1H2018 Results

7th August 2018

A Bank Like No Other

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1H2018 Results: Key Highlights

Solid financial performance	• €39.9m of Adjusted Net Income (+5% y/y), after having expensed €0.8m of Tier II costs and provisions for €1.0m on Polish SME factoring portfolio in run off, and despite €20m of lower cashed in LPI vs. 1H17 • +7% of Adjusted Net Interest Income • Stock of unrecognized off balance sheet LPI at €358m (+3% vs 1H17) • Efficient operation with Adj. C/I ratio of 38% • 32% of Adjusted ROTE
Double digit growth in loans and volumes	• Total customer loans up 17% y/y, 32% outside Italy • New volumes up 24% y/y
Solid capital position and low risk profile	• TC and CET1 ratios equal to 17.2% and 12.3% (excluding €41m of net income for the period) well above SREP requirements, and including mark to market effect on HTC&S portfolio • Low Net NPLs (1.0% of loans), of which 77% related to Italian municipalities in conservatorship (“Comuni in dissesto”) • Annualised CoR 1H18 of 21bps, of which 8bps due to the Polish SME factoring portfolio in run off and 9 bps due to Italian municipalities in conservatorship • Significantly smaller government bond portfolio (-35% y/y)
New Business Initiatives	• Launch of a new financial solution in the infrastructures renovation sector with first deal signed with Citelum • First two revolving agreements signed in Greece • Portuguese branch opened in July 2018

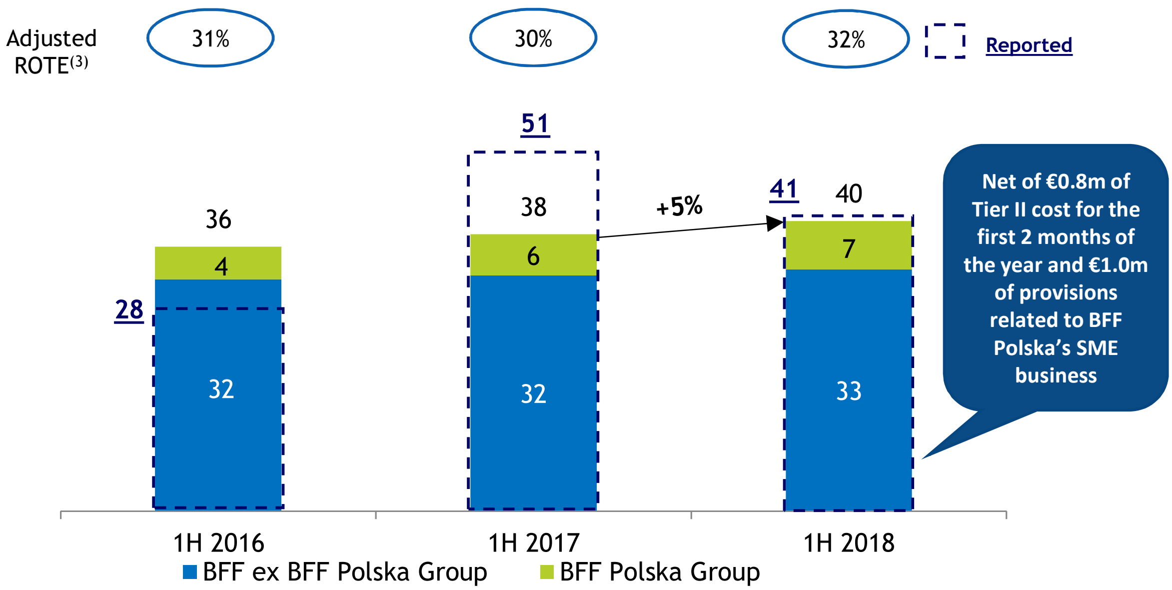
Source: Company data;
Notes: 2018 Exchange rate for Poland and Czech respectively PLN/€ 4,2207 and PLN/CZK 0,166 for P&L data (1H 2018 average), PLN/€ 4,3732 and PLN/CZK 0,168 for Balance Sheet data (29th June 2018); 2017 Exchange rate for Poland and Czech respectively PLN/€ 4,2685 and PLN/CZK 0,159 for P&L data (1H 2017 average), PLN/€ 4,2259 and PLN/CZK 0,161 for Balance Sheet data (30th June 2017);

