The item includes €2,652 million for online deposit accounts ("conto facto") offered in Italy, Spain, Germany, the Netherlands, Ireland and Poland (restricted deposits and current accounts), compared to €2,744 million at December 31, 2023.

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

Lease liabilities, totaling €4.3 million at group level, refer to the recognition of lease liabilities arising from right-of-use assets, included under line item 90 "Property, equipment and investment property" in the Statement of Financial Position assets, following the application of the new IFRS 16 effective January 1, 2019.

The amount mainly includes the effect of the application of the standard on the leases of the properties leased by the Group, and the lease contracts have a duration between 3 and 6 years. For more information see Part M - "Lease reporting" of the Notes to the financial statements.

Debt securities issued

€301,681 thousand

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

(Values in thousand euros)

Type of securities/Values	Total 06.30.2024				Total 12.31.2023			
	CA	Fair value			CA	Fair value		
		L1	L2	L3		L1	L2	L3
A. Securities								
1. bonds	301,681	283,848		-	14			14
1.1 structured	301,681	283,848						
1.2 others					14			14
2. other securities				-				
2.1 structured				-				
2.2 others								
Total	**301,681**	**283,848**	**-**	**-**	**14**	**-**	**-**	**14**

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

The securities outstanding represent bonds issued by the Parent.

Specifically, the balance at June 30, 2024 relates to a new social unsecured senior preferred bond for a total of €300 million placed on April 8, 2024 with a fixed rate coupon of 4.750% per annum payable each year, maturing on March 20, 2029 and the option of early redemption in the fourth year, on March 20, 2028. The Bonds, issued as part of the €2.5 billion EMTN (Euro Medium Term Note) Program established by the Issuer, were placed at a reoffer yield of 4.775% (corresponding to a spread of 190 basis points on the reference mid-swap rate) and were intended only for qualified institutional investors in Italy and abroad, pursuant to

Regulation S of the United States Securities Act of 1933, as amended. Consistent with the Bank's funding plan, this issue was carried out with a view to MREL requirements, compulsory for BFF as of January 1, 2025.

This was the first issue carried out as part of the Social Bond Framework published by the parent in September 2023. The net proceeds of the Bonds will therefore be allocated to finance and/or refinance the Eligible Social Assets.

Section 2 - Financial liabilities held for trading - Item 20

€1,390 thousand

2.1 Financial liabilities held for trading: breakdown by type

(Values in thousand euros)

Type of operations/Values	Total 06.30.2024					Total 12.31.2023				
	NV	Fair value			Fair value (*)	NV	Fair value			Fair value (*)
		L1	L2	L3			L1	L2	L3	
A. On-statement-of-financial-position liabilities										
1. Amounts due to banks										
2. Amounts due to customers										
3. Debt securities										
3.1. Bonds										
3.1.1 Structured					X					X
3.1.2 Other bonds					X					X
3.2. Other securities										
3.2.1 Structured					X					X
3.2.2 Others					X					X
Total (A)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
B. Derivatives										
1. Financial derivatives										
1.1 Held for trading	X	1,390			X	X		1,196		X
1.2 Connected to the fair value option	X				X	X				X
1.3 Others	X				X	X				X
2. Credit derivatives										
2.1 Held for trading	X				X	X		19		X
2.2 Connected to the fair value option	X				X	X				X
2.3 Others	X				X	X				X
Total (B)	**X**	**1,390**	**-**	**-**	**X**	**X**	**-**	**1,215**	**-**	**X**
Total (A+B)	**X**	**1,390**	**-**	**-**	**X**	**X**	**-**	**1,215**	**-**	**X**

Key:
NV = Nominal value
L1 = Level 1
L2 = Level 2
L3 = Level 3

(*) *Fair value = Fair value calculated excluding changes in value due to the change in creditworthiness of the issuer with respect to the issue date.*

The item includes the negative fair value at June 30, 2024 and December 31, 2023 of derivative instruments classified as trading assets but used for the operational hedges of exchange rate and interest rate risk that the Group is exposed to.

Section 4 - Hedging derivatives - Item 40

€308 thousand

4.1 Hedging derivatives: breakdown by coverage type and level

(Values in thousand euros)

	FV 30.06.2024			NV 06.30.2024	FV 12.31.2023			NV 12.31.2023
	L1	L2	L3		L1	L2	L3	
A. Financial derivatives	**-**	**308**	**-**	**87,715**	**-**	**-**	**-**	**-**
1) Fair value	-	308	-	87,715	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
3) Foreign investments	-	-	-	-	-	-	-	-
B. Credit derivatives	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
1) Fair value	-	-	-	-	-	-	-	-
2) Cash flows	-	-	-	-	-	-	-	-
Total	**-**	**308**	**-**	**87,715**	**-**	**-**	**-**	**-**

Key:
NV = Notional Value
L1 = Level 1
L2 = Level 2
L3 = Level 3

Section 6 - Tax liabilities - Item 60

€165,470 thousand

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

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

Section 8 - Other liabilities - Item 80

€488,059 thousand

8.1 Other liabilities: breakdown

(Values in thousand euros)

Breakdown	Total 06.30.2024	Total 12.31.2023
Trade payables	10,584	9,654
Invoices to be received	35,645	27,001
Liabilities to tax authorities	3,632	16,112
Liabilities to social security and welfare bodies	1,411	2,323
Liabilities to employees	17,668	19,501
Collections pending allocation	74,545	86,020
Payment flows received to be charged	293,151	342,609
Sundry liabilities	40,189	44,283
Accrued expenses and deferred income	11,234	7,852
Total	**488,059**	**555,354**

"Trade payables" and "invoices to be received" refer to accounts payable for purchases of goods and services.

"Collections pending allocation" refer to payments received by June 30, 2024 but still outstanding since they had not been cleared and recorded by that date.

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

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

Section 9 - Post-employment benefits - Item 90

€3,261 thousand

9.1 Post-employment benefits: annual changes

The liability recorded in the financial statements at June 30, 2024 primarily in relation to post-employment benefits of the parent is equal to the present value of the obligation estimated by an independent actuary on the basis of demographic and economic assumptions.

Actuarial assumptions used to determine the liability at June 30, 2024 are shown below.

Actuarial assumptions

Annual discount rate

The financial basis used to calculate the present value of the obligation was determined, in compliance with paragraph 83 of IAS 19, by reference to the iBoxx Eurozone Corporate AA 5-7 Index (in line with the duration of the items measured).

Annual increase rate of post-employment benefits

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

The demographic assumptions used are as follows:

- Death: 2022 ISTAT table;
- Disability: INPS 2000 tables broken down by age and sex;
- Retirement: 100% upon reaching AGO requisites, as updated by Italian Decree-Law 4/2019.

Annual frequency of turnover and advances

- Executives: 0% advance frequency and 27% turnover frequency;
- Managers: 0.6% advance frequency and 7.3% turnover frequency;
- Employees 2.1% advance frequency and 3.4% turnover frequency.

Section 10 - Provisions for risks and charges - Item 100

€37,759 thousand

10.1 Provisions for risks and charges: breakdown

(Values in thousand euros)

Items/Components	Total 06.30.2024	Total 12.31.2023
1. Provisions for credit risk relating to Commitments and financial guarantees given	197	530
2. Provisions for other commitments and guarantees issued	-	-
3. Pension and similar obligations	6,356	7,009
4. Other provisions for risks and charges		
4.1 Legal and tax disputes	-	-
4.2 Personnel costs	-	-
4.3 Others	31,206	28,325
Total	**37,759**	**35,864**

Starting from January 1, 2018, this item also includes provisions for credit risk associated with commitments/financial guarantees provided by BFF Polska to its customers, based on impairment requirements provided for by IFRS 9.

As of June 30, 2024 "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 significant increase compared to December 31, 2023, attributable to "other provisions for risks and charges", relates to provisions against the likely risk of an unfavorable ruling in the amount of roughly €3.4 million.

The item "Pension and similar obligations" decreased compared to December 31, 2023 due to payments to certain categories of employees of deferred bonuses related to targets achieved in previous years, partly offset by provisions allocated in the first half of 2024.

10.5 Defined-benefit pension funds

The pension fund refers mainly to the non-compete agreement entered into with BFF Banking Group's managers, amounting to €3.2 million (including the portion allocated to the parent's equity reserve) and the provisions relating to the incentive and deferred payment retention scheme envisaged for specific BFF Bank employees, amounting to €1.8 million. Both obligations to personnel are shown at their present value estimated by an independent actuary based on demographic and economic assumptions.

As of June 30, 2024, the provision in question also includes the provision for the commitment made by DEPObank to some employees who have left the bank, amounting to €156 thousand.

Specifically, the system involving deferral of a portion of the annual bonuses envisages, for risk takers, medium-term restrictions, according to which 30% (if low variable) or 40% of the annual bonus will be paid between three and a maximum of six years later, provided that the parent achieves specific targets relating to its profitability, regulatory capital requirements established by existing regulations, and the employee's continued employment at the parent. In accordance with the provisions of IAS 19, accruals were quantified based on an actuarial calculation performed externally by a specialized firm. The parent's obligations were computed using the "Projected Unit Credit Method", which treats each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to compute the final obligation, in accordance with paragraphs 67-69 of IAS 19. This actuarial method entails valuation aimed at determining the average present value of the Bank's obligations.

The technical demographic assumptions used and the main actuarial assumptions developed by the external firm are illustrated below:

Non-compete agreement

The annual discount rate used to determine the present value of the obligation is taken, in accordance with paragraph 83 of IAS 19, from the Iboxx Corporate AA index with a duration of 10+ as recorded at June 30, 2024 and equal to 3.56%. The yield with a comparable duration to that of the collective being valued was chosen for this purpose.

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

Deferred bonus

Discount rate

The financial basis used to calculate the present value of the obligation was determined, in compliance with paragraph 83 of IAS 19, by reference to the iBoxx Eurozone Corporate AA Index (in line with the duration of the plan). Discount rate used was equal to 3.34%.

Mortality and disability

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

Frequency of resignations and dismissals

Equal to 3.7% (2022 and 2023 deferred MBO).

10.6 Provisions for risks and charges - Other provisions

Other provisions of €31.2 million refer to:

- litigation liabilities for which the Parent has estimated a probable risk of loss for approximately €30.5 million;
- provisions related to possible damages for operational errors as per contract with customers in the amount of approximately €848 thousand.

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

€814,469 thousand

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

(Values in thousand euros)

Type	06.30.2024	12.31.2023
1. Share capital	**144,434**	**143,947**
1.1 Ordinary shares	144,434	143,947
2. Treasury shares	**(3,652)**	**(4,377)**

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

13.2 Share capital - Number of parent shares: annual changes

(Values in units)

Items/Type	Ordinary	Others
A. Shares as of the beginning of the year	**186,944,029**	
- fully paid-in	186,944,029	
- not fully paid-in		
A.1 Treasury shares (-)	(494,854)	
A.2 Shares outstanding: initial balance	**186,449,175**	
B. Increases	**725,027**	
B.1 New issues		
- for consideration:		
- business combinations		
- conversion of bonds		
- exercise of warrants		
- others	-	
- without consideration:		
- to employees	632,148	
- to directors		
- others		
B.2 Sales of treasury shares		
B.3 Other changes	92,879	
C. Decreases	**-**	
C.1 Cancellation		
C.2 Purchase of treasury shares	-	
C.3 Disposal of companies		
C.4 Other changes		
D. Shares outstanding: closing balance	**187,174,202**	-
D.1 Treasury shares (+)	(401,975)	
D.2 Shares existing at the end of the year		
- fully paid-in	187,576,177	
- not fully paid-in		

13.4 Earnings-related reserves: other information

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

(Values in thousand euros)

	06.30.2024	Possibility of use (a)	Portion available	Portion deriving from tax on extra profits	Portion with tax suspension	Summary of use in the last three years (*)	
						To cover losses	For other reasons
Share capital	**144,434**						
Reserves	**286,390**						
- Legal reserve (**)	30,009	*B*			26,196		
- Extraordinary reserve	89	*A, B, C*	89				
- Retained earnings (***)	246,452	*A, B, C*	246,452	24,402	50,387		232,930(*)
- Stock option and financial instrument reserves	8,623	*A*					
- Other reserves	1,217						
Valuation reserves	**9,238**						
- HTCS securities	3,815						
- Others	5,423						
Treasury share reserve	**(3,652)**						
Share premium reserve	**66,277**	*A, B, C*	66,277				
Total share capital and reserves	**502,687**		**312,818**	**24,402**	**76,583**		**232,930**

(a): Possible uses: A = for share capital increases; B = for absorption of losses; C = for distribution to shareholders.

(*) Uses in the last three financial years amounting to €232,930 thousand include primarily €14,035 thousand for the exercise of stock options by certain beneficiaries in the course of 2022, 2023 and the first six months of 2024, €17,217 thousand for the payment of the interest coupon and structuring expenses relating to the Additional Tier 1 (AT1) financial instrument, as well as uses in the last three financial years relating to the payment of dividends distributed as per shareholders' resolutions in the amount of €201,678 thousand;

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

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

Changes in reserves that make up the equity are shown below:

(Values in thousand euros)

	Legal reserve	Retained earnings	Others	Total
A. Opening balance	**29,806**	**238,249**	**9,706**	**277,762**
B. Increases	**203**	**65,059**	**1,421**	**66,683**
B.1 Allocation of profits	203	65,059	-	65,262
B.2 Other changes	-	-	1,421	1,421
C. Decreases	-	**(56,767)**	**(1,287)**	**(58,054)**
C.1 Uses				-
- coverage of losses	-	-	-	-
- distribution	-	(48,910)	-	(48,910)
- transfer to share capital	-	-	-	-
C.2 Other changes	-	(7,857)	(1,287)	(9,144)
D. Closing balance	**30,010**	**246,541**	**9,840**	**286,390**

Retained earnings

Retained earnings increased due to the attribution to the reserve of a share of profits for the year 2023 of €65 million, in accordance with the Shareholders' Meeting resolution of April 18, 2024.

Decreases in the profit reserve relate for roughly €48.9 million to the distribution of the reserve to shareholders, approved by the Shareholders' Meeting held on April 18, 2024, and for around €7.9 million to uses connected to the payment of the interest coupon of the new "Additional Tier 1" instrument for €4.4 million (gross of the tax effect) and to the free capital increases following the exercise of the stock options by the beneficiaries (for €3.2 million).

Other reserves

The changes largely refer to the following events occurred during H1 2024:

- increases for higher provisions of €350 thousand related to the variable remuneration parts of the “Key Personnel” (Risk Takers), in compliance with the provisions as set out in the First Part, Title IV, Chapter 2, Section III, paragraph 2.1, 3 of Bank of Italy Circular 285/2013, as subsequently updated, according to which a portion must be paid in financial instruments;
- increases for higher provisions of €680 thousand related to outstanding stock option plans;
- decreases for the exercise of stock options or share grants related to the parent's incentive scheme and non-compete agreement in the amount of approximately €1.3 million.

Tax suspension restriction

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

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

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

13.5 Equity instruments: composition and annual changes

As of June 30, 2024 there were no changes compared to December 31, 2023. The item represents only the Additional Tier 1 Perpetual NC2027 instrument (ISIN XS2404266848) in the amount of €150 million, with a fixed-rate coupon of 5.875% per annum to be paid on a half-yearly basis.

Note that the parent paid the accrued interest coupon of €4.4 million (gross of the tax effect).

Other information

1. Commitments and financial guarantees given

(Values in thousand euros)

	Nominal amount on commitments and financial guarantees given				Total 06.30.2024	Total 12.31.2023
	Stage one	Stage two	Stage three	Purchased or originated credit impaired		
1. Commitments to disburse funds	**482,997**	**-**	**2**	**-**	**482,999**	**481,928**
a) Central Banks	-					
b) Public administrations	43,139				43,139	42,809
c) Banks	6,566				6,566	4,994
d) Other financial companies	406,288				406,288	400,654
e) Non-financial companies	27,005		2		27,007	33,471
f) Households						
2. Financial guarantees given	**657**	**-**	**14,318**	**-**	**14,974**	**14,868**
a) Central Banks						
b) Public administrations						
c) Banks						
d) Other financial companies	89	-	-		89	89
e) Non-financial companies	567	-	14,318	-	14,885	14,779
f) Households						

3. Assets given as collateral for own liabilities and commitments

(Values in thousand euros)

Portfolios	Amount 06.30.2024	Amount 12.31.2023
1. Financial assets measured at fair value through profit or loss		
2. Financial assets measured at fair value through other comprehensive income		
3. Financial assets measured at amortized cost	2,018,553	2,196,656
4. Property, equipment and investment property		
of which: Property, equipment and investment property held as inventories		

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

5. Administration and brokerage for third parties

(Values in thousand euros)

Type of services	Amount
1. Execution of orders for customers	
a) Purchases	-
1. settled	
2. not settled	
b) Sales	
1. settled	
2. not settled	
2. Portfolio management	-
a) individual	
b) collective	
3. Custody and administration of securities	**202,848,545**
a) third-party securities deposited: relating to custodian bank activities (excluding portfolio management)	29,045,169
1. securities issued by consolidated companies	5,069
2. other securities	29,040,100
b) third-party securities deposited (excluding portfolio management): others	72,057,629
1. securities issued by consolidated companies	42,908
2. other securities	72,014,721
c) third party securities deposited with third parties	96,607,448
d) proprietary securities deposited with third parties	5,138,299
4. Other transactions	-

Part C - Consolidated Income Statement

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

Section 1 - Interest - Items 10 and 20

Interest and similar income: breakdown

€431,032 thousand (of which interest income calculated using the effective interest rate method: €419,492 thousand)

(Values in thousand euros)

Items/Technical forms	Debt securities	Loans	Other transactions	Total 06.30.2024	Total 06.30.2023
1. Financial assets measured at fair value through profit or loss:					
1.1. Financial assets held for trading	-	-	-	-	2
1.2. Financial assets designated at fair value	-	-	-	-	-
1.3. Other financial assets mandatorily measured at fair value	184	-	-	184	-
2. Financial assets measured at fair value through other comprehensive income	**-**	**-**	**X**	**-**	**5**
3. Financial assets measured at amortized cost:					-
3.1 Loans and receivables with banks	-	6,346	X	6,346	5,477
3.2 Loans and receivables with customers	102,153	316,673	X	418,826	256,895
4. Hedging derivatives	**X**	**X**	**-**	**-**	**-**
5. Other assets	**X**	**X**	**5,673**	**5,673**	**8,881**
6. Financial liabilities	**X**	**X**	**X**	**3**	**51**
Total	**102,337**	**323,019**	**5,673**	**431,032**	**271,311**
of which: interest income on impaired assets					
of which: interest income on finance leasing	X	9	X	9	39

1.2 Interest and similar income: other information

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

Interest income on "Loans and receivables with customers" for loans amounted to €316.7 million and mostly consists of maturity commissions charged to the assignors for the purchase of non-recourse trade receivables, and late payment interest for the year, relating to BFF Bank and BFF Finance Iberia.

With respect to the loans and advances of the parent BFF Bank and the Spanish subsidiary BFF Finance Iberia recognized in the financial statements, in the course of 2024 the Group updated the time series and carried out some refinements of the model in use for the recognition of receivables for late payment interest and, as described in the comment to the item "loans and receivables with customers" in the statement of financial position, increased the percentage of recognition of late payment interest from 50% to 65%.

This change resulted in the recognition of non-recurring income relating to late payment interest amounting to €112.1 million. Furthermore, in the first half of 2024 the change in the percentage of recognition resulted in the recognition of income of €13.9 million at June 30, 2024.

No change was made to the estimates of the collection timing of the entire provision for late payment interest, with estimated collection days amounting to 2100.

The amount also includes interest income calculated at amortized cost, generated by BFF Polska Group's portfolio, for a total amount of €56.7 million.

Interest income on debt securities linked to loans and receivables with customers and totaling approximately €102.2 million derive mainly from government securities purchased by BFF Bank to hedge liquidity risk and to optimize the cost of money, relating to the HTC (Held to Collect) portfolio.

1.3 Interest and similar expenses: breakdown

€198,122 thousand

(Values in thousand euros)

Items/Technical forms	Debt	Securities	Other transactions	Total 06.30.2024	Total 06.30.2023
1. Financial liabilities measured at amortized cost					
1.1 Amounts due to central banks	-	X	X	-	-
1.2 Amounts due to banks	69,526	X	X	69,526	45,445
1.3 Amounts due to customers	121,899	X	X	121,899	96,387
1.4 Securities issued	X	2,948	X	2,948	340
2. Financial liabilities held for trading	-		-	-	1,861
3. Financial liabilities designated at fair value	-	-	-	-	26-
4. Other liabilities and provisions	X	X	2,887	2,887	611
5. Hedging derivatives	X	X	862	862	1,042
6. Financial assets	X	X	X	-	-
Total	**191,425**	**2,948**	**3,748**	**198,122**	**145,686**
of which: interest expense relative to leasing liabilities	100	X	X	100	199

Interest expense increased from €145.7 million in the first half of 2023 to €198.1 million in the first half of 2024. This significant increase is linked primarily to the increase in interest expense on banking and corporate customer balances due to the inversion and increase in interest rates in the market.

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

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

Interest expense pertaining to "Amounts due to customers" mainly refers to interest on BFF Bank's online deposit accounts ("Conto Facto" in Italy, "Cuenta Facto" offered in Spain by the Spanish branch of BFF Bank and "Lokata Facto" offered by the branch in Poland), interest accruing on account balances of corporate customers and interest relating to contracts governed by the Global Master Repurchase Agreement (GMRA) with Cassa di Compensazione Garanzia as the customer counterparty.

Finally, the item also includes interest expenses for "Securities issued" amounting to approximately €2,948 thousand, which increased as a result of the new social unsecured senior preferred bond placed in April 2024. For more details on this please refer to item 10 c) of the Statement of Financial Position liabilities "Financial liabilities measured at amortized cost".

Section 2 - Fees and commissions - Items 40 and 50

2.1 Fee and commission income: breakdown

€54,257 thousand

(Values in thousand euros)

Type of service/Amounts	Total 06.30.2024	Total 06.30.2023
a) Financial instruments	-	-
1. Placement of securities	-	-
1.1 With firm commitment and/or on the basis of an irrevocable commitment	-	-
1.2 Without irrevocable commitment	-	-
2. Receipt and transmission of orders and execution of orders for customers	-	-
2.1 Receipt and transmission of orders of one or more financial instruments	-	-
2.2 Execution of orders for customers	-	-
3. Other commissions connected to activities linked to financial instruments	-	-
of which: dealing on own account	-	-
of which: individual portfolio management	-	-
b) Corporate Finance	**-**	**-**
1. Mergers and acquisitions consulting	-	-
2. Treasury services	-	-
3. Others commissions connected to corporate finance services	-	-
c) Consulting activities related to investments	**35**	**28**
d) Clearing and settlement	**-**	**-**
e) Collective portfolio management	**-**	**-**
f) Custody and administration	**13,448**	**14,948**
1. Custodian bank	8,779	9,283
2. Other commissions linked to custody and administration activities	4,669	5,665
g) Central administrative services for collective portfolio management	**-**	**-**
h) Fiduciary activities	**-**	**-**
i) Payment services	**35,284**	**37,455**
1. Current accounts	-	-
2. Credit cards	821	710
3. Debit cards and other payment cards	3,874	9,025
4. Bank transfers and other payment orders	9,256	7,872
5. Other commissions linked to payment services	21,333	19,848
j) Distribution of third-party services	**-**	**-**
1. Collective portfolio management	-	-
2. Insurance products	-	-
3. Other products	-	-
of which: individual portfolio management	-	-
k) Structured finance	**-**	**-**
l) Servicing activities for securitization transactions	**-**	**-**
m) Commitments to disburse funds	**-**	**-**
n) Financial guarantees given	**615**	**255**
of which: credit derivatives	-	-
o) Lending transactions	**-**	**-**
of which: for factoring transactions	-	-
p) Currency trading	**-**	**-**
q) Commodities	**-**	**-**
r) Other fee and commission income	**4,875**	**2,350**
of which: for management of multilateral trading systems	-	-
of which: for management of organized trading systems	-	-
Total	**54,257**	**55,036**

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

2.2 Fee and commission expenses: breakdown

€14,591 thousand

(Values in thousand euros)

Service/Values	Total 06.30.2024	Total 06.30.2023
a) Financial instruments	**-**	**-**
of which: trading in financial instruments	-	-
of which: placement of financial instruments	-	-
of which: individual portfolio management	-	-
Own	-	-
Delegated to third parties	-	-
b) Clearing and settlement	**815**	**842**
c) Collective portfolio management	**-**	**-**
d) Custody and administration	**2,197**	**2,646**
e) Collection and payment services	**8,910**	**12,908**
of which: credit cards, debit cards and other payment cards	2,282	6,511
f) Servicing activities for securitization transactions	**2**	**-**
g) Commitments to receive funds	**-**	**-**
h) Financial guarantees received	**8**	**7**
of which: credit derivatives	-	-
i) Off-site offer of financial instruments, products and services	**-**	**-**
j) Currency trading	**1**	**1**
k) Other fee and commission expense	**2,658**	**2,413**
Total	**14,591**	**18,817**

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

Section 3 - Dividend income and similar revenue - Item 70

3.1 Dividends and similar income: breakdown

€13,334 thousand

(Values in thousand euros)

Items/Income	Total 06.30.2024		Total 06.30.2023	
	Dividends	Similar revenue	Dividends	Similar revenue
A. Financial assets held for trading	-	-	18	-
B. Other financial assets subject to mandatory fair value measurement	7,046	-	917	-
C. Financial assets measured at fair value through other comprehensive income	6,288	-	5,735	-
D. Equity investments	-	-	-	-
Total	**13,334**	**-**	**6,670**	**-**

As at June 30, 2024 the item mainly included dividends received in March 2024 from the Bank of Italy amounting to €5.7 million (€5.7 million in the first half of 2023) and General Finance for €0.6 million (€0 million in the first half of 2023), whose shares subscribed by the Parent BFF Bank are classified under item 30 of the Assets "Financial assets measured at fair value through other comprehensive income", and dividends received in H1 2024 from Fondo Italiano di Investimento, amounting to around €1.1 million (around €0.9 million in the first half of 2023) and the Ingenii Fund for roughly €5.9 million (€0 million in the first half of 2023), whose UCI units are classified under item 20 of the Assets "Financial assets measured at fair value through profit or loss".

Section 4 - Profits (losses) on trading - Item 80

€1,470 thousand

4.1 Profits (losses) on trading: breakdown

€1,470 thousand

(Values in thousand euros)

Transaction/Income items	Capital gains (A)	Profits from trading (B)	Losses (C)	Losses from trading (D)	Net result [(A+B)-(C+D)]
1. Financial assets held for trading	**3**	**4,629**	**3**	**-**	**4,629**
1.1 Debt securities	3	276	3	-	276
1.2 Equity securities	-	-	-	-	-
1.3 UCI units	-	-	-	-	-
1.4 Loans	-	4,353	-	-	4,353
1.5 Others	-	-	-	-	-
2. Financial liabilities held for trading	**-**	**-**	**-**	**-**	**73**
2.1 Debt securities	-	-	-	-	-
2.2 Liabilities	-	-	-	-	-
2.3 Others	-	-	-	-	73
3. Financial assets and liabilities: exchange differences	**X**	**X**	**X**	**X**	**(3,232)**
4. Derivatives					
4.1 Financial derivatives:	-	-	-	-	-
- On debt securities and interest rates	-	-	-	-	-
- On equity securities and stock indices	-	-	-	-	-
- On currency and gold	X	X	X	X	x
- Others	-	-	-	-	-
4.2 Loan derivatives	-	-	-	-	-
of which: natural hedging related to the fair value option	X	X	X	X	-
Total	**3**	**4,629**	**3**	**-**	**1,470**

The net profit on trading mainly derives from the effect of exchange rate differences related to foreign exchange trading functional to treasury management, in particular to bank and customer deposits in foreign currencies.

At June 30, 2024, this item also includes the positive result deriving from factoring purchases of ecobonus tax assets falling under the Trading Business Model and classified in asset item 130 "Other assets" in the statement of financial position, for a total of €4.4 million.

Section 6 - Profits (losses) on disposals/repurchases - Item 100

€233 thousand

6.1 Profits (Losses) on disposals/repurchases: breakdown

€233 thousand

(Values in thousand euros)

Items/Income items	Total 06.30.2024			Total 06.30.2023		
	Profits	Loss	Net profit/ loss	Profits	Loss	Net profit/ loss
Financial assets						
1. Financial assets measured at amortized cost						
1.1 Loans and receivables with banks						
1.2 Loans to customers	454	221	233	21,091	(1,249)	19,842
2. Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-
2.1 Debt securities	-	-	-	-	(146)	(146)
2.2 Loans	-	-	-	-	-	-
Total assets (A)	**454**	**221**	**233**	**21,091**	**(1,395)**	**19,696**
Financial liabilities measured at amortized cost	-	-	-	-	-	-
1. Amounts due to banks	-	-	-	-	-	-
2. Amounts due to customers	-	-	-	-	-	-
3. Securities issued	-	-	-	-	-	-
Total liabilities (B)	-	-	-	-	-	-

At June 30, 2024, the item in question amounted to €233 thousand, and represents the net balance of sales of government securities (€19,696 thousand in the first half of 2023 for a nominal value of €735 million) classified in asset item 40 b) "Financial assets measured at amortized cost – loans and receivables with customers".

Please note that sales always took place in compliance with the conditions imposed by the HTC business model, which the Group adopted on the first-time application of IFRS 9 in 2018.

Section 7 - Profits (losses) on other financial assets and liabilities measured at fair value through profit or loss - Item 110

-€3,988 thousand

7.2 Net change of value of other financial assets and liabilities measured at fair value through profit or loss: breakdown of other financial assets and liabilities subject to mandatory fair value measurement

-€3,988 thousand

(Values in thousand euros)

Transaction / Income items	Capital gains (A)	Realized gains (B)	Losses (C)	Losses on disposal (D)	Net result [(A+B)-(C+D)]
1. Financial assets	**-**	**-**	**(3,988)**	**-**	**(3,988)**
1.1 Debt securities	-	-	-	-	-
1.2 Equity securities	-	-	-	-	-
1.3 UCI units	-	-	(3,988)	-	(3,988)
1.4 Loans	-	-	-	-	-
2. Financial assets in foreign currency: foreign exchange differences	X	X	X	X	
Total	**-**	**-**	**(3,988)**	**-**	**(3,988)**

This item mainly refers to the net write-down of the UCI units held by the parent at the last NAV made available by the relevant investment funds, including the Ingenii Fund.

Section 8 - Net write-downs/write-backs for impairment - Item 130

-€3,315 thousand

8.1 Net impairment losses/gains for credit risk associated with financial assets measured at amortized cost: breakdown

(Values in thousand euros)

Transaction/Income items	Impairment losses						Impairment gains				Total 06.30.2024	Total 06.30.2023
	Stage one	Stage two	Stage three		Purchased or originated credit impaired		Stage one	Stage two	Stage three	Purchased or originated credit impaired		
			Write-offs	Other	Write-offs	Others						
A. Receivables due from banks	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**26**
- Loans	(1)	-	-	-	-	-	-	-	-	-	(1)	26
- Debt securities	-	-	-	-	-	-	-	-	-	-	-	-
B. Receivables due from customers	**-**	**-**	**(2)**	**(3,883)**	**-**	**-**	**160**	**249**	**159**	**3**	**(3,314)**	**(1,882)**
- Loans	-	-	(2)	(3,883)	-	-	133	249	159	3	(3,340)	(1,877)
- Debt securities	-	-	-	-	-	-	27	-	-	-	27	(4)
Total	**(1)**	**-**	**(2)**	**(3,883)**	**-**	**-**	**160**	**249**	**159**	**3**	**(3,315)**	**(1,856)**

With respect to stage three, the increase in adjustments was due for €1.4 million to BFF Bank, €0.96 million to the Spanish subsidiary and €1.4 million to BFF Polska Group.