+5% Growth in Adjusted Net Income

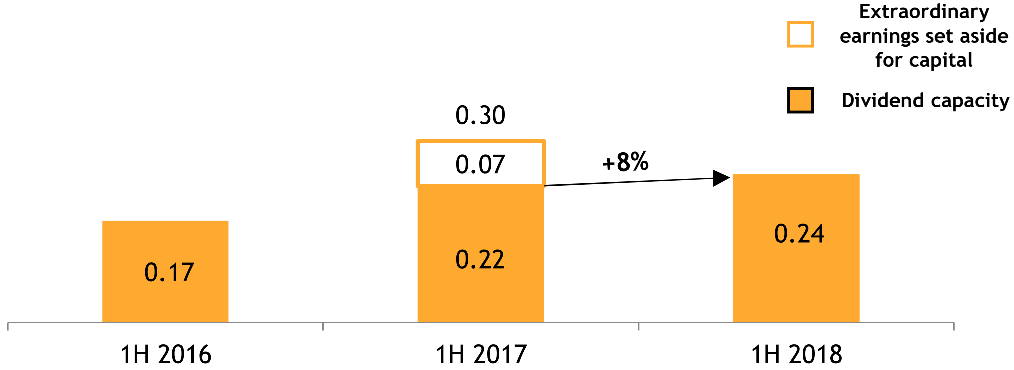
- **€39.9m of 1H18 Adjusted Net Income, +5% vs 1H17 despite:**
  - €0.3m of lower net over-recovery[1] accounted in P&L vs 1H17
  - €37m of cashed-in LPI vs. €57m in 1H17
- The 1H18 Adjusted Net Income after having expensed (all values post tax):
  - €0.8m of Tier II cost for the first 2 months (not present in 1H17)
  - €1.0m of provision related to BFF Polska's (ex. Magellan) SME business placed in run-off at the end of 2017
- **Profitability**: Adjusted RoTE of 32%
- **Dividend capacity**: €0.24 per share as of 1H18

1H18 Extraordinary items net of taxes: €0.9m stock option plan costs, balanced by change in equity reserve; €0.5m extraordinary contribution to 2016 Resolution Fund; €2.8m after tax positive impact from the change in €/PLN exchange rate on the acquisition loan for BFF Polska, balanced by a change in equity reserve;
1H17 Extraordinary items net of taxes: €17.8m income related to the change in LPI estimated recovery 40% to 45%; €1.7m extr. costs related to IPO; €1.1m stock option plan costs, balanced by change in equity reserve; €2.5m after tax positive impact from the change in €/PLN exchange rate on the acquisition loan for BFF Polska, balanced by a change in equity reserve;
1H16 Extraordinary items net of taxes: €0.9m extr. costs related to IPO costs; €3.8m extr. costs related to BFF Polska Group acquisition; €0.6m positive exchange rate difference

Adjusted Net income[2] (€m)



Dividend capacity € per share[4]



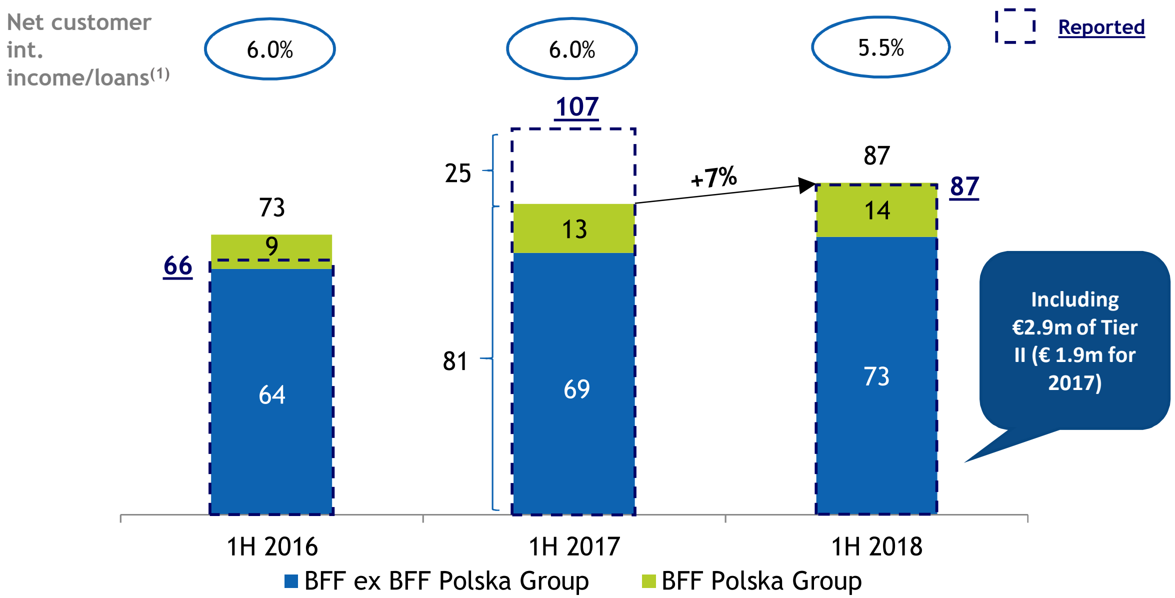
Notes: (1) Net of the rescheduling impact; in case a credit is not collected at the expected collection date, the value of the credit on the balance sheet is re-calculated using the new expected cash-flow schedule. The negative delta in value of the loan is booked in the P&L line interest income ("rescheduling impact") (2) Adjusted to exclude extraordinary items (3) 1H17 Tangible equity includes extraordinary earnings set aside for capital; 1H18 Tangible equity excludes 1H18 net income (4) 1H16 EPS adjusted for 1:100 stock split done in conjunction with IPO (April 2017)