Section 12 - Administrative expenses - Item 190

€89,024 thousand

12.1 Personnel expenses: breakdown

€41,538 thousand

(Values in thousand euros)

Type of expense/Sectors	Total 06.30.2024	Total 06.30.2023
1) Employees	40,715	36,613
a) wages and salaries	26,674	26,525
b) social security contributions	7,290	6,648
c) post-employment benefits	-	14
d) pension costs	1	-
e) provision for post-employment benefits	996	978
f) provision for pensions and similar obligations:	-	-
- defined contribution plans	-	-
- defined benefit plans	-	-
g) payments to external complementary pension funds:	-	-
- defined contribution plans	-	-
- defined benefit plans	260	152
h) costs related to share-based payments	3,360	722
i) other employee benefits	2,134	1,573
2) Other personnel in service	119	269
3) Directors and statutory auditors	704	3,713
4) Early retirement costs	-	-
Total	**41,538**	**40,595**

The item "personnel expenses" includes, in addition to the amount of expenses and contributions paid to employees, including the provisions of the Group incentive system, expenses for stock options for certain employees of the Group for the first half of 2024, equal to approximately €3,360 thousand before taxes, with an offsetting entry in part in the related equity reserve and in part in liability item 80 "Other liabilities" in the statement of financial position.

12.5 Other administrative expenses: breakdown

€47,486 thousand

(Values in thousand euros)

Breakdown	Total 06.30.2024	Total 06.30.2023
Legal fees	2,412	2,332
Data processing services	7,124	6,549
External credit management services	406	352
Supervisory Body fees	27	20
Legal fees for loans and receivables under management	190	124
Notary fees	87	106
Notary fees to be recovered	365	898
Entertainment expenses and donations	2,032	1,294
Maintenance expenses	3,658	3,015
Non-deductible VAT	5,110	4,294
Other taxes	3,159	3,360
Consulting services	10,860	8,364
Head office operating expenses	2,030	2,047
Resolution Fund and FITD	22	6,382
Other expenses	10,004	10,108
Total	**47,486**	**49,245**

Other administrative expenses at June 30, 2024 amounted to €47.5 million, a slight decline compared to the same period of the previous year.

Note that, with regard to contributions to the deposit guarantee fund, in the first half of 2024, no cost was recorded for the Resolution Fund (€6.4 million in the first half of 2023). Indeed, no contribution was collected by the SRB as the target level of 1% of protected deposits held by credit institutions established in the countries participating in the Banking Union had been reached.

Section 13 - Net provisions for risks and charges - Item 200

€3,019 thousand

13.1 Net provisions for credit risk relating to loan commitments and financial guarantees given: breakdown

-€333 thousand

(Values in thousand euros)

Breakdown	Total 06.30.2024	Total 06.30.2023
Provision for risk on commitments and guarantees	333	(105)
Total	**333**	**(105)**

13.3 Net provisions for risks and charges: breakdown

€3,352 thousand

The accrual to the provisions, compared to the first half of the prior year, shows the following breakdown:

(Values in thousand euros)

Breakdown	Total 06.30.2024	Total 06.30.2023
Other provisions	(3,352)	520
Total	**(3,352)**	**520**

Section 14 - Depreciation and impairment losses on property, equipment and investment property - Item 210

€2,324 thousand

As of 2019, following the application of International Accounting Standard IFRS 16, the item "Impairment losses on property, equipment and investment property" also includes the amortization of right-of-use assets amounting to €1.4 million, the counterpart of which is recognized under property, equipment and investment property.

Section 15 - Amortization and impairment losses on intangible assets - Item 220

€4,989 thousand

The item refers to amortization for the period relating to intangible assets with finite useful lives, which also include the "Customer Contracts" recorded following the acquisition of Depobank amounting to €1.3 million.

Section 16 - Other net operating income - Item 230

€44,690 thousand

16.1 Other operating expenses: breakdown
-€751 thousand

(Values in thousand euros)

Breakdown	Total 06.30.2024	Total 06.30.2023
Prior year expenses	(369)	(983)
Rounding and allowances	(23)	(2)
Other charges	(105)	(9)
Deposit guarantee scheme expenses	-	-
Registry tax expenses	(254)	(109)
Total	**(751)**	**(1,103)**

16.2 Other operating income: breakdown
€45,441 thousand

(Values in thousand euros)

Breakdown	Total 06.30.2024	Total 06.30.2023
Recovery of legal fees for purchases of non-recourse trade receivables	467	319
Recovery of legal fees	405	454
Other recoveries	206	462
Prior year income	2,450	995
Recovery of assignor notary expenses	1,330	929
Other income	40,583	17,258
Total	**45,441**	**20,417**

In the course of 2024 the Group updated the time series and carried out some refinements of the model in use for the recognition of the 40 euros receivable and, as described in the comment to the item "loans and receivables with customers" in the statement of financial position, increased the percentage of recognition of late payment interest from 50% to 65%.

This change resulted in the recognition of non-recurring income relating to the 40 euros receivable amounting to €25.7 million. Furthermore, in the first half of 2024 the change in the percentage of recognition resulted in the recognition of income of €1.7 million at June 30, 2024.

The amount attributable to the first half of 2024 of the 40 euros receivable was €9.0 million (€11.4 million in H1 2023), inclusive of the income of €1.7 million mentioned above. The reduction was due to the different purchase mix in the first half of 2024 compared to the same period of 2023.

Section 21 - Income taxes on continuing operations - Item 300

€65,413 thousand

21.1 Income taxes on continuing operations: breakdown

(Values in thousand euros)

Income items/Sectors	Total 06.30.2024	Total 06.30.2023
1. Current taxes (-)	26,277	17,207
2. Adjustment to current tax of prior years (+/-)	341	1,027
3. Reduction of current tax for the year (+)	-	-
3.bis Reduction of current taxes for the year for tax credits pursuant to Italian Law no. 214/2011 (+)	-	-
4. Change in deferred tax assets (+/-)	521	933
5. Change in deferred tax liabilities (+/-)	38,274	8,590
6. Taxes for the year (-) (-1+/-2+3+ 3 *bis* +/-4+/-5)	**65,413**	**27,757**

Section 25 - Earnings per share

25.1 Average number of ordinary shares with diluted capital

Breakdown	Total 06.30.2024	Total 06.30.2023 (*)
Average number of shares outstanding	186,797,656	185,007,726
Average number of potentially dilutive shares	1,975,663	3,016,691
Average number of diluted shares	188,773,318	188,024,417

(*) Certain numbers relating to the previous period were restated to make the data comparable.

25.2 Other information

(Amounts in units, unless otherwise stated)

Breakdown	Total 06.30.2024	Total 06.30.2023 (*)
Consolidated net profit for the period (in thousands of euros)	167,781	76,146
Average number of shares outstanding	186,797,656	185,007,726
Average number of potentially dilutive shares	1,975,663	3,016,691
Average number of diluted shares	188,773,318	188,024,417
Basic earnings per share	**0.87**	**0.41**
Diluted earnings per share	**0.86**	**0.40**

(*) Certain numbers relating to the previous year were restated to make the data comparable.

Part D - Consolidated Comprehensive Income

Statement of Consolidated Comprehensive Income

(Values in euro units)

	Items	06.30.2024	06.30.2023
10.	**Profit for the period**	**161,781**	**76,146**
	Other income components not transferred to the income statement	**32**	**(4)**
20.	Equity instruments designated at fair value through other comprehensive income:		
	a) fair value changes		
	b) transfers to other net equity items		
30.	Financial liabilities carried at fair value through profit or loss (changes in creditworthiness):		
	a) fair value changes		
	b) transfers to other net equity items		
40.	Hedging of equity instruments carried at fair value through other comprehensive income:		
	a) fair value changes (hedged instrument)		
	b) fair value changes (hedging instrument)		
50.	Property, equipment and investment property		
60.	Intangible assets		
70.	Defined-benefit plans	44	(6)
80.	Non-current assets held for sale and discontinued operations		
90.	Share of valuation reserves connected with equity-accounted investments		
100.	Revenues or costs of a financial nature related to insurance contracts issued	-	-
110.	Income taxes on other comprehensive income without reclassification to the income statement	(12)	2
	Other income components with reclassification to the income statement	**1,674**	**268**
120.	Hedging of foreign investments:		
	a) fair value changes	(617)	(3,188)
	b) reclassification through income statement		
	c) other changes		
130.	Foreign exchange differences:		
	a) changes in value		
	b) reclassification through income statement		
	c) other changes	806	4,161
140.	Cash flow hedges:		
	a) fair value changes		
	b) reclassification through income statement		
	c) other changes		
	of which: result of net positions		

(cont'd)

(*Values in euro units*)

	Items	06.30.2024	06.30.2023
150.	Hedging instruments (undesignated elements):		
	a) changes in value		
	b) reclassification through income statement		
	c) other changes		
160.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income:		
	a) fair value changes	1,876	388
	b) reclassification through income statement		
	1. adjustments for credit risk		
	2. profits/losses on disposals		
	c) other changes		
170.	Non-current assets and asset groups held for sale:		
	a) fair value changes		
	b) reclassification through income statement		
	c) other changes		
180.	Share of valuation reserves connected with equity-accounted investments:		
	a) fair value changes		
	b) reclassification through income statement		
	1. adjustments due to impairment		
	2. profits/losses on disposals		
	c) other changes		
190.	Revenues or costs of a financial nature related to insurance contracts issued		
	a) fair value changes		
	b) reclassification through income statement		
	c) other changes		
200.	Revenues or costs of a financial nature relating to outward reinsurance		
	a) fair value changes		
	b) reclassification through income statement		
	c) other changes		
210.	Income taxes on other comprehensive income with reclassification to the income statement	(391)	(1,093)
220.	**Total other income components**	**1,706**	**264**
230.	**Comprehensive income (Items 10+220)**	**163,487**	**76,410**
240.	Consolidated comprehensive income attributable to non-controlling interests		
250.	**Comprehensive income (Items 10+190)**	**163,487**	**76,410**

Part E - Information on risks and related hedging policies

Introduction

BFF Banking Group has adopted suitable corporate governance tools and adequate management and control mechanisms in order to mitigate the risks to which it is exposed. These measures are part of the governance of the organization and of the internal control system, aimed at ensuring management practices grounded in efficiency, effectiveness and fairness, covering every type of business risk, consistently with the characteristics, dimensions and complexity of the business activities carried out by the Group.

With this in mind, the Group formalized its risk management policies and periodically reviews them to ensure their effectiveness over time. It constantly monitors the functioning of the risk management and control processes.

Such policies define:

- The governance of risks and the responsibilities of the Organizational Units involved in the management process;
- The mapping of the risks to which the Group is exposed, the measuring and stress testing methods, and the information flows that summarize the monitoring activities;
- The annual assessment process on the adequacy of internal capital and of the liquidity risk governance and management system;
- The activities for the assessment of prospective capital adequacy, associated with the strategic planning process.

The corporate governance bodies of the Bank – as BFF Banking Group's Parent – define the risk governance and management model at the Group level, taking into account the specific types of operations and the related risk profiles characterizing all the Group's entities, with the aim of creating an integrated and consistent risk management policy.

Within this framework, the Parent's corporate governance bodies perform the functions entrusted to them not only with regard to their specific business activities, but also taking into account the Group's operations as a whole and the risks to which it is exposed, and involving, as appropriate, the governance bodies of the subsidiaries in the decisions concerning risk management procedures and policies.

At the Group level, the Risk Management Function cooperates in the process of defining and implementing the risk governance policies through an adequate risk management process. The Function Head is not involved in the operating activities he or she has to monitor, and his or her tasks and responsibilities are governed by specific Internal Regulations.

In addition to other tasks, the Risk Management Function is responsible for:

- Cooperating with the corporate governance bodies in defining the overall risk management system and the entire reference framework relating to the assumption and control of Group risks (Risk Appetite Framework);
- Establishing adequate risk management processes through the adoption and maintenance of suit- able risk management systems, in order to map, measure, control or mitigate all relevant risks;

- Providing an assessment of the capital absorbed, also under stress conditions, and of the related present and prospective capital adequacy, by defining processes and procedures to meet every type of present and future risk, which take into account strategies and context changes; overseeing the implementation of the risk management process and ascertaining that it is being complied with;
- Overseeing the implementation of the risk management process and ascertaining that it is being complied with;
- Monitoring the adequacy and effectiveness of the actions taken to resolve any weaknesses found in the risk management system;
- Submitting periodical reports to the corporate governance bodies on the activities carried out and providing them with consulting support on risk management issues.

The Risk Management Function reports to the Chief Executive Officer, the person responsible for the Banking Group's Internal Control system. It is independent of the Internal Audit Function, and subject to its control.

Section 1 - Accounting consolidation risks

Quantitative information

A. Credit quality

A.1 Impaired and performing credit exposures: amounts, adjustments, trends and economic distribution

A.1.1 Breakdown of financial assets by portfolio and credit quality (book value)

(Values in thousand euros)

Portfolios/quality	Non-performing loans	Unlikely-to-pay positions	Impaired past due exposures	Other impaired exposures	Performing exposures	Total
1. Financial assets measured at amortized cost	96,538	25,251	1,692,374	1,321,380	7,720,924	10,856,466
2. Financial assets measured at fair value through other comprehensive income						
3. Financial assets designated at fair value						
4. Other financial assets mandatorily measured at fair value					5,368	5,368
5. Financial assets held for sale						
Total 06.30.2024	**96,538**	**25,251**	**1,692,374**	**1,321,380**	**7,726,292**	**10,861,834**
Total 12.31.2023	**99,806**	**13,718**	**219,891**	**2,368,874**	**8,103,537**	**10,805,826**

A.1.2 Breakdown of financial assets by portfolio and credit quality (gross and net amounts)

(Values in thousand euros)

Portfolios/quality	Impaired				Performing			Total (net exposure)
	Gross exposure	Total adjustments	Net exposure	Total partial write-offs (*)	Gross exposure	Total -adjustments	Net exposure	
1. Financial assets measured at amortized cost	1,845,798	31,635	1,814,162	-	9,045,558	3,254	9,042,303	10,856,466
2. Financial assets measured at fair value through other comprehensive income								
3. Financial assets designated at fair value					X	X		
4. Other financial assets subject to mandatory fair value measurement					X	X	5,368	5,368
5. Financial assets held for sale								
Total 06.30.2024	**1,845,798**	**31,635**	**1,814,162**	**-**	**9,045,558**	**3,254**	**9,047,672**	**10,861,834**
Total 12.31.2023	**361,283**	**27,869**	**333,414**	**-**	**10,476,082**	**3,671**	**10,472,411**	**10,805,826**

(*) Value presented for informational purposes.

(Values in thousand euros)

Portfolios/quality	Assets of evident poor credit quality		Other assets
	Cumulative capital losses	Net exposure	Net exposure
1. Financial assets held for trading			831
2. Hedging derivatives			
Total 06.30.2024	**-**	**-**	**831**
Total 12.31.2023	**-**	**-**	**1,167**

B. Disclosure on structured entities (other than securitization companies)

B.2 Structured entities not consolidated for accounting purposes

(Values in thousand euros)

Financial statement items/ Type of structured entity	Asset accounting portfolio	Total assets (A)	Liability accounting portfolio	Total liabilities (B)	Net carrying amount (C = B-A)	Maximum exposure to risk of loss (D)	Difference between exposure to risk of loss and carrying amount (E = D-C)
UCI	Financial assets measured at fair value through profit or loss	162,001			162,001	75,606	86,395

Section 2 - Prudential consolidation risks

1.1 Credit risk

Qualitative information

1. General aspects

The main activity of the Banking Group in that area is factoring, which is governed, in Italy, by the Italian Civil Code (Book IV - Title I, Chapter V, Articles 1260-1267) and Law No. 52 of February 21, 1991 and subsequent amendments, and which consists of a plurality of financial services that can be structured in various ways, mainly through the sale of trade receivables. The Group mainly offers non-recourse factoring services with debtors belonging to the public administration, in addition to other lending products always with a focus on the public administration. From March 2021, with the integration of DEPObank, the Group began to provide credit as an instrumental activity in addition to specific treasury activities (managed through the granting of operating limits) and securities services (mainly managed through the granting of account overdraft facilities).

Moreover, for the purpose of diversifying its business and its geographical presence, the Banking Group comprises the companies of BFF Polska Group, which mostly provide financial services to companies operating in the healthcare sector and to public administration agencies in the countries in which they operate.

At this time, non-recourse factoring represents approximately 61% of all the exposures to customers of the Group excluding the securities component.

Impacts of the Ukraine-Russia crisis

In relation to the Ukraine/Russia conflict, which broke out in 2022, the BFF Group has no direct exposure to the Russian and Ukrainian markets, and there are no Russian client companies, client companies controlled by Russian companies, beneficial owners or legal representatives of Russian nationality in the client portfolio of either BFF or its foreign subsidiaries. With regard to positions held in RUB (Russian roubles) and the possible exposure to exchange rate risk following the sharp fluctuation in the exchange rate of the currency in question, the asset and liability positions denominated in that currency held by BFF are of a very limited overall amount, relating exclusively to bank account balances (balances of bank accounts with BFF of counterparties of the Transaction Services Business Line, transferred to accounts held by BFF with Bank of New York, BFF's treasurer in that currency, and Euroclear Bank, an international settlement bank, while spot transactions, maturity deposits and currency swaps in that currency have been suspended since the start of the crisis) and substantially balanced. BFF also has just one current account denominated in UAH (Ukrainian hryvnia), held with Bank of New York, which it did not use in 2023 and 2024 and which has a negligible debt balance (equivalent to a few dozen euros).

Following the onset of the crisis between Russia and Ukraine, there was also an intensification of cyber warfare globally, mainly targeting infrastructure networks. In this regard, the BFF Group has raised the level of attention of the SOC (security operation center) and strengthened the perimeter defense rules, as well as continuing to monitor the situation through reliable sources, such as CERTFin. On the business continuity and backup front, recent updates and tests of the Disaster Recovery plan have confirmed BFF Group's resilience. Awareness-raising campaigns on phishing and security events are provided internally. Finally, primary outsourcers and suppliers were contacted in order to ascertain whether they too had raised their level of attention on the cybersecurity front and to receive more logs from defense systems in order to carry out more extensive monitoring through SIEM (security information and event management). To date, no attacks or disruptions following the Ukraine crisis have been recorded by BFF or its outsourcers or suppliers.

2. Credit risk management policies

2.1 Organisational aspects

The assessment of a transaction, for the different products offered by the Banking Group, is conducted through the analysis of a number of factors, ranging from the degree of risk fragmentation to the characteristics of the commercial relationship underlying the credit quality and the customer/ debtor's ability to repay.

The guidelines and procedures to monitor and control credit risk are set forth in the current "Credit Regulation," approved by the Board of Directors on December 21, 2023, and by the "Credit Regulation" of subsidiaries. A further organizational measure tackling credit risk is provided by the internal regulation for monitoring credit quality, which describes the credit control process on the debtor and is an integral part of the aforementioned "Credit Regulation".

Credit risk is therefore monitored at various levels within the framework of the multiple operating processes.

2.2 Management, measurement and control systems

The management, measurement and control system relating to credit risk has been created to ensure control over the main types of risks belonging to the credit risk category.

For this purpose, it must be noted that the core business carried out by the Group consists, as mentioned above, of the purchase of non-recourse trade receivables due from debtors belonging to public administration agencies, and that with regard to exposures related to the custodian bank operations, these are mainly towards banks.

Based on the above, in particular, credit risk is linked to the possibility that an unexpected change in the creditworthiness of a counterparty to which the Group is exposed may generate a corresponding decrease in the value of the credit position. It can be broken down as follows:

- Credit risk in the strict sense: the risk of default of counterparties to which the Group is exposed, which is fairly limited considering the nature of the Group's counterparties, the majority of which are not subject to bankruptcy proceedings or other procedures that could undermine their substantial solvency;
- Dilution risk: the risk that the amounts owed by the assigned debtor are reduced due to allowances or offsets arising from returns and/or disputes concerning the quality of the product or service or any other issue;
- Factorability risk: the risk related to the nature and characteristics of the commercial relationship subject to factoring/sale, affecting the ability of the trade receivable sold to self-liquidate (e.g., risk of direct payments from the debtor to the potentially insolvent assignor);
- Risk of late payment: the risk of a delay in the collection times of the trade receivables sold compared to those expected by the Group.

In light of the risks detailed above, the Group has internal regulations that describe the phases that industry regulations identify as components of the credit process:

- Background check;
- Decision;
- Disbursement;
- Monitoring and review;
- Dispute.

Non-recourse factoring by its very nature represents the service that is most exposed to credit risk. For this reason, the background check for the credit line application is carried out with the utmost care.

With regard to the granting of credit to counterparties using the custodian bank service, credit risk is very low, as it is mainly concentrated on bank counterparties, asset management companies and funds.

The Group also marginally offers the following two types of services: "loans and receivables management only" and "recourse factoring".

In the "loans and receivables management only" service, credit risk is considerably reduced because it is limited to the Group's exposure to the customer for payment of the agreed fees and commissions, that is, the reimbursement of legal fees incurred. The granting of a credit line for "loans and receivables management only" follows the normal procedures used in the credit process, although the credit line can be approved by a single-person body.

Recourse factoring is a marginal activity for BFF Banking Group, since this type of factoring is only included in BFF Polska S.A.'s product portfolio.

With specific reference to BFF Polska, it should be noted that the company operates in Poland, and also in Slovakia and the Czech Republic through its subsidiaries.

BFF Polska S.A. mainly operates in three sectors:

- Financing the working capital of suppliers to the public administration;
- Financing current and future trade receivables in the public and healthcare sector;
- Financing investments in the public and healthcare sector.

Also with regard to the specific types of investment by BFF Polska S.A. and its subsidiaries, Group credit risk management aims at building a robust and balanced financial asset portfolio to reduce to a minimum the risk of impaired exposures and at the same time generate the expected profit margin and loan portfolio value. As a general rule, the Banking Group's customers have a suitable credit standing and, if necessary, adequate guarantees are requested to mitigate the risk of financial losses arising from customers' non-performance.

With regard to the allocation of operating limits and/or "intermediation" caps, there is no specific request from customers and the assessment is initiated at the initiative of the Finance and Treasury OU or the relevant organizational units.

As part of the management of counterparties providing retail intermediation services, specific operating limits have been established, aimed at monitoring and controlling the operations of these entities. In some cases, guarantees have been requested to mitigate the risk assumed for these activities. Exposure to the customers' credit risk is constantly monitored. The credit quality of public sector entities is analyzed within the framework of the risk of delay in repaying liabilities.

The assessment of credit risk is part of an overall analysis of the adequacy of the Group's capital in relation to the risks connected with lending.

With this in mind, the Group uses the "standardized" approach to measure credit risk, as governed by Regulation (EU) no. 575/2013 (CRR) and adopted by the Bank of Italy Circular no. 285 "*Supervisory provisions for banks*" and Circular no. 286 "*Instructions for the preparation of supervisory reporting by banks and securities intermediaries*," both dated December 17, 2013, and subsequent amendments. This approach involves the classification of exposures into different classes ("portfolios"), depending on the type of counterparty, and the application of diversified weighted ratios to each portfolio.

In particular, BFF Banking Group applies the following main weighting factors, envisaged by the CRR:

- 0% for exposures to government agencies and central banks with offices in a European Union member state and financed in the local currency, as well as for exposure to other public administration agencies in compliance with specific requirements of relevant supervisory provisions. This category also includes exposures to Spanish public sector entities and other local authorities as provided for by EBA lists "*EU regional governments and local authorities treated as exposures to central governments in accordance with Article 115(2) of Regulation (EU) 575/2013*" and "*EU public-sector entities treated in exceptional circumstances as exposures to the central government, regional government or local authority in whose jurisdiction they are established in accordance with Article 116(4) of Regulation (EU) 575/2013*";
- 20% for *(i)* exposures to regional government agencies and local authorities with offices in a European Union member state denominated and financed in the local currency, *(ii)* exposures to public sector entities of countries with Credit Quality Step 1, *(iii)* exposures to public sector entities and supervised intermediaries with an original duration of three months or less;
- 50% for exposures to the public administration agencies of countries with Credit Quality Step 2, which include the exposures to entities of the Polish and Slovakian public sector;
- 100% for *(i)* exposures to the public administration agencies of countries with Credit Quality Step 3, 4 and 5 (including Italy, Portugal and Greece-please note that on May 3, 2019 DBRS upgraded Greece from BH to BBL, thus improving the credit quality step from 5 to 4, but leaving the capital absorption percentage unchanged at 100%) and *(ii)* exposures to the public administration agencies of countries where government agencies are not rated and no credit quality steps are available (including Czech Republic and Croatia);
- 50% or 100% for amounts due from supervised intermediaries, according to the credit quality step of the country in which they have their offices;
- 75% for retail exposures and exposures to SMEs;
- 100% for exposures to private debtors (i.e., businesses), Funds, and asset management companies; for rated private debtors, different weights are applied on the basis of the credit ratings issued by S&P Global Ratings;
- 100% for property, equipment and investment property, equity investments, collective investment undertakings and other;
- 150% for non-performing exposures, if the specific value adjustments are 20% less than the non-collateralized portion, before any adjustments;
- 100% for non-performing exposures, if the specific adjustments are 20% or more than the non-collateralized portion, before any adjustments;
- 250% to deferred tax assets not deducted from own funds.

BFF Banking Group constantly maintains, as a capital requirement for credit risk, an amount of regulatory capital equal to at least 8% of the weighted exposures for credit risk. The Risk Weighted Amount is determined by the sum of the risk weighted assets of the various classes.

Based on the method described above, the capital requirement for credit and counterparty risk at June 30, 2024 is €338.9 million for BFF Banking Group.

Furthermore, the credit risk management process abides by external regulations (CRR, Bank of Italy Circulars No. 285 "Supervisory provisions for banks" and No. 286 "Instructions for the preparation of supervisory reporting by banks and securities intermediaries" and subsequent amendments) regarding risk concentration.

Specifically:

- "Large exposure" means any risk position equal to or greater than 10% of the eligible capital, as defined in CRR II (equal to Tier 1 capital);
- banking groups are required to contain each risk position within the limit of 25% of Eligible Capital, excluding exposures to banking entities or banking groups for which the limit is equal to the maximum value between 25% of Eligible Capital and €150 million.

Considering the fact that the Group's exposure consists almost entirely of exposures purchased on a non-recourse basis and due from individual public administration entities, portfolio risk is considered limited, since the derecognition of exposures entails the allocation of the exposure to a higher number of counterparties (i.e., the assigned debtors), which, in the case of certain exposures, receive preferential treatment in terms of weighting for large exposures.

Credit quality assessment

The Group performs an impairment test on the loan portfolio, aimed at identifying any impairment of its assets, in line with the provisions of the applicable standards and the prudential criteria required by supervisory regulations and the internal policies adopted by BFF Banking Group.

This assessment is based on the distinction between these two categories of exposures:

- Exposures subject to generic adjustments ("collective impairment");
- Exposures subject to specific adjustments.

Note that IFRS 9 entered into force on January 1, 2018. This standard replaces the concept of incurred losses, envisaged by IAS 39, with that of expected credit losses.

The approach adopted by the Group is based on a prospective model that may require the recognition of expected credit losses over the lifetime of the exposure on the basis of supportable information that is available without undue cost or effort and includes historical, current and forward-looking data. In this context, an approach based on the use of credit risk parameters (Probability of Default – PD, Loss Given Default – LGD, Exposure at Default – EAD) has been adopted, redefined based on a multi-period perspective.

More specifically, according to IFRS 9, impairment of receivables is recognized in three stages, each with different methods for calculating the losses to be recorded.

As for Stage 1, expected credit losses are measured over a 12-month period. As for Stage 2 (including financial assets whose credit risk increased significantly since initial recognition), expected credit losses are measured over the full lifetime of the instrument (lifetime expected losses). Stage 3 includes all financial assets that show objective impairment at the reporting date (non-performing exposures).

2.3 Methods of measuring expected losses

Exposures subject to generic adjustments ("collective impairment")

The impairment model is characterized by:

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

For the purposes of calculating impairment, IFRS 9 sets out general requirements for calculating ECLs and designing stage allocation criteria, without providing specific guidelines on the modeling approach. Therefore, by analyzing the data provided as input, the assessment and design of the project for the conversion to IFRS 9 allowed to develop a methodological framework to accommodate the peculiarities of the Group's business consistently with the assets it owns as well as available information, in accordance with the guidelines in the standard.

The key concepts introduced by IFRS 9 and required for the purpose of calculating impairment compared to previous accounting standards are as follows:

- A forward-looking model, allowing the immediate recognition of all expected credit losses over the life of the exposure, thus replacing the "incurred loss" criterion. According to the latter, impairment losses were recognized only when there was evidence that they existed (based on the identification of a trigger event). According to IFRS 9, losses shall be recognized based on supportable information that is available without undue cost or effort and includes historical, current and forward-looking data;
- ECL recalculated at each reporting date to reflect changes in credit risk since initial recognition of the financial instrument;
- Use of forward-looking information and macroeconomic factors to determine ECL;
- Introduction of an additional status with respect to the binary classification of performing and non-performing counterparties, to take account of the increase in credit risk.

The ECL calculation model requires a quantitative assessment of future cash flows and assumes that they can be reliably estimated. This requires the identification of certain elements, namely:

- Probability of default (PD) models and assumptions about the forward distribution of default events, for the calculation of multi-period PDs used to determine the lifetime expected credit loss;
- LGD model;
- A deterministic and stochastic EAD model allowing to define a multi-period distribution as well as a 12-month horizon.

The risk parameters that should be modeled to comply with the rationale of considering the full life- time of the financial instrument are as follows:

- Multi-period PD;
- Multi-period LGD;
- Multi-period EAD.

Furthermore, in compliance with IFRS 9, the ECL calculation shall include Point-in-Time (PIT) adjustments and Forward-Looking Information (FLI).

Exposures subject to specific adjustments ("specific impairment")

As required by IFRS 9 and in line with current supervisory provisions, the Group carried out a review of the assets classified as impaired in order to identify any objective impairment of individual positions.

It should be noted that, with reference to past due receivables, although classified as impaired financial assets and therefore subject to specific impairment, the same assessments that apply for the performing exposures referred to in this section were carried out. This decision is supported by the fact that, in consideration of the Group's core business, impaired past due positions, identified according to objective criteria, do not necessarily represent actual deterioration. However, this approach does not provide an exemption to the competent functions from performing a precise / analytical assessment ("case-by-case assessment") of positions classified as past due if the adjustment calculated is not adequate.

BFF Banking Group's impaired exposures consist of NPLs, unlikely to pay and past due exposures, for a total of €1,814,162 thousand – net of individual impairment – and are broken down as follows:

- non-performing loans of €96,538 thousand (gross exposure in the financial statements of €118,318 thousand with an adjustment of €21,780 thousand);
- unlikely-to-pay exposures amounting to €25,251 thousand (gross exposure in the financial statements equal to €33,119 thousand with adjustments equal to €7,868 thousand);
- impaired past due exposures of €1,692,374 thousand (gross exposure in the financial statements of €1,694,361 thousand with an adjustment of €1,987 thousand).

As regards the impairment policies adopted, BFF Polska Group and BFF Finance Iberia submit specific periodic reports to the Parent, so that the corresponding functions of the parent can report on the activities conducted in this area and check the correctness of the conclusions.

Measuring expected credit losses

In the fourth quarter of 2023, the Parent – at consolidated level – revised the methodological set-up of the staging allocation, establishing criteria more representative of the deterioration of credit risk with respect to the Group's business and the methodology of forward-looking and point in time components relating to Probability of Default, which is more aligned with market best practices and the specific nature of the business.

The new forward-looking model, which strengthens the previous model that was mostly based on the assumptions of an external infoprovider, takes into consideration the macroeconomic scenarios published by the EBA (European Banking Authority) during the 2023 stress test and through a regression model links the default rate to the trend of macroeconomic variables over a future time horizon of three years.

In continuity with the previous scenarios provided by the other infoprovider, these scenarios are characterized by an exacerbation of financial conditions and a considerable deterioration of economic outlooks caused by the high inflation generated by the Russia/Ukraine conflict. Furthermore, these scenarios also reflect an inversion in the real estate market trend in the presence of a decrease in household debt service capacity triggered by high interest rates.

However, the Function monitors the evolution of macroeconomic variables quarterly and updates the risk parameters and therefore also the macroeconomic model on an annual basis. The update for 2024 is expected to be completed by the end of 2024.

2.4 Credit risk mitigation techniques

In order to make non-recourse exposures compatible with the derecognition principle, the risk mitigation clauses that could in some way invalidate the effective transfer of risks and rewards were eliminated from the respective contracts.

With regard to exposures to counterparties to which treasury and security services are offered, risk mitigation techniques also include netting (ISDA) and collateral management (CSA) agreements consistent with EMIR regulations. For repurchase agreements for which the Bank has signed specific GMRA contracts, credit risk is transferred from the counterparty to the underlying of the repurchase agreement.