Growing Adjusted Net Interest Income and Net Banking Income

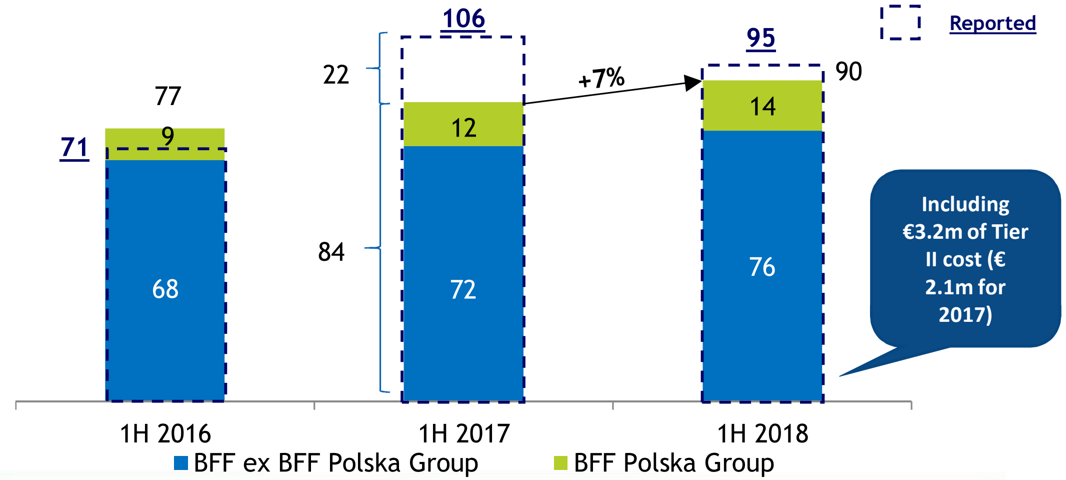
- **Adjusted net interest income and Adjusted Net Banking income +7%** compared to 1H17 mainly driven by:
  - Higher stock of net loans
  - Costs of funding affected by Tier II issuance for additional €1.0m of costs (Tier II outstanding for 6 months vs 4 month in 2017)

Adjusted Net interest income (1) does not include €25.2m one-off impact of change in LPI accounting from 40% to 45% on 1/1/2017; (2) includes €2.9m of Tier II costs for 1H 2018 (€1.9m for 1H 2017), which in 2016 were not present. **Adjusted Net Banking income** (1) does not include €4.1m of positive change in exchange rates impact for 1H 2018 (-€3.6m 1H2017 and €1.0m in 1H2016), €25.2m one-off impact of change in LPI accounting from 40% to 45% on 1/1/2017, €0.3m commissions related to Magellan acquisition for 1H2016 (2) includes €3.2m of interest expenses and commissions related to Tier II for 1H2018 (€2.1m for 1H 2017), which in 2016 were not present.