3. Impaired credit exposures

In compliance with Bank of Italy Circular no. 272, BFF Banking Group's net "Impaired assets" amounted to a total of €1,814,162 thousand. They include:

- Non-performing loans are exposures to parties that are in a state of insolvency or in basically similar situations, regardless of any loss projections made by the parent. At June 30, 2024, the overall total of the Banking Group's non-performing loans, net of impairment, amounted to €96,538 thousand, of which €3,101 thousand purchased already impaired. Net non-performing loans concerning Italian municipalities and provincial government in financial distress amounted to €90,896 thousand, accounting for 94.2% of the total. Gross non-performing loans amounted to €118,318 thousand (€120,923 thousand at December 31, 2023). The related impairment totaled €21,780 thousand (€21,117 thousand at December 31, 2023). The portion of the allowance for late payment interest relating to non-performing exposures, recognized at the time of the change in estimate in 2014, was equal to €1 million, entirely impaired. Taking account of this amount, too, gross non-performing loans amounted to €119,328 thousand and relevant adjustments totaled €22,790 thousand. With reference to the parent, at June 30, 2024 total non-performing loans, net of any estimated impairment losses, amounted to €91,272 thousand, of which €90,896 thousand concerned Italian municipalities and provincial governments in financial distress; this case is classified as non- performing in accordance with the indications given by the Supervisory Authority, despite the fact that BFF Banking Group has the legal right to receive 100% of the capital and late payment interest at the end of the insolvency procedure. Specifically, the amount of €3,101 thousand refers to loans and receivables due from local entities (municipalities, provinces) already in financial distress at the time of purchase and purchased at special conditions. The remaining positions referring to BFF Bank are impaired based on subjective assessments arising from legal opinions. Gross non-performing loans relating to BFF Polska Group amounted to €22,369 thousand. After estimated impairment losses of €18,049 thousand they amounted to €4,320 thousand.
- BFF Banking Group's unlikely to pay exposures mainly refer to BFF Polska Group's positions.These exposures reflect the judgment made by the intermediary about the unlikelihood that – excluding such actions as the enforcement of guarantees – 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 installments). As of June 30, 2024, gross exposures classified as unlikely to pay amounted to €33,119 thousand (€19,125 million at December 31, 2023), of which €25,323 thousand attributable to BFF Polska Group (€15,840 thousand at December 31, 2023), €4,253 thousand to the Parent (€3,087 thousand at December 31, 2023) and €3,542 thousand to BFF Finance Iberia (€198 thousand at December 31, 2023).The total net value is €25,251 thousand (€13,718 thousand at December 31, 2023), referring primarily to BFF Polska Group.
- Net past due exposures of BFF Banking Group amounted to €1,692,374 thousand. They refer to the parent for €1,463,220 thousand, to the Spanish subsidiary for €22,611 thousand and to BFF Polska Group for €206,542 thousand. 98.8% of these exposures relate to public counterparties. This category increased sharply compared to December 31, 2023 following the portfolio reclassification carried out to respond to the compliance findings on the previous classification of public receivables carried out by the parent, contained in the Bank of Italy inspection report delivered on April 29, 2024 and to which BFF responded on July 11, 2024.

Please recall that impaired assets are classified in keeping with the prudential definition of default (i.e. past due, unlikely to pay and non-performing), which assumes that there is an effective 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. The actual credit risk profile assumed by the BFF Group is limited, as it has been assumed primarily with respect to public bodies not subject to procedures resulting in the risk of a loss of principal and the classification described above could result in significant distortions in the representation of the group's accounting, prudential and capital strength information. This is also corroborated by the very limited credit losses recorded.

E. Prudential consolidation - credit risk assessment models

1.2 Market risk

1.2. 1 Interest rate risk and price risk - regulatory trading portfolio

1.2.2 Interest rate risk and price risk - banking portfolio

Qualitative information

A. General aspects, management processes and measurement methods for interest rate risk and price risk

Interest rate risk is the current and forward looking risk of a negative impact on the economic value of the own capital of the entity or on its net interest income, taking into account changes in market value deriving from adverse changes in interest rates affecting instruments sensitive to interest rates. It is made up of a number of components, the most significant of which include:

- gap risk: the risk deriving from the structure by maturity of instruments sensitive to interest rates, deriving from timing differences in their rate changes, including both changes in the structure by maturity of interest rates that take place consistently across the entire yield curve (parallel risk) and those that are differentiated by period (non-parallel risk);
- basis risk: risk deriving from the impact of changes relating to interest rate on instruments sensitive to interest rates, which are similar in terms of maturity but priced using different interest rate indexes;
- option risk: risk deriving from options (embedded and bare), in which the Parent or its counterparty may modify the level and timing of their cash flows; it regards both embedded and bare automatic options, in which the option holder will exercise the option if it is in its financial interest, and behavioral embedded options, in which changes in interest rate may affect the customer's behavior with respect to the exercise of that option.

As noted above, exposure to interest rate risk is expressed from two different perspectives: volatility of economic value and volatility of profits (and, in particular, net interest income). Specifically:

- measurement in terms of economic value makes it possible to quantify the long-term effects of changes in interest rates. Indeed, this measurement fully expresses the effects of the above-mentioned change on items sensitive to shifts in interest rates and, therefore, provides indications functional to the strategic decisions and levels of capitalization deemed adequate over a long-term time horizon;
- measurement in terms of economic performance makes it possible to quantify the short-term effects on the Group's interest margin deriving from changes in interest rates and, as a result, on capital adequacy.

Note that the exposure to interest rate risk expressed in terms of economic value and net interest income sensitivity is measured with respect to the banking portfolio assets and liabilities (this therefore excludes positions in the trading portfolio - Other).

Following the regulatory changes introduced as of the 48th update of Bank of Italy Circular 285 of June 18, 2024, the Parent adjusted the methodologies for calculating and quantifying interest rate risk with a view to economic value as well as net interest income. In particular, the Parent has chosen to use the standardized methodology (S-SA) as a basis, as described in EU Regulation 857/2024, with the sole exception of the treatment of wholesale financial non-maturity deposits for which, given their operational nature and significant persistence and stability, it is deemed appropriate to adopt the same methodology (and as a result the same thresholds in terms of maximum level of the core component and maximum behavioral maturity) as that adopted for wholesale non-financial non-maturity deposits. As set forth by regulations, the Parent distributes sight deposits in the various time bands, differentiated by funding category, on the basis of a methodology it has developed itself (Hodrick-Prescott trend) that takes into account the historical persistence of those deposit categories. As regards factoring loans, on the other hand, a forecast collection curve is applied.

Consistent with what is set forth in the 48th update of Circular 285, to determine internal capital the Parent uses the EBA interest rate shock scenarios set forth in EU Regulation 856/2023, taking into consideration to the worst scenario. The Parent also measures the risk index relating to economic value, calculated as the ratio between the worst scenario and Tier 1 capital, in order to verify compliance with the regulatory limit of 15%.

Lastly, in accordance with what is set forth in the EBA Guidelines, as of December 31, 2023 the Parent performs the appropriate analyses to evaluate and monitor the Banking Group's exposure to Credit Spread Risk in the Banking Book (CSRBB), or the risk linked to changes in the credit spreads on financial instruments held in the portfolio, not identified by another existing prudential framework like the IRRBB or expected credit risk/risk of default, which influences both the economic value of equity and net interest income.

The CSRBB considers the combination of two elements:

- changes in the "market credit spread" or "market price of credit risk" (separate from the idiosyncratic credit spread), representing the credit risk premium requested by market operators for a specific credit quality;
- changes in the "market liquidity spread", which represents the liquidity premium that stimulates the market propensity to invest and the presence of willing buyers and sellers.

1.2.3 Exchange risk

Qualitative information

A. General aspects, management processes and measurement methods for exchange rate risk

Exposure to currency risk – determined on the basis of the net foreign exchange position using a method based on the supervisory regulations – is monitored in real time by the Finance and Administration Department and managed in compliance with the limits established by specific internal rules.

Positions exposed to currency risk may only be maintained within limited limits of maximum overall exposure, as well as for single currency and VaR.

B. Currency risk hedging

Currency risk is mitigated by making recourse to linear derivative instruments lacking optional components, such as currency swaps, which allow the Group to perform optimized management of its equity investments and loans provided in currencies other than the euro in which the Group operates, also through its subsidiaries.

Quantitative information

The portfolio of Group assets is expressed in currencies other than the euro; as a result a methodology for the measurement and management of this risk has been adopted. Exchange risk is monitored by the Risk Management Function, in line with the requirements of European regulations (EU Regulation No. 575/2013 - CRR).

1. Breakdown by currency of assets, liabilities and derivatives

(Values in thousand euros)

Items	Currencies					
	US Dollar	Pounds	Yen	Canadian Dollar	Swiss francs	Other currencies
A. Financial assets	**68,122**	**7,579**	**5,494**	**852**	**1,384**	**991,722**
A.1 Debt instruments						
A.2 Equity instruments	1,717					207
A.3 Loans and receivables with banks	66,405	7,579	5,494	852	1,384	13,530
A.4 Loans and receivables with customers						977,985
A.5 Other financial assets						
B. Other assets						
C. Financial liabilities	**263,402**	**58,960**	**66,930**	**14,021**	**29,244**	**478,571**
C.1 Amounts due to banks	90,452	9,088	690	3,372	6,355	14,833
C.2 Deposits from customers	172,951	49,872	66,240	10,649	22,890	463,738
C.3 Debt instruments						
C.4 Other financial assets						
D. Other liabilities						
E. Financial derivatives	**199,377**	**51,780**	**68,571**	**13,428**	**28,175**	**608,948**
- Options						
+ long positions						
+ short positions						
- Other derivatives	199,377	51,780	68,571	13,428	28,175	608,948
+ long positions	196,531	51,534	65,314	13,262	28,019	54,316
+ short positions	2,846	247	3,257	166	157	554,632
Total assets	**264,653**	**59,112**	**70,808**	**14,114**	**29,403**	**1,046,038**
Total liabilities	**266,249**	**59,206**	**70,187**	**14,187**	**29,401**	**1,033,203**
Difference (+/-)	(1,596)	(94)	622	(73)	2	12,835

1.3 Derivative instruments and hedging policies

1.3.1 Trading derivatives

A. Financial derivatives

A.1 Trading financial derivatives: notional end-of-period values

Transactions carried out primarily through recourse to currency swaps are carried out by the Parent to optimize the management of liquidity deriving from funding expressed in a currency other than the euro and are functional to the Group activity for the management of the currency risk deriving from the investment in Polish zloty held in BFF Polska Group and the Group loans expressed in a currency other than the euro, and particularly in Polish zloty and Czech koruna. Note that BFF Bank does not hold innovative or complex financial products, so the Group makes recourse to linear instruments lacking optional components such as currency swaps and cross-currency swaps.

(Values in thousand euros)

	06.30.2024				12.31.2023			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates							20,458	
a) Options								
b) Swaps								
c) Forwards							20,458	
d) Futures								
e) Others								
2. Equity securities and stock indices			**12**				**12**	
a) Options			12				12	
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
3. Currency and gold			**589,743**				**705,911**	
a) Options								
b) Swaps								
c) Forwards			589,743				705,911	
d) Futures								
e) Others								
4. Commodities								
5. Others								
Total			**589,755**				**726,381**	

A.2 Trading financial derivatives: positive and negative gross fair value – breakdown by products

(Values in thousand euros)

	06.30.2024				12.31.2023			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options								
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps								
e) Forwards			830				1,161	
f) Futures								
g) Others								
Total			**830**				**1,161**	
2. Negative fair value								
a) Options								
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps			1,390					
e) Forwards							1,215	
f) Futures								
g) Others								
Total			**1,390**				**1,215**	

1.3.2 Accounting hedges

Qualitative information

The Parent operates in hedging derivatives through linear instruments lacking optional components, such as currency swaps, which make it possible to guarantee optimized management of funding and loans provided in currencies other than the euro in which the Group operates, also through its subsidiaries, financed through intra-group finance solutions in currencies such as the zloty and the Czech koruna.

Qualitative information

Hedging financial derivatives

A.1 Financial derivatives held for hedging: notional end-of-period values

Values in thousand euros

Underlying assets/ Derivative types	Total 06.30.2024				Total 12.31.2023			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Debt securities and interest rates			-					
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
2. Equity securities and stock indices			-					
a) Options								
b) Swaps								
c) Forwards								
d) Futures								
e) Others								
3. Currency and gold			**87,715**					
a) Options								
b) Swaps								
c) Forwards			87,715					
d) Futures								
e) Others								
4. Commodities								
5. Other underlying								
Total			**87,715**					

A.2 Hedging financial derivatives: positive and negative gross fair value – breakdown by products

Values in thousand euros

Underlying assets/ Derivative types	Total 06.30.2024				Total 12.31.2023			
	Over the counter			Organized markets	Over the counter			Organized markets
	Central counterparties	Without central counterparties			Central counterparties	Without central counterparties		
		With netting agreements	Without netting agreements			With netting agreements	Without netting agreements	
1. Positive fair value								
a) Options								
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps								
e) Forwards								
f) Futures								
g) Others								
Total			**-**				**-**	
1. Negative fair value								
a) Options								
b) Interest rate swaps								
c) Cross currency swaps								
d) Equity swaps								
e) Forwards			308				-	
f) Futures								
g) Others								
Total			**308**				**-**	

1.4 Liquidity risk

Qualitative information

A. General aspects, management processes and measurement methods for liquidity risk

Liquidity risk is defined as the risk that the Group will be unable to meet its obligations at maturity and/or that it will have to bear non-market financing costs in relation to an unbalanced net financial position due to the inability to raise funds or due to the presence of limits on the disposal of assets, forcing the Group to slow or halt the development of its business, or sustain excessive funding costs to meet its obligations, with significant negative impacts on the profitability of its activities.

In defining liquidity risk, a distinction is drawn between short-term ("liquidity risk") and long-term ("funding risk" or "structural liquidity risk") risks:

- "liquidity risk", the current or potential risk that the entity is incapable of effectively managing its liquidity requirements in the short term;
- "funding risk", the risk that the entity does not have stable sources of funds in the medium and long term, with the resulting current or potential risk of not being able to meet its financial obligations, without an excessive increase in funding costs.

As required by the provisions of the prudential supervision regulation issued by the Bank of Italy, the Group adopted a "Group Risk Management Policy" and a system of rules established in governmental regulations with a view to monitoring liquidity risk, and identifying the governance and control principles and the organizational units responsible for the operational and structural management of liquidity risk.

The governance policy, described in the "Group Liquidity Risk Management Policy ", which incorporates the latest regulatory updates (see Bank of Italy Circular 285/2013), is approved by the Board of Directors and defined in a manner consistent with:

- the Group's strategic objectives;
- the risk/reward objectives defined in the Risk Appetite Framework;
- the monitoring processes and strategies to be adopted in the event of a state of tension or liquidity crisis, as defined in the "Contingency Funding Plan" document.

What is set forth in the above-mentioned "Group Liquidity Risk Management Policy" is consistent with what is set forth in the "Group Risk Management Policy", in which the scopes and responsibilities of the company structures are set forth in detail at global level for all risks, including liquidity risk.

As part of the Risk Appetite Framework specific liquidity metrics have been defined, both regulatory, Liquidity Coverage Ratio - LCR and Net Stable Funding Ratio - NSFR, and managerial, "Minimum cumulative balance on total assets," calculated as the lowest weekly value in the quarter of reference of the ratio of the minimum cumulative balance recorded in the time periods within one month to the total assets of the last available group, in order to better represent the Group's operational reality.

To ensure the implementation of the liquidity risk management and control processes, the Group adopted a governance model based on the following principles:

- Separation of processes for the management of liquidity and processes for the control of liquidity risk;
- Development of processes to manage and control liquidity risk, consistent with the hierarchical structure and through a process for the delegation of powers;
- Sharing of decisions and clear responsibilities among management, control and operational bodies;
- Making liquidity risk management and monitoring processes consistent with prudential supervisory requirements.

The liquidity management process (liquidity management and control of the relevant risks) of the BFF Group is centralized in the Parent. In this governance model, the Parent defines the Group strategy and the guidelines that must be applied to the subsidiaries, at the same time ensuring the management and control of the liquidity position at consolidated level. The subsidiaries participate in liquidity management and risk control with the local functions, each taking into account the specific nature of its core business, but always in compliance with the guidelines defined by the Parent. The operational and structural liquidity risk governance and management system is based on the general principles that all Group companies must pursue, aligned with the indications of the Supervisory Authority.

Liquidity risk also includes the intraday risk deriving from the temporal mismatch between outflows (settled at daily cut-offs or when orders are received from customers) and inflows (settled at different intraday cut-offs), which may render it impossible for the Group to discharge its payment obligations when they are called in due to a temporary lack of funds. To hedge intraday liquidity risk, through changes in the cash pooling held at the Bank of Italy, the Parent determines the share of eligible securities deemed adequate to guarantee intraday credit, while managing to cover outgoing obligations on its own behalf and on behalf of its customers.

Liquidity monitoring, which is carried out in accordance with the maximum risk tolerance threshold, and therefore also with the nature, objectives and operational complexity of the Group, aims to ensure the ability to meet expected or unforeseen cash payment commitments.

The parent also conducts liquidity risk stress tests to assess the prospective impacts of stress scenarios on the Group's solvency conditions.

The Risk Management Function identifies the scenarios that could impact the Group's current or forward-looking liquidity risk profile. By way of example, the following different drivers are described, which are taken into consideration in the definition of stress scenarios:

- market-driven scenarios refer to stress events exogenous to the Group, such as situations of uncertainty in the financial and/or political markets that lead to difficulties in accessing the market;
- bank-specific scenarios, which concern stress events endogenous to the Group typically linked to a reputational loss with possible deterioration of creditworthiness;
- combined scenarios, or the market and idiosyncratic scenarios developed in a single framework to evaluate the overall effect of stress on the Group.

The Group liquidity position is subject to constant first and second level control and monitoring. These activities intensified further in the final two months of the first half of 2024 in order to identify potential tensions subsequent to the communications made by the parent to the market starting from May 9, 2024. This monitoring in any event confirmed the substantial solidity of the Group's liquidity thanks to the maintenance of adequate liquid reserves deriving from funding. At June 30, 2024, regulatory liquidity indicators were affected, with varying intensity (lower for the short term Liquidity Coverage Ratio, or LCR, indicator, and more significant for the medium/long-term Net Stable Funding Ratio, or NSFR, indicator), by the increase in positions classified as past due, which in the calculation of such indicators have an unfavorable treatment with respect to the positions classified as performing. Nonetheless, the values recorded at June 30, 2024 (208.52% for LCR, 134.40% for NSFR) remained at a level significantly higher than regulatory limits.

1.5 Operational risks

Qualitative information

A. General aspects, management processes and methods used to measure operational risk

Operational risk is the risk of incurring a loss due to inadequacy or failures of procedures, human resources and internal systems or as a result of external events. This category includes, amongst other items, losses caused by fraud, human error, business interruption, system failure, breach of contracts and natural disasters; operational risk includes legal risk but excludes strategic and reputational risks.

With regard to the Banking Group, exposure to this category of risk is generated predominantly by failure in work processes, in organization, governance – human errors, computer software malfunctions, inadequate organization and control measures – as well as by any loss of human resources in key corporate management positions. Exposure to operational risks deriving from external sources appears to be of negligible importance, partly due to the mitigation tools adopted to address such adverse events (such as, by way of example: the business continuity plan, data storage processes, back up tools, insurance policies, etc.).

The process adopted by the Group to manage and control operational risks is founded on the principle of promoting a corporate culture for managing risk and defining the appropriate standards and incentives with the aim of fostering the adoption of professional and responsible behavior at all operational levels, as well as designing, implementing and managing an integrated system for operational risk management that is adequate in relation to the nature, activities, size and risk profile.

The operational risk assessment model adopted by the Group consists of five stages: (i) identification, (ii) measurement, (iii) monitoring, (iv) management and (v) reporting.

The stage of identifying operational risks involves collecting operational risk information through the consistent, coordinated treatment of all relevant sources of information. The goal is to establish a complete information base. The necessary information is internal loss data accompanied by all information relevant for management purposes and subjective assessments acquired through risk self-assessment and control processes. This information is collected based on specific classification models, designed to ensure a uniform representation of the data. The Identification stage consists of the following processes:

- Identification of operational risks within company procedures (operational risk map for controls): this activity consists in identifying operational risk through an in-depth analysis of company organizational processes and the mapping of potential risks. The assessment approach is expressed by the process/activity owner – specified within the procedures – through a predominantly qualitative analysis, which allows the identification of the activities at risk, the controls, the level of risk associated with each activity at risk mapped in the operating procedures, and thus the actions to be taken in order to make the process as closely monitored as possible;
- Loss data collection (LDC): the operational risk measurement and management system defined by the Parent Company's Risk Management Function also allows the Group to have a database of operational losses generated by risk events (Event Type), useful for identifying risk factors, mitigation actions and retention and transfer strategies, as well as for the possible development over time of internal operational risk measurement systems;
- Risk Self Assessment (RSA): the Group performs an annual overall assessment of the level of exposure to Operational Risks using the RSA process. The Risk Self Assessment (RSA) is an annual self-assessment of the prospective exposure to the operational risk inherent in business processes, aimed at enhancing the perception of risk by the key figures (Business Experts) who govern the execution of these processes, taking into account the expected evolution of the business and the organizational and control measures already in place;
- Identification of operational risks in connection with the introduction of relevant new products, activities, processes and systems. The Group also assesses operational risks in connection with the introduction of relevant new products, activities, processes and systems, and mitigates the consequent operational risk that may arise through the preventive involvement of the corporate Control Functions and the definition of specific policies and regulations on various subjects and topics;
- Identification of operational risks associated with Major Transactions (MT): the risk resulting from an MT is assessed by assessing the consistency of the MT's risk profile with the risk appetite defined in the RAF.

The measurement phase consists of computing the capital requirements for operational risk using the Basic Indicator Approach (BIA), according to which capital requirements are computed by applying a regulatory coefficient to an indicator of the volume of business activity (Relevant Indicator). Moreover, for a better assessment of risk exposure, the Bank has implemented a quantitative operational risk assessment process (OpVaR) that monitors the Group's operational risk calculated to the 99.9th percentile.

The monitoring stage consists of the adoption of an articulated control system that provides for the analysis of the causes of loss events and the monitoring of the trend of loss events, in terms of evaluating the trend of losses deriving from the LDC and RSA processes. Within the framework of the measures adopted regarding the exposure to operational risk, the following specific risks are also monitored by the Group:

- Money laundering risk: the risk that the Bank's financial and commercial counterparties, suppliers, partners, associates and consultants may be parties to transactions that might potentially facilitate the laundering of money coming from illegal or criminal activities.
- Compliance risk, concerning the risk of legal and administrative penalties, significant financial losses or reputational damage due to failure to comply not only with laws and regulations but also with internal and conduct standards applicable to corporate activities. For this type of risk, a periodic update of the relevant assessment methodology is performed. Such methodology is developed for all activities falling within the parent's regulatory framework, in accordance with a risk-based approach. More specifically, as for the relevant provisions that do not envisage the establishment of specialized control measures (i.e., privacy and occupational health and safety), the Compliance Function provides consulting support to the parent's functions (ex ante) and assesses the adequacy of the organizational measures and control activities adopted (ex post). As for laws and regulations monitored by specialized functions, the Compliance Function carries out an indirect control by cooperating with the specialized functions in defining compliance risk assessment methods in addition to mapping risks and the corresponding control measures (Compliance Risk Control Matrix).

The stage of managing operational risk seeks to continually assess the risk control and reduction strategies, deciding – based on the nature and scale of the risk and in relation to the risk propensity expressed by senior managers – whether to accept it and therefore assume it, on the part of the person in charge of the process, to refuse it and therefore reduce activities, to implement mitigation policies or to transfer it to third parties by way of insurance policies. In addition, in order to control the above mentioned risks, the Group adopts specific Organization Models for the management of the risks regarding money laundering, occupational health and safety and information and payment service security.

Finally, the reporting stage aims to ensure timely and appropriate communication in support of management decisions of corporate bodies and organizational functions.

1.6. ICT and security risks

Qualitative information

A. General aspects, management processes and methods used to measure ICT and security risk

ICT and security risk is defined as the risk of loss due to the violation of confidentiality, low integrity of systems and data, the inadequacy or unavailability of systems and data or the inability to replace information technology within reasonable time limits and at reasonable cost if there are changes in the requirements of the external context or activities (agility). This includes security risks deriving from inadequate or incorrect internal processes or external events, including cyber attacks or inadequate physical security.

It is broken down into:

- ICT security risk: risk of **unauthorized access** to the entity's ICT systems and system data from inside or outside (for example in the case of cyber attacks).
- Risk relating to ICT changes: risk deriving from the inability of the entity to **manage changes in ICT systems** in a timely and controlled manner, particularly as concerns complex and/or large-scale modification programs.
- ICT availability and continuity risk: risk that **ICT system and data performance and availability** may be negatively influenced, including the risk of inability to promptly restore the entity's services due to a failure in hardware or software ICT components; weaknesses in the management of ICT systems, etc.
- Risk of ICT data integrity: risk that the data stored and processed by ICT systems **may be incomplete, inaccurate or inconsistent across the various systems** following, for example, lacking or absent ICT controls during the various phases of the ICT data lifecycle (i.e. design of the data architecture, construction of the data model and/or dictionaries, verifications of data entry, control of data extractions, transfers and processing, including the results provided), so as to compromise the ability of an entity to provide services and produce financial information and relating to accurate and prompt (risk) management.
- ICT outsourcing risk: risk that recourse to a third party or another Group entity (intra-group outsourcing) for the supply of ICT systems or the associated services **may negatively impact the Group's performance and risk management**.
- Cyber risk: risk of financial, reputational and market share losses deriving from unauthorized logical access to ICT systems, perpetrated through various **cyber attack techniques** (cyber crime).

In the Group, this risk primarily takes the form of the risk of ICT outsourcing, due to the relevance of the outsourced ICT functions, followed by data availability and integrity risk.

ICT Risk Management seeks to continually assess the risk control and reduction strategies, deciding – based on the nature and scale of the risk and in relation to the risk propensity expressed by senior managers – whether to accept it and therefore assume it, on the part of the person in charge of the process, to refuse it and therefore to take remediation actions to mitigate it or, in specific cases, to transfer it to third parties by way of insurance policies or to replace the IT resource concerned.

ICT and security risks are evaluated and measured taking into account the degree of application of risk mitigation measures, in accordance with the relative Methodology approved by the Board of Directors, which includes the following definitions:

- **potential risk**: the risk associated with an ICT resource before the application of any mitigation measure. This risk is typically evaluated in the process of developing new IT initiatives;
- **current risk**: the risk associated with an IT resource, determined when the ICT risk analysis is performed, taking into account existing mitigation measures. The analysis is performed at least once per year for every critical IT resource in operation and as part of the change management process, before the transfer to production of significant changes in the IT system and every three years for non-critical areas;
- **residual risk:** represents the expected risk of loss against the application of mitigation measures. This risk is evaluated if the current risk exceeds the risk appetite defined for a single ICT resource. Residual risk coincides with current risk when additional mitigation measures have not been identified.

The ICT and security risk analysis and assessment model is structured into different methodologies, covering the following areas:

- identification and risk assessment of ICT resources;
- identification and risk assessment of the ICT project;
- identification and risk assessment of the ICT process (compliance).

Identification and risk assessment take place through questionnaires, interviews and direct audits.

Furthermore, monitoring also takes place by means of incident, security and indicator (KRI) analyses.

Finally, reporting aims to ensure timely and appropriate communication in support of management decisions of corporate bodies and organizational functions.

For measurement purposes, ICT and security risk is included within the broader meaning of operational risks, which should be referred to for the specific topic.

Section 4 - Risks of the other companies

Qualitative information

The condensed consolidated interim financial statements include the aggregated statement of financial position items of BFF Bank S.p.A., BFF Finance Iberia, BFF Polska Group, BFF Immobiliare, the securitization vehicle SPV Project 2214 and BFF Techlab.

These companies do not show further and relevant risk factors other than those mentioned in the preceding paragraphs.

Part F - Information on Consolidated Equity

In accordance with the provisions of Regulation (EU) no. 575/2013 (CRR), the prudential scope of consolidation coincides with the accounting scope and establishes BFF Bank S.p.A. as the parent.

Section 1 - Consolidated equity

A. Qualitative information

The equity of the Banking Group includes the aggregated share capital, share premium, reserves, interim dividends, equity instruments, treasury shares, revaluation reserves and profit for the period of the companies that make it up.

B. Quantitative information

B.1 Consolidated equity: breakdown by type of enterprise

(Values in thousand euros)

Items in shareholders' equity	Prudential consolidation	Insurance companies	Other companies	Eliminations and adjustments from consolidation	Total
1. Share capital	144,434				144,434
2. Share premium reserve	66,277				66,277
3. Reserves	286,390				286,390
3.5 Interim dividends (-)	-				-
4. Equity instruments	150,000				150,000
5. (Treasury shares)	(3,652)				(3,652)
6. Valuation reserves:	9,238				9,238
- Equity instruments measured at fair value through other comprehensive income					
- Hedging of equity instruments measured at fair value through other comprehensive income					
- Financial assets (other than equity instruments) at fair value through other comprehensive income	8,648				8,648
- Property, equipment and investment property					
- Intangible assets					
- Hedging of foreign investments	(5,880)				(5,880)
- Cash flow hedges					
- Hedging instruments [undesignated elements]					
- Foreign exchange differences	2,556				2,556
- Non-current assets held for sale and discontinued operations					
- Financial liabilities measured at fair value through profit or loss (changes in creditworthiness)					
- Actuarial gains (losses) relating to defined benefit plans	340				340
- Share of valuation reserves for equity-accounted investments					
- Special revaluation laws	3,574				3,574
7. Profit (+/-) for the period attributable to the owners of the parent and non-controlling interests	161,781				161,781
Total	**814,468**				**814,468**

Section 2 - Own funds and regulatory ratios

Scope of application of the regulation

Own funds are computed – starting from January 1, 2014, in accordance with Bank of Italy Circular no. 285 "Supervisory provisions for banks" and Circular no. 286 "Instructions for the preparation of supervisory reporting by banks and securities intermediaries", both dated December 17, 2013 – based on Regulation (EU) no. 575/2013, relating to the new harmonized regulations for banks and investment companies, included in the EU Capital Requirements Regulation (CRR) and in the EU Capital Requirements Directive (CRD IV) of June 26, 2013.

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

In accordance with the provisions of Regulation (EU) no. 575/2013 (CRR), the scope of consolidation at June 30, 2024 envisages that BFF Bank S.p.A. is the parent.

Own funds

Qualitative information

Own funds represent the first line of defense against risks associated with the complexity of financial activities and constitute the main reference parameter for the assessment of the Group's capital adequacy.

The purpose of prudential supervision regulations is to ensure that all credit intermediaries have a minimum mandatory capitalization in relation to the risks assumed.

The Group constantly assesses its capital structure by developing and employing techniques for monitoring and managing regulated risks, also through a Control and Risks Committee created within the Board of Directors.

Own funds are the sum of Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) and Tier 2 (T2) capital, net of items to be deducted and IAS/IFRS prudential filters.

The main components of the Group's own funds are computed in Common Equity Tier 1 (CET1), and are the following:

- Paid-in share capital;
- Reserves (legal reserve, extraordinary reserve, retained earnings reserve, stock option reserve and financial instruments reserve);
- Any undistributed portion of profit for the period;
- Revaluation reserves (IASs/IFRS 9 transition reserve, reserve for actuarial gains/losses relating to defined benefit plans, and revaluation reserve for HTC&S securities);
- Any non-controlling interests eligible for inclusion in the computation of CET1.

Intangible assets, including any goodwill, as well as certain categories of tax assets should be deducted from these items in accordance with the requirements of CRR II, as well as the effects of calendar provisioning.

Additional Tier 1 (AT1) capital includes Tier 1 instruments issued during the previous year.

In H1 2024 Own funds were influenced primarily by the inclusion of the profit for the period of €161.8 million.

Quantitative information

Own funds of the Banking Group pursuant to the Consolidated Law on Banking are presented as follows.