Adjusted Net Interest Income (€m)



Adjusted Net Banking Income (€m)



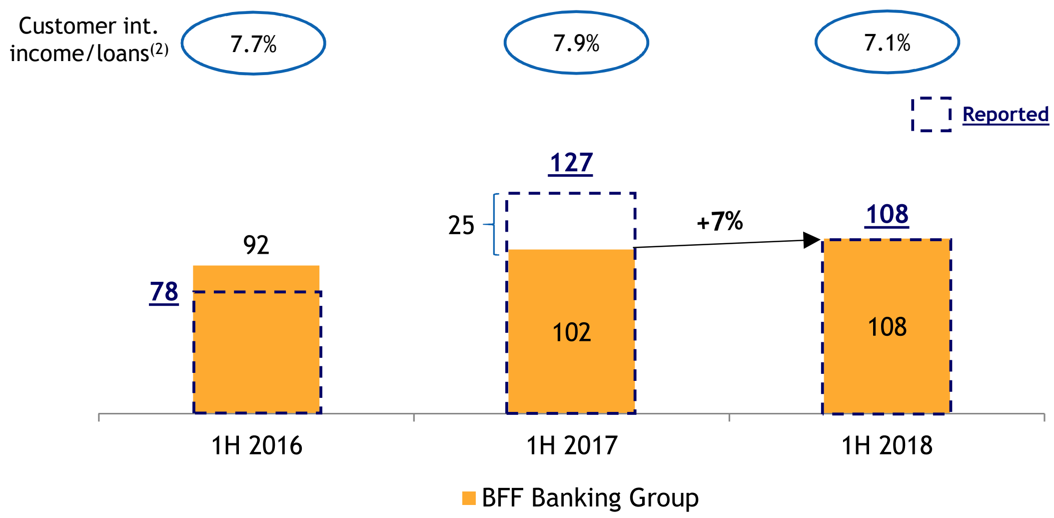
Note: (1) calculated as Adjusted Net interest income on customer loans (excluding income on securities and on credit due from banks and REPO activity impact) / average loans in the period.

Interest Income Growth Driven by Higher Stock of Loans

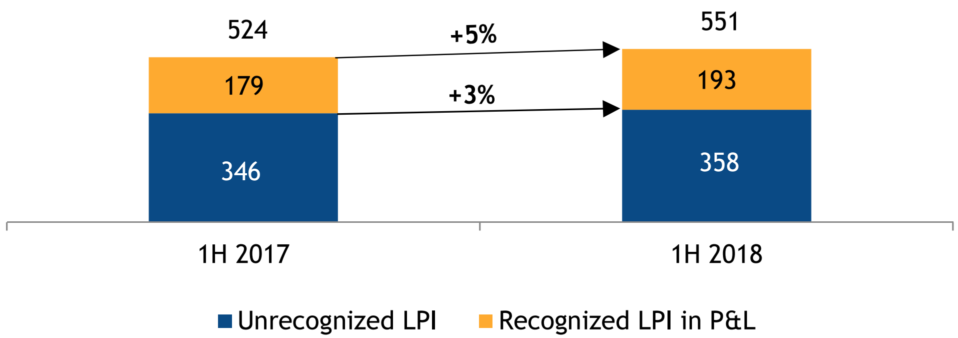
- **1H18 interest income increased to €108m (+7% y/y) driven mainly by higher stock of loans**
- **Net over-recovery[1] accounted in P&L stable y/y** (€6.8m in 1H18 vs. €7.1m in 1H17) **despite €20m of lower LPIs cashed-in:**
  - €37m of cashed-in LPI vs. €57m in 1H17 (€24m in 1H16) resulted in only €0.3m of lower net LPI over-recovery due to the combined effect of *i.* higher LPI recovery rate and *ii.* lower rescheduling impact[1] in 1H18 vs. 1H17
- Gross yield on loan book decreased in 1H18 mainly as a result of the significant income deferral (LPI over-recovery recognized only when collected)
- **Stock of unrecognized LPI reached of €358m** at the end of June 2018, + 3% vs. the end of June 2017

1H 2017 Adjusted Interest income does not include € 25.2m one-off impact of change in LPI accounting from 40% to 45%

Adjusted Interest Income (€m)



LPI Stock evolution (Excl. BFF Polska Group) (€m)