(Values in thousand euros)

Items/values	Total 06.30.2024	Total 12.31.2023
A. Common Equity Tier 1 (CET1) pre-application of prudential filters	**660,274**	**503,344**
of which CET1 instruments subject to transitional provisions		
B. Prudential CET1 filters (+/-)	**(325)**	**(319)**
C. CET1 gross of elements to be deducted and effects of transitional rules (A +/- B)	**659,949**	**503,026**
D. Elements to be deducted from CET1	**(63,558)**	**(66,080)**
E. Transitional period - Impact on CET1 (+/-), including minority interests subject to transitional provisions		
F. Total Common Equity Tier 1 (CET1) (C - D +/-E)	**596,391**	**436,946**
G. Additional Tier 1 (AT1) inclusive of elements to be deducted and effects of transitional rules	**150,000**	**150,000**
of which AT1 instruments subject to transitional provisions		
H. Elements to be deducted from AT1		
I. Transitional period - Impact on AT1 (+/-), including instruments issued by subsidiaries and included in AT1 due to transitional provisions		
L. Total Additional Tier 1 (AT1) (G - H +/- I)	**150,000**	**150,000**
M. Tier 2 (T2) inclusive of elements to be deducted and effects of transitional rules	**-**	**-**
of which T2 instruments subject to transitional provisions		
N. Elements to be deducted from T2		
O. Transitional period - Impact on T2 (+/-), including instruments issued by subsidiaries and included in T2 due to transitional provisions		
P. Total Tier 2 (T2) capital (M - N +/- O)	**-**	**-**
Q. Total own funds (F + L + P)	**746,391**	**586,946**

Capital adequacy

Qualitative information

Compliance with Group capital adequacy limits for the CET1 Capital Ratio, Tier 1 Capital Ratio, and Total Capital Ratio is constantly monitored by the relevant corporate bodies.

The CET1 Capital Ratio is the ratio of Common Equity Tier 1 capital to Risk-Weighted Assets.

The Tier 1 Capital Ratio is the ratio of Tier 1 Capital to Risk-Weighted Assets.

The Total Capital Ratio is the ratio of Total Own Funds to Risk-Weighted Assets.

In accordance with the provisions of Bank of Italy Circular No. 262 of December 22, 2005 "*Banks' financial statements: layout and preparation*", the amount of risk-weighted assets was determined as the product of the total of prudential capital requirements and 12.5 (inverse of the minimum obligatory ratio equal to 8%).

The Group's total exposure to risks at June 30, 2024, in relation to its business, is adequate according to the level of capitalization and the risk profile identified.

With regard to the Banking Group, at June 30, 2024 the CET1 is 11.9% and the Tier 1 Capital Ratio and the Total Capital Ratio are 14.8%.

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

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

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

Credit risk

This risk is thoroughly described in Part E of this document.

Counterparty risk

Counterparty risk represents a particular type of credit risk, characterized by the fact that the exposure, owing to the financial nature of the contract executed between the parties, is uncertain and can change over time in relation to the evolution of the underlying market factors.

For BFF, counterparty risk can be generated by repurchase agreements and derivatives. Counterparty risk is measured using the original exposure method.

Operational risk

Operational risk is the risk of incurring a loss due to inadequacy or failure of procedures, human resources and internal systems or as a result of external events. This category includes, amongst other items, losses caused by fraud, human error, business interruption, system failure, breach of contracts and natural disasters; operational risk includes legal risk but excludes strategic and reputational risks.

Operational risk, therefore, refers to various types of events that would not be significant unless analyzed together and quantified for the entire risk category.

The Group measures operational risk using the "Basic" approach: the capital requirement is deter- mined by applying a 15% coefficient to the three-year average of the relevant indicator, calculated on the financial statement items of the last three years, in accordance with Regulation (EU) No. 575/2013.

Continuing the *Operational Risk Management framework* applied, the Parent uses an internal statistical management model for quantifying exposure to operational risk. This was done for the purpose of verifying that the method used for regulatory purposes did value capital adequately against assumed and assumable risk. The operational risk results obtained from the forward-looking assessment process were also used for quantifying internal capital against operational risk for ICAAP purposes. Operating losses referring to 2023 were significantly lower than the capital requirement for operational risk and the requirement calculated at operational level in the 2023 ICAAP.

Market risk

Market risk is the risk relating to positions held for trading, that is, positions intentionally held for sale in the short term, acquired in order to take advantage of purchase and sale price differences, or other changes in prices or interest rates.

The regulation identifies and regulates the treatment of the various types of market risk in reference to the regulatory trading portfolio. The Group measures market risk using the "Standardized" approach.

Pillar II – The ICAAP/ILAAP Report

The supervisory regulations require intermediaries to adopt control strategies and processes for determining the adequacy of current and future capital. It is the Supervisory Authority's responsibility to verify the reliability and accuracy of the results generated and, where necessary, to take appropriate corrective action.

BFF Banking Group annually submits the "ICAAP/ILAAP Report" to the Bank of Italy, thus providing an update on the internal processes for determining adequacy of capital and of liquidity risk governance and management systems of the Group. In accordance with prudential supervisory provisions, the Group has prepared the "ICAAP/ILAAP Report" approved by the BFF Board of Directors on April 04, 2024. The Report has been prepared in compliance with the requirements envisaged in Circular no. 285 of the Bank of Italy.

In relation to the "Supervisory Review and Evaluation Process" (SREP), the Group must comply with a CET1 Ratio of 9.00%, a Tier 1 Ratio of 10.50% and a Total Capital Ratio of 12.50%.

Quantitative information

The following table provides the capital requirements, at the reporting date, relative to the scope of consolidation of the Banking Group pursuant to the Consolidated Law on Banking.

(Values in thousand euros)

Categories/values	Non-weighted amounts		Weighted amounts/requirements	
	06.30.2024	12.31.2023	06.30.2024	12.31.2023
A. RISK ASSETS				
A.1 Credit and counterparty risk	**12,157,599**	**11,989,854**	**4,236,432**	**2,284,715**
1. Standardized methodology	12,152,231	11,989,854	4,230,256	2,284,715
2. Methodology based on internal ratings				
2.1 Basic				
2.2 Advanced				
3. Securitizations	5,368		6,175	
B. REGULATORY CAPITAL REQUIREMENTS				
B.1 Credit and counterparty risk			**338,915**	**182,777**
B.2 Credit valuation adjustment risk			**23**	**21**
B.3 Settlement risks			**-**	**-**
B.4 Market risks			**626**	**568**
1. Standard methodology			626	568
2. Internal models				
3. Concentration risk				
B.5 Operational risk			**62,754**	**62,754**
1. Basic approach			62,754	62,754
2. Standardized methodology				
3. Advanced method				
B.6 Other calculation factors				
B.7 Total prudential requirements			**402,318**	**246,121**
C. RISK ASSETS AND REGULATORY RATIOS				
C.1 Risk-weighted assets			5,028,974	3,076,507
C.2 CET 1/Risk-weighted assets (CET1 capital ratio) (%)			**11.9%**	**14.2%**
C.3 Tier 1 Capital/Risk-weighted assets (Tier 1 capital ratio) (%)			**14.8%**	**19.1%**
C.4 Total Own Funds/Risk-weighted assets (Total capital ratio) (%)			**14.8%**	**19.1%**

Part G - Business combinations of companies or business units

Section 1 - Transactions completed during the year

As of June 30, 2024 there are no extraordinary operations of business combinations falling within the definition provided by the IFRS 3 revised international accounting standard.

Section 2 - Transactions executed after the close of the interim consolidated financial statements

After the end of the first half of 2024, there were no business combinations falling under the definition of the revised IFRS 3.

Part H - Transactions with related parties

Related parties, as defined by IAS 24, include:

- The parent;
- Subsidiaries;
- Directors and key management personnel and their close family.

The following table provides the income and financial position amounts arising from related party transactions performed by the Group at June 30, 2024, broken down by type of related party pursuant to IAS 24, and the percentage to their respective financial statement item. The Group has no subsidiaries or companies not consolidated on a line-by-line basis or joint ventures. The Group has investments in several associated companies. The relationships between the Group and those companies are shown in the table below. Lastly, it should be noted that the conditions of deposit accounts relating to Group directors and other related parties correspond to those recorded in the relevant prospectus at the time the deposit accounts were opened.

(Values in thousand euros)

	Directors and Executives with key management responsibilities (*)	Other related parties	Total related parties	Financial statement item	% of financial statement item	Statement of cash flow item	% of statement of cash flow item
Impact of transactions on the consolidated statement of financial position							
Loans and receivables with customers							
At June 30, 2024		43,324	43,324	10,273,817	0.4%	(42,438)	N/A
Equity investments							
At June 30, 2024		14,411	14,411	14,411	100.0%	-	N/A
Other assets							
At June 30, 2024		405	405	587,735	0.1%	54,464	0.7%
Amounts due to customers							
At June 30, 2024		(1,316)	(1,316)	(8,112,594)	0.0%	(164,176)	0.8%
Provision for risks and charges: a) pension and similar obligations							
At June 30, 2024	(1,413)		(1,413)	(6,356)	22.2%	(66,645)	2.1%
Other liabilities							
As at June 30, 2024	(2,439)	(66)	(2,505)	(488,059)	0.5%	(66,645)	3.8%
Reserves							
As at June 30, 2024	(1,551)		(1,551)	(286,390)	0.5%		
Impact of transactions on the consolidated income statement							
Interest and similar expense							
At June 30, 2024		(15)	(15)	(198,122)	0.0%		
Fee and commission income							
At June 30, 2024		1,693	1,693	54,256	3.1%		
Profits (losses) on trading							
At June 30, 2024		707	707	1,470	48.1%		
Administrative expenses: a) personnel expenses (**)							
At June 30, 2024	(4.219)		(4,219)	(41,538)	10.2%		
Administrative expenses: b) other administrative expenses							
At June 30, 2024		(842)	(842)	(47,486)	1.8%		
Other operating income, net							
At June 30, 2024		5	5	44,689	0.0%		
Profits on equity investments							
At June 30, 2024		1,550	1,550	1,550	100.0%		

(*) Including members of the Board of Directors;

(**) In order to compare the figure in question with those of the same periods of previous years, reference should be made to the balances shown below and not to what is set forth in the Consolidated Half-Yearly Financial Reports for the reference periods:
- at June 30, 2022, personnel expenses relating to directors and managers with strategic responsibilities amounted to €3,427 thousand;
- at June 30, 2023, personnel expenses relating to directors and managers with strategic responsibilities amounted to €5,013 thousand.

As of June 30, 2024, the option rights relating to the stock option plans in place amounted to 11,830,700 options assigned and not yet exercised, of which 7,665,700 could be exercised in shares of the Parent Company. If the price reached €15, the dilution would be 1.49%.

Part I - Share-Based Payments

A. Qualitative information

2016 Stock Option Plan

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

- *Purpose*: the plan involves the award of a maximum of 8,960,000 options in three tranches; each one provides the beneficiary with the right to subscribe for newly issued ordinary shares of the parent or shares that have already been issued and are included in the parent's portfolio when the option is exercised;
- *Beneficiaries*: the identification of beneficiaries and the granting of options are decided by:
  - I. The Board of Directors, after consulting with the Remuneration Committee, with reference to directors, senior executives and executives directly reporting to the Chief Executive Officer;
  - II. The Chief Executive Officer, within the limits of his/her powers, with reference to other beneficiaries whose remuneration falls within his/her duties;
- *Type of exercise*: ordinary or cashless exercise. On March 28, 2019 the Ordinary Shareholders' Meeting approved the introduction of an alternative method for exercising options under the plan, in addition to the ordinary option (so-called cashless). According to the new exercise option, authorized beneficiaries who requested it can be allocated a number of shares determined based on the market value of the shares at the exercise date, with no obligation for them to pay the exercise price.

In line with current regulations, the options granted under the 2016 Plan contribute to the determination of the variable remuneration paid through the use of financial instruments; therefore, the plan is subject to all the restrictions established under the remuneration and incentive policy for members of the strategic supervision, management and control bodies, and personnel of the Banking Group, and in accordance with the law.

The vesting conditions of the options included in the plan are as follows:

- The options awarded in each tranche will vest starting from the twelfth month following the award, which is subject to a series of conditions detailed in the plan, and assuming:
  - I. Continuation of employment relationship with the Group and/or of the office held in the Board of Directors; and
  - II. Levels of capital and liquidity resources suitable to cover the activities undertaken and compliance with other parameters, also of a regulatory nature.

Note that the plan is subject to malus and clawback conditions: options are subject to ex post correction mechanisms (malus and/or clawback) which, when the pre-set circumstances arise, result in the loss and/ or the restitution of the rights attributed by the plan.

With regard to the options granted under the 2016 Stock Option Plan, as at June 30, 2024, 6,000 options had been granted, had not been exercised and were still exercisable. The number of options outstanding and not yet exercised as at December 31, 2023 was 96,000.

2020 Stock Option Plan

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

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

The options assigned within each tranche accrue upon completion of the vesting period, i.e. after 3 years from the relative assignment date. Vesting is subject to the following conditions being met: (i) The continuation of the employment relationship with the Group and/or of the office held in the Board of Directors and absence of notice due to resignation or dismissal; and (ii) Levels of capital and liquidity resources necessary to cover the activities undertaken and compliance with other parameters, also of a regulatory nature.

With regard to the 2020 Stock Option Plan, as of June 30, 2024, the number of stock options granted and not exercised are 4,415,700, of which 1,614,000 have vested and are exercisable. The number of options outstanding as at December 31, 2023 but not yet exercised was 5,461,400, of which 2,227,700 had vested and were exercisable.

BFF Banking Group 2022 Long-Term Incentive Plan

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

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

With regard to the 2022 Incentive Plan, as of June 30, 2024, 7,409,000 options have been granted, of which 3,244,000 are equity settled (A Options) and 4,165,000 are cash settled (phantom shares), not yet exercisable. As of December 31, 2023, 7,664,500 options had been granted, of which 3,439,500 equity settled and cash-less and 4,225,000 cash settled (phantom shares), none of which yet exercisable.

Part L - Segment reporting

Consistent with the business areas identified in order to monitor and analyze the Group's results, the Group Sector information is divided into representative sections of the three BUs that offer products/services to customers:

- Factoring & Lending BU, which offers products such as non-recourse factoring, lending and credit management mainly to public sector suppliers and public administration bodies.
- Securities Services BU, which deals with custodian banking for investment funds and related services such as global custody, fund accounting and transfer agents for national managers and banks and for various investment funds such as pension funds, mutual funds and alternative funds.
- Payments BU, which deals with payment processing, corporate payments and checks and bills and has as customers medium-small Italian banks, medium-large companies and boasts a partnership with Nexi.

For comments and details on the items listed, please refer to the specific sections contained in the chapter on Operating Performance.

Factoring & Lending BU

Loans and receivables with customers	1H'24	2023
Loans and receivables with customers (*)	**5,612**	**5,617**
Italy	3,429	3,448
Spain	482	599
Poland	976	919
Slovakia	248	245
Portugal	248	223
Greece	213	166
France	15	14
Croatia	-	-
Czech Republic	2	3
Acquired turnover/Loans disbursed during the year	**1H'24**	**H1 2023**
Acquired turnover/Loans disbursed during the year	**3,810**	**3,644**
Italy	1,941	2,180
Spain	1,055	770
Poland	416	296
Slovakia	6	11
Portugal	230	247
Greece	127	107
France	33	32
Croatia	-	-
Czech Republic	3	1.3
Income Statement (€ million, normalized values)	**1H'24**	**H1 2023**
Interest and similar income	205.1	171.9
of which "rescheduling/capital gains" spread	0.6	4.7
Other income (including other operating income and expenses)	12.9	14.2
Total net revenue	**218.0**	**186.1**

(*) Loans and receivables with customers include ecobonus tax assets of €347.1 million (€414.1 million and €238 million as of December 31, 2023 and June 30, 2023, respectively).

Securities Services BU

Amounts managed and deposits	1H'24	H1 2023
Custodian Bank (AuD, €m)	64,202	52,395
Global Custody (AuC, €m)	119,065	169,859
Deposits - Final Balance (€m)	2,699	2,626
Income Statement *(€ million, normalized values)*	**1H'24**	**H1 2023**
Net fee and commission income	11.8	12.3
Other income (including other operating income and expenses)	-	0.0
Total net revenue	**11.8**	**12.4**

Payments BU

Transactions executed and deposits	1H'24	H1 2023
Transactions (no. oper. m)	444	359
Deposits - Final Balance (€m)	2,762	2,976
Income Statement *(€ million, normalized values)*	**1H'24**	**H1 2023**
Net fee and commission income	26.6	23.4
Other income (including other operating income and expenses)	5.9	5.8
Total net revenue	**32.5**	**29.2**

Part M - Lease reporting

On January 1, 2019, the new accounting standard IFRS 16 with the new definition and accounting model for "leases" came into effect. This standard is based on transferring the right-of-use for a leased asset, and applies to all leases with the exception of leases with a lease term of 12 months or less or those for which the underlying asset has a contractual value below €5,000.