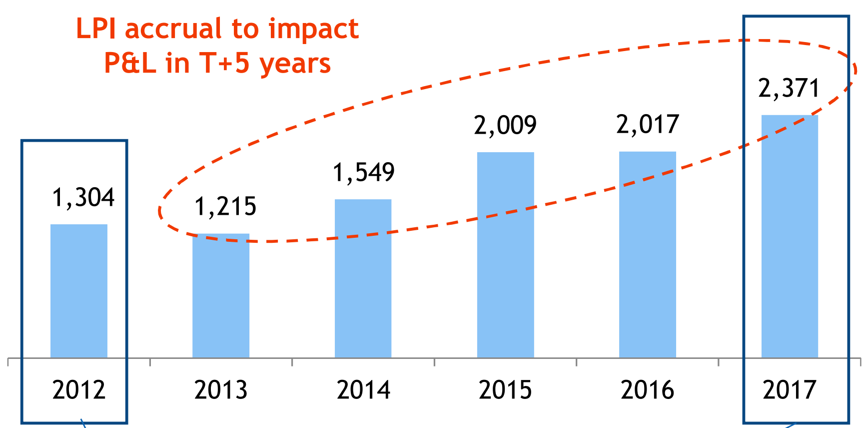
Note: (1) LPI over-recovery vs. 45% net of the rescheduling impact. Rescheduling impact: in case a credit is not collected at the expected collection date, the value of the credit on the balance sheet is re-calculated using the new expected cash-flow schedule. The negative delta in value of the loan is booked in the P&L line interest income ("rescheduling impact") (2) Adjusted Interest income on customer loans (excluding income on securities and on credit due from banks) / average loans in the period.

Focus on Deferral Income and Net Over Recovery of LPI Collection

Deferral Income of LPI collection

- BFF prudently recognizes in P&L on an accrual basis only 45% of LPI legally due (**discounted** over 1800 days, i.e. 5 years horizon). 45% is the minimum at which BFF settles its LPI recovery. **Over-collection** vs. 45% minimum is recognized on a cash basis at collection (5 years on average)
- Therefore, the full impacts on P&L of the LPI generated by the growing outstanding over the last years will be visible only in the coming years:
  - **Discounting effect of the 45%**: the amount of LPI accrued in P&L will increase for the next 5 years also in case of stable outstandings
  - **Deferral effect of the over recovery:** over-recovery generated by the larger 2017 outstanding vs. previous years will be visible only in 5 years

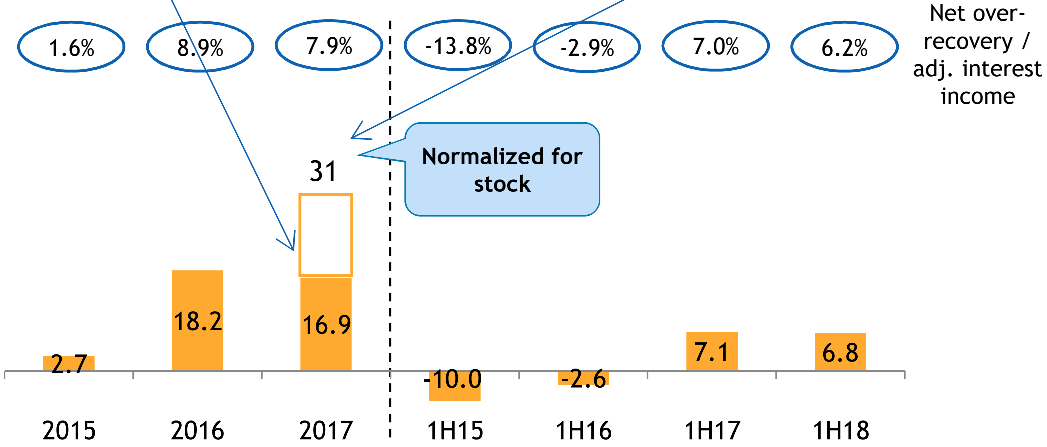
Outstanding Evolution (Excl. BFF Polska Group) (€m)



Over-recovery of LPI net of re-scheduling impact (€m)

- The loans on balance sheet are accounted based on the amortized cost:
  - In case the credit is not collected at the expected collection date, the value of the credit is re-calculated using the new expected cash-flow schedule
  - The delta in the value of the loan is booked in the P&L line "interest income" with a negative impact (**rescheduling impact**)
- The **net over-recovery, i.e.** over-recovery of LPI less the rescheduling impact, has been on average less than 10% of the interest income over the last 3 years

Net Over Recovery of LPI collection (€m)

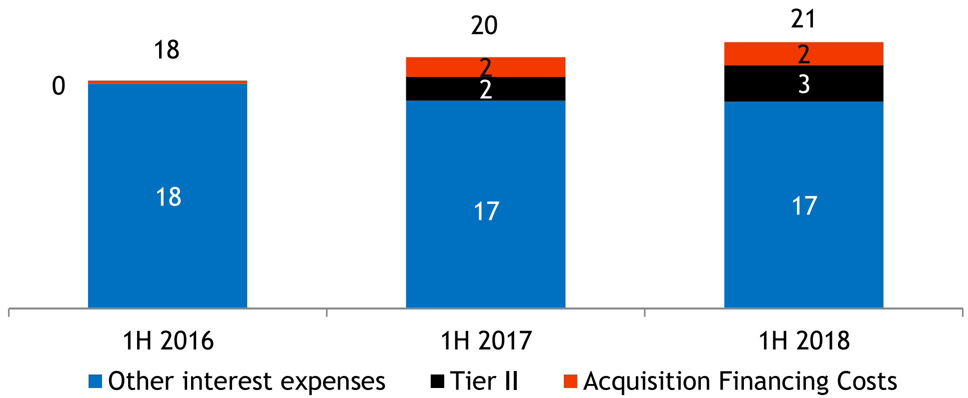


Improving Funding Costs

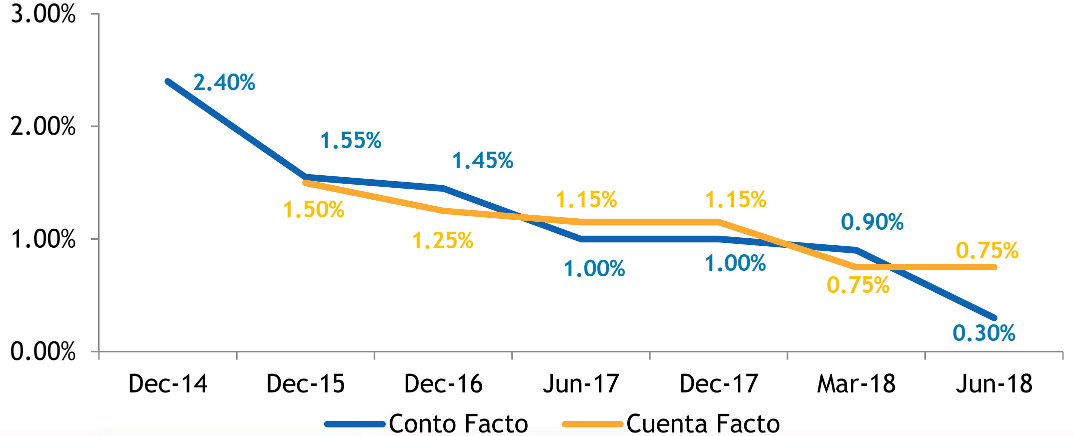
- **Reduction in cost of funding continued:**
  - 1.82% 1H2018 cost of funding versus 2.04% in 1H2017
  - Increasing interest expenses from €20.1m to €21.4m in 1H2018, mainly due to *i.* the impact of Tier II (€2.9m in 1H2018, €1.9m in 1H2017), *ii.* one-off commission cost on the refinancing (at lower rate) of part of BFF Polska acquisition financing for €0.3m, *iii.* the increase of drawn funding due to the growth of the business and *iv.* the increase in Zloty funding (+77% yoy) which has a higher base rate (Wibor 3M 1.70% vs. Euribor 3M -0.321% as of 29th June 2018)
- **Good visibility on further cost of funding reduction:**
  - Rates offered on 12-month online deposits in Italy were cut in March and then again in May 2018 to 0.30% with the benefit expected to unfold once the deposits are reinvested at lower rates
  - Deposits have grown YoY despite the reduction in offered rates

Adj. Interest expenses (€m)

	1H 2016		1H 2017		1H 2018
Average funding lines used (excl. REPO, €m)	1,933	+22%	2,353	+11%	2,607
Cost of funding (excl. REPO, %)	2.09%	-5bps	2.04%	-22bps	1.82%