Based on this accounting model, the "right of use" is recognized in the statement of financial position as an asset, and future payments relating to the same leased asset shall be entered as a liability. Any depreciation relating to the right-of-use asset, and any relevant interest expenses, is recognized in the income statement.

The application of IFRS 16 changed the accounting substantially for lessees, as it eliminates a lessee's classification of leases as either operating leases or finance leases.

In particular, lessees are required to comply with the following main provisions:

- The identified asset is classified as a right-of-use asset and presented in the balance sheet as if it was owned. The relevant financial liability shall also be recognized;
- At the commencement date, a lessee shall measure the financial liability at the present value of the lease payments agreed by the parties to use the asset over the term of the contract that is reasonably certain. The initial measurement of the right-of-use shall be equal to the value of the financial liability, less some specific items, e.g. those relating to the direct costs incurred in obtaining the lease;
- For subsequent measurement of the asset and over the lease term, the asset is depreciated on a systematic basis, while the financial liability includes any interest expense, calculated based on the interest rate implicit in the lease where expressly stated or on the cost of funding for the period, and any periodical lease payments.

Section 1 - Lessee

Qualitative information

During 2018, BFF Banking Group launched a project aimed at understanding and defining the qualitative and quantitative impact of first-time adoption of the new IFRS 16. Following on from this project, a new accounting model has been defined for use in relation to all leases with the exception of those for which the underlying asset is of low value (less than 5,000 euros) or that have a short lease term (12 months or less).

For the purposes of the first adoption of the standard (first-time adoption or FTA), on January 29, 2019 the Board of Directors resolved that BFF and all companies belonging to BFF Banking Group shall adopt the "Modified Retrospective Approach". As a result, the Group did not apply the standard retrospectively (therefore considering complex comparative information), and the amount relating to right-of-use assets under "Property, equipment and investment property" is equal to the financial liability amount.

Quantitative information

BFF Banking Group's right-of-use assets accounted for as "Property, equipment and investment property" at first- time adoption and at June 30, 2024 are shown below.

(Values in thousand euros)

	Right-of-use assets 06.30.2024	Right-of-use assets 12.31.2023
BFF Bank	3,520	11,752
BFF Finance Iberia	480	607
BFF Polska Group	1,994	2,023
BFF Techlab	133	145
Total BFF Banking Group	**6,126**	**14,527**

The reduction compared to December 2023 was caused by the early termination of a rental agreement on one of the offices located in Milan, which entailed a €7.7 million reduction in rights of use.

For more details on the accounting impacts related to Property, equipment and investment property and Financial liabilities measured at amortized cost, please refer to the specific section of Part B of the Explanatory Notes.

Section 2 - Lessor

Please note that this section only refers to BFF Polska Group's activities.

Quantitative information

Please note that this section only refers to BFF Polska Group's activities.

(Values in thousand euros)

Time periods	Total 06.30.2024	Total 12.31.2023
	Lease payments to be received	Lease payments to be received
Up to 1 year	317	182
More than 1 year to 2 years	80	43
More than 2 year to 3 years	-	296
More than 3 year to 4 years	-	-
More than 4 year to 5 years	-	-
Over 5 years	-	-
Total lease payments to be received	**397**	**521**
RECONCILIATION WITH FINANCING ACTIVITIES		
Financial gains not yet accrued (-)	(19)	(1)
Unguaranteed residual value (-)		
Loans for leases	**378**	**520**

03

Separate Interim Financial Statements

at June 30, 2024
of BFF Bank S.p.A.

Separate Statement of Financial Position

(Values in thousand euros)

	Assets	06.30.2024	12.31.2023
10.	Cash and cash equivalents	137,044	239,130
20.	Financial assets measured at fair value through profit or loss	168,201	167,013
	a) financial assets held for trading	*831*	*1,167*
	c) other financial assets subject to mandatory fair value measurement	*167,370*	*165,846*
30.	Financial assets measured at fair value through other comprehensive income	140,510	137,520
40.	Financial assets measured at amortized cost	10,603,037	10,599,963
	a) loans and receivables with banks	*582,648*	*593,561*
	b) loans and receivables with customers	*10,020,389*	*10,006,402*
70.	Equity investments	154,876	154,876
80.	Property, equipment and investment property	13,332	20,377
90.	Intangible assets	38,010	40,734
100	Tax assets	90,530	108,569
	a) current	38,079	55,465
	b) deferred	*52,451*	*53,104*
110.	Non-current assets held for sale and discontinued operations	8,046	8,046
120.	Other assets	570,879	644,466
	TOTAL ASSETS	**11,924,465**	**12,120,694**

(Values in thousand euros)

	Liabilities and equity	06.30.2024	12.31.2023
10.	Financial liabilities measured at amortized cost	10,535,767	10,731,370
	a) due to banks	*2,228,285*	*2,268,022*
	b) due to customers	*8,005,801*	*8,463,347*
	c) securities issued	*301,681*	-
20.	Financial liabilities held for trading	1,699	1,215
60.	Tax liabilities	160,537	121,318
	a) Current	-	-
	b) deferred	*160,537*	*121,318*
80.	Other liabilities	463,562	536,142
90.	Post-employment benefits	3,110	2,896
100.	Provisions for risks and charges	36,972	35,104
	a) Commitments and guarantees given	*249*	*553*
	b) Pensions and similar obligations	*6,074*	*6,760*
	c) Other provisions	*30,649*	*27,791*
110.	Valuation reserve	7,812	6,469
130.	Equity instruments	150,000	150,000
140.	Reserves	221,291	253,424
145.	Interim dividends	-	(54,451)
150.	Share premium reserve	66,277	66,277
160.	Share capital	144,434	143,947
170.	Treasury shares	(3,652)	(4,377)
180.	Profit for the period	136,656	131,360
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,924,465**	**12,120,694**

Separate Income Statement

(Values in thousands of euros with the exception of basic and diluted earnings per share, which are in euros)

	Items	06.30.2024	06.30.2023
10.	Interest and similar income	391,775	240,264
	of which: interest income calculated according to the effective interest method	*382,703*	*230,928*
20.	Interest and similar expense	(197,157)	(143,710)
30.	**Net interest income**	**194,618**	**96,555**
40.	Fee and commission income	54,315	55,021
50.	Fee and commission expense	(14,577)	(18,812)
60.	**Net fee and commission income**	**39,738**	**36,209**
70.	Dividends and similar income	13,335	6,670
80.	Profits (losses) on trading	(82)	(12,199)
100.	Profits (losses) on disposal or repurchase of:	233	19,696
	a) financial assets measured at amortized cost	*233*	*19,842*
	b) financial assets measured at fair value through other comprehensive income	-	*(146)*
110.	Profits on other financial assets measured at fair value through profit or loss	(4,201)	(405)
	b) financial assets measured at fair value through profit or loss	*(4,201)*	*(405)*
120.	**Total income**	**243,641**	**146,525**
130.	Net impairment losses/gains for credit risk associated with:	(788)	(656)
	a) financial assets measured at amortized cost	*(788)*	*(656)*
150.	**Net income from banking activities**	**242,853**	**145,870**
160.	Administrative expenses:	(80,754)	(80,934)
	a) personnel expenses	*(36,078)*	*(35,472)*
	b) other administrative expenses	*(44,676)*	*(45,462)*
170.	Net provisions for risks and charges	(3,048)	370
	a) for credit risk relating to commitments and guarantees given	*304*	*(150)*
	b) other net provisions	*(3,352)*	*520*
180.	Depreciation and impairment losses on property, equipment and investment property	(1,916)	(1,909)
190.	Amortization and impairment losses on intangible assets	(4,303)	(3,692)
200.	Other net operating income	43,854	18,238
210.	**Operating costs**	**(46,167)**	**(67,926)**
260.	**Profit before tax from continuing operations**	**196,686**	**77,944**
270.	Income taxes for the period on continuing operations	(60,030)	(23,329)
280.	**Profit after tax from continuing operations**	**136,656**	**54,615**
300.	**Profit for the period**	**136,656**	**54,615**
	Basic earnings per share	**0.73**	**0.30**
	Diluted earnings per share	**0.72**	**0.29**

Statement of Individual Comprehensive Income

(Values in thousand euros)

	Items	06.30.2024	06.30.2023
10.	**Profit (loss) for the period**	**136,656**	**54,615**
	Other components net of taxes that may not be reclassified to profit or loss	**32**	**(4)**
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 designated at fair value through other comprehensive income	-	-
50.	Property, equipment and investment property	-	-
60.	Intangible assets	-	-
70.	Defined-benefit plans	32	(4)
80.	Non-current assets held for sale and discontinued operations	-	-
90.	Share of valuation reserves connected with equity-accounted investments	-	-
	Other income components net of taxes reclassified to profit or loss	**1,312**	**299**
100.	Hedging of foreign investments		
110.	Foreign exchange differences	30	39
120.	Cash flow hedges	-	-
130.	Hedging instruments (undesignated elements)	-	-
140.	Financial assets (other than equity instruments) measured at fair value through other comprehensive income	1,281	260
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**	**1,344**	**295**
180.	**Comprehensive income (Items 10+170)**	**138,000**	**54,910**

Separate Statement of Changes in Equity

H1 2024	Balances as at 12.31.2023	Change to opening balances	Balances as at 01.01.2024	Allocation of profit for the previous year	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	143,947	-	143,947	-	-
b) other shares	-	-	-	-	-
Share premium reserve	66,277	-	66,277	-	-
Reserves					
a) retained earnings	243,718	-	243,718	(24,305)	-
b) other	9,706	-	9,706	-	-
Valuation reserves	6,469	-	6,469	-	-
Equity instruments	150,000	-	150,000	-	-
Interim dividend	(54,451)	-	(54,451)	54,451	-
Treasury shares	(4,377)	-	(4,377)	-	-
Profit for the period	131,360	-	131,360	(30,146)	(101,214)
Shareholders' equity	**692,649**	**-**	**692,649**	**-**	**(101,214)**

H1 2023	Balances as at 12.31.2022	Change to opening balances	Balances as at 01.01.2023	Allocation of profit for the previous year	
				Reserves	Dividends and other allocations
Share capital:					
a) ordinary shares	142,871	-	142,871	-	-
b) other shares	-	-	-	-	-
Share premium reserve	66,277	-	66,277	-	-
Reserves					
a) retained earnings	170,209	-	170,209	115,408	-
b) other	10,419	-	10,419	-	-
Valuation reserves	5,421	-	5,421	-	-
Equity instruments	150,000	-	150,000	-	-
Interim dividend	(68,550)	-	(68,550)	68,550	-
Treasury shares	(3,884)	-	(3,884)	-	-
Profit for the period	261,438	-	261,438	(183,958)	(77,480)
Shareholders' equity	**734,201**	**-**	**734,201**	**-**	**(77,480)**

(Values in thousand euros)

Changes in the year									Equity at 06.30.2024
Change in reserves	Equity transactions							Comprehensive income 2024	
	Issue of new shares	Repurchase of treasury shares	Interim dividend	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
-	487	-	-	-	-	-	-	-	**144,434**
-	-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	-	-	**66,277**
(7,962)	-	-	-	-	-	-	-	-	**211,451**
77	-	-	-	-	-	-	57	-	**9,840**
-	-	-	-	-	-	-	-	1,344	**7,813**
-	-	-	-	-	-	-	-	-	**150,000**
-	-	-	-	-	-	-	-	-	**-**
725	-	-	-	-	-	-	-	-	**(3,652)**
-	-	-	-	-	-	-	-	136,656	**136,656**
(7,160)	**487**	**-**	**-**	**-**	**-**	**-**	**57**	**138,000**	**722,819**

(Values in thousand euros)

Changes in the year									Equity at 06.30.2023
Change in reserves	Equity transactions							Comprehensive income 2023	
	Issue of new shares	Repurchase of treasury shares	Interim dividend	Extraordinary distribution of dividends	Change in equity instruments	Derivatives on treasury shares	Stock options		
-	735	-	-	-	-	-	-	-	**143,605**
-	-	-	-	-	-	-	-	-	**-**
-	-	-	-	-	-	-	-	-	**66,277**
(6,413)	-	-	-	-	-	-	-	-	**279,204**
989	-	-	-	-	-	-	(1,427)	-	**9,981**
(502)	-	-	-	-	-	-	-	295	**5,214**
-	-	-	-	-	-	-	-	-	**150,000**
-	-	-	-	-	-	-	-	-	**-**
2,286	-	(2,794)	-	-	-	-	-	-	**(4,392)**
-	-	-	-	-	-	-	-	54,615	**54,615**
(3,639)	**735**	**(2,794)**	**-**	**-**	**-**	**-**	**(1,427)**	**54,910**	**704,505**

04

Certification by the Financial Reporting Officer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CERTIFICATION OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS IN ACCORDANCE WITH ARTICLE. 81-TER OF CONSOB REGULATION N. 11971 OF 14 MAY 1999 AS AMENDED AND SUPPLEMENTED

1. The undersigned:
   - Massimiliano Belingheri, in his capacity as Chief Executive Officer,
   - Giuseppe Manno, as Financial Reporting Officer of BFF Bank S.p.A.,

   hereby certify, having taken into account the provisions of art. 154-bis, paragraphs 3 e 4, of legislative decree no. 58 of 24 february 1998:
   - the suitability as regards the characteristics of the Group, and
   - the effective implementation of the administrative and accounting procedures employed to draw up the Condensed Consolidated half-year Financial Report, during the first half of 2024.

2. The suitability and effective application of the administrative and accounting process employed to draw up the Consolidated Condensed Interim Financial Statements as of 30 June 2024 was verified based on internally defined method adopted by BFF Bank S.p.A., in accordance with the *Internal Control – Integrated Framework model* issued by *Committee of Sponsoring Organizations of Tradeway Commission* (COSO) of the reference standards for the internal audit system generally accepted on an international level.

3. Moreover, the undersigned hereby certify that:

   3.1 the Consolidated Condensed Interim Financial Statements as of 30 June 2024:

   a) were drafted in accordance with the applicable International Financial Reporting Standards endorsed by the European Community, pursuant to regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;

   b) correspond to the results of the accounting books and records;

   c) are suitable for providing a true and fair view of the financial position, financial performance and cash flows of the issuer and all the companies included in the scope of consolidation.

   3.2 The half-year Report on Operations includes a reliable analysis of the important events which occurred during the first half of the year and their impact on the Consolidated Condensed Interim Financial Statements, together with a description of the main risks and uncertainties for the remaining six months of the year to which they are exposed. The half-year Report on Operations includes, moreover, a reliable analysis of the information concerning major transactions with related parties.

Milan, 05 August 2024

Massimiliano Belingheri
Chief Executive Officer

Giuseppe Manno
Financial Reporting Officer

05

Independent Auditors' Report

KPMG S.p.A.
Revisione e organizzazione contabile
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(This report has been translated into English solely for the convenience of international readers. Accordingly, only the original Italian version is authoritative.)

Report on review of condensed interim consolidated financial statements

To the shareholders of
BFF Bank S.p.A.

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of the BFF Banking Group, comprising the statement of financial position as at 30 June 2024, the income statement and the statements of comprehensive income, changes in equity and cash flows for the six months then ended and notes thereto. The parent's directors are responsible for the preparation of these condensed interim consolidated financial statements in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of the review

We conducted our review in accordance with Consob (the Italian Commission for Listed Companies and the Stock Exchange) guidelines set out in Consob resolution no. 10867 dated 31 July 1997. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial statements.

BFF Banking Group
Report on review of condensed interim consolidated financial statements
30 June 2024

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial statements of the BFF Banking Group as at and for the six months ended 30 June 2024 have not been prepared, in all material respects, in accordance with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34), endorsed by the European Union.

Milan, 8 August 2024

KPMG S.p.A.

(signed on the original)

Roberto Spiller
Director of Audit

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Graphic design and layout
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Piero Dorazio, Untitled, 1987
64x46 cm, Lithography
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