12-months Online Deposits Interest Offered to New Money

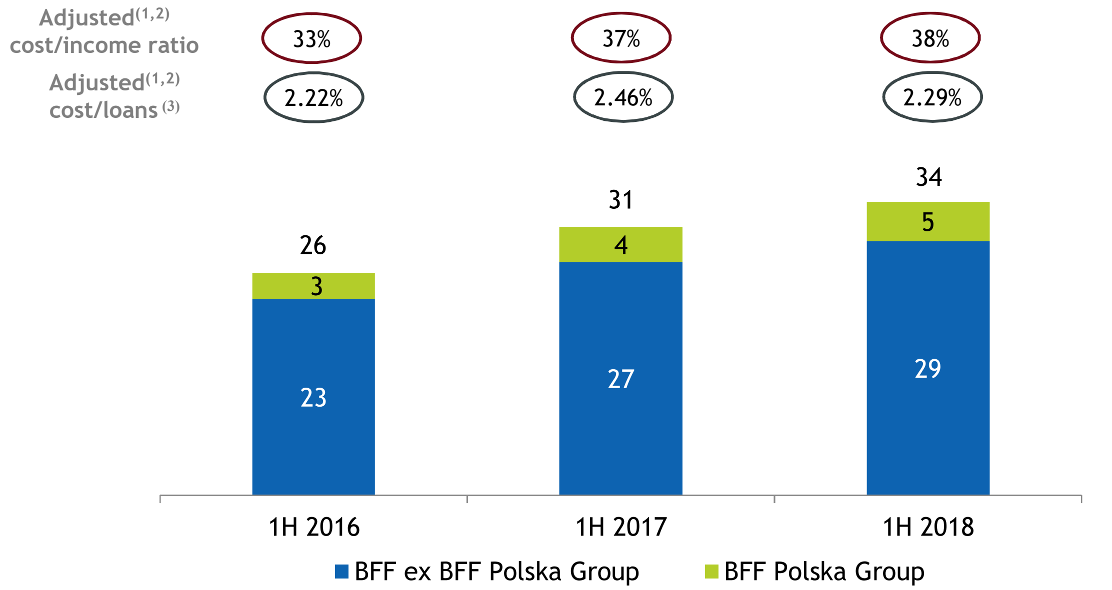


Good Operating Efficiency

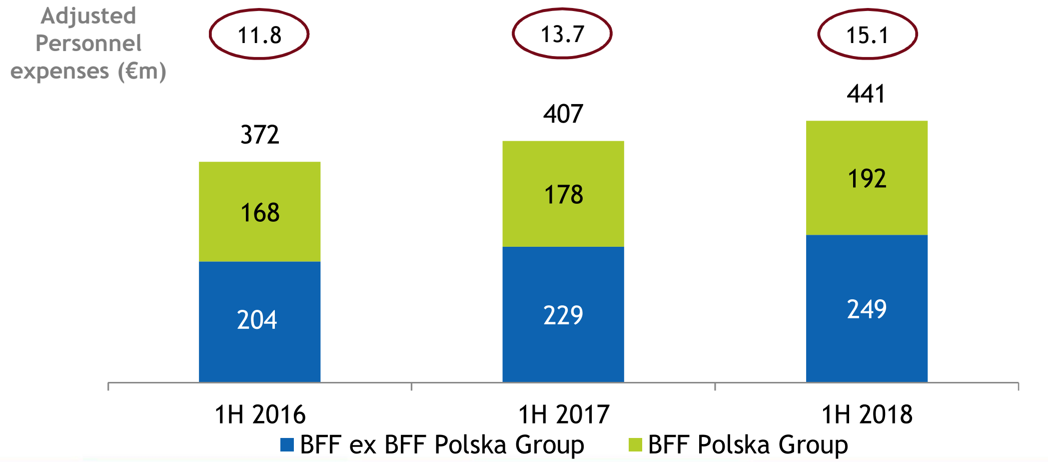
- **Highly efficient structure with adjusted Cost/Income ratio of 38% and improving operating leverage, with operating costs/loans at 2.29%**
- **Operating cost up +9% y/y:**
  - Personnel cost increased by 10% vs. 1H17 driven by higher employee base
  - Ordinary Resolution Fund and FITD contribution in 1H18 equal to €2.2m in total vs. €1.5m in 1H17
  - Flat other operating expenses
- On personnel:
  - Already recruited the personnel required for establishment of Portuguese branch and for the Greek and Croatian operations in freedom of service
  - Some BFF Italy processes that were outsourced to Italian suppliers are being brought in house in Poland with 13 employees as of 30th June 2018, with net savings to be achieved in 2019

1H18 gross extraordinary costs of € 2.0m in total: €1.3m related to stock option plan (pro-rata) related to IPO which generates an increase in equity, €0.7m extraordinary contribution to 2016 Resolution Fund;
1H17 gross extraordinary costs of € 3.9m in total: €1.5m related to stock option plan (pro-rata) related to IPO which generates an increase in equity, €2.4m non-recurring costs related to the IPO process
1H16 gross extraordinary costs of € 6.6m in total: €1.4m extr. costs related to IPO, €5.2m extr. costs related to BFF Polska Group acquisition

Operating Costs(1) (€m)



Number of Employees(4)

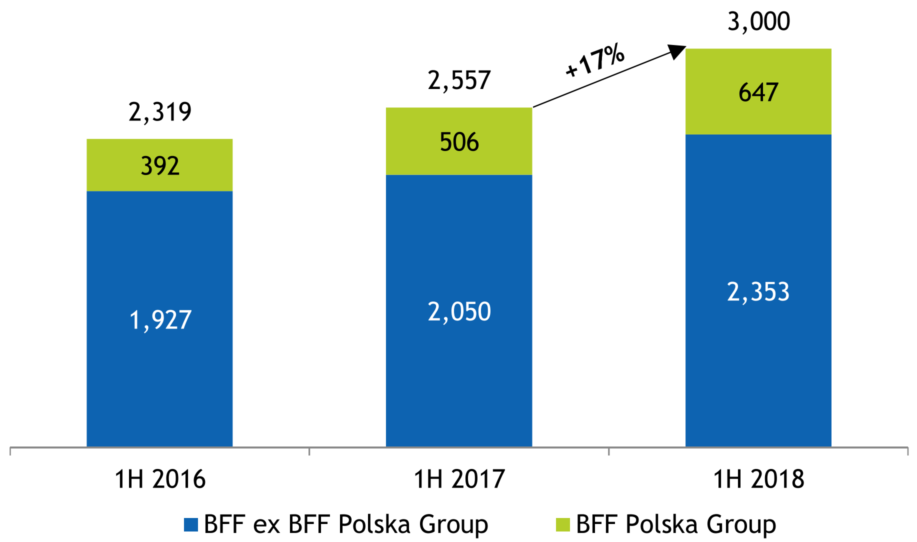


Note: (1) Adjusted to exclude extraordinary costs; (2) C/I computed as operating expenses excluding extr. Costs (administrative expenses + staff expenses + amortization on tangible and intangible assets) divided by Adjusted net banking income; (3) Annualised adjusted costs on average loans (4) BFF includes employees in Italy and Iberia; BFF Polska Group includes employees of BFF Polska SA, BFF MedFinance SA, BFF Central Europe s.r.o. and BFF Czech Republic s.r.o.

Double Digit Growth in Customer Loans

- **Strong growth in customer loans (+17% y/y)** throughout the Group:
  - Double digit growth in all geographies
  - Assets in Spain almost doubled y/y
  - BFF Polska Group up by 28%
- Residual €4m net customer loans related to BFF Polska's SME factoring business placed in in run-off at the end of 2017, down from €6m at December 2017

Customer Loans Evolution (€m)



Customer Loans Breakdown by Geography (€m)

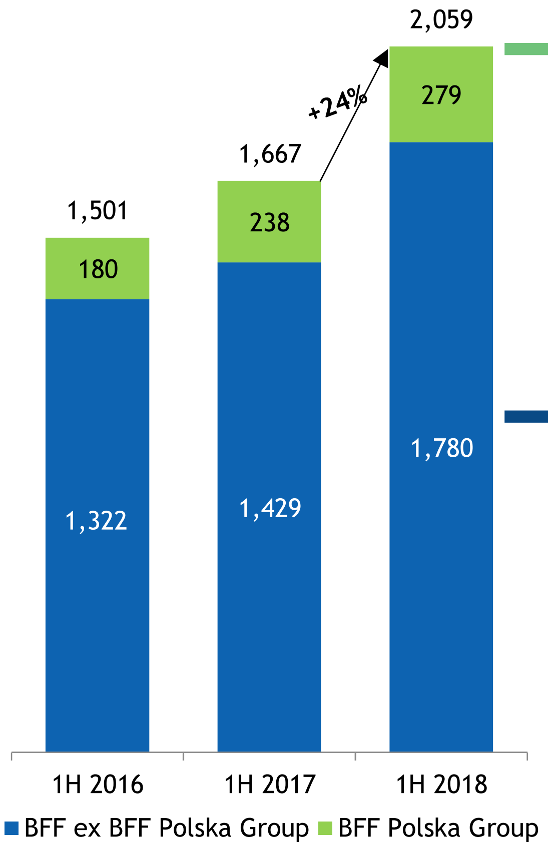
BFF Group excl. BFF Polska Group	1H16	1H17	1H18
Italy	1,681	1,864	2,045
Spain	204	105	205
Portugal	42	82	95
Greece		-	8
Total	**1,927**	**2,050**	**2,353**

BFF Polska Group	1H16	1H17	1H18
Poland	311	397	505
Slovakia	73	107	140
Czech Rep.	3	3	2
Spain	5	-	-
Total	**392**	**506**	**647**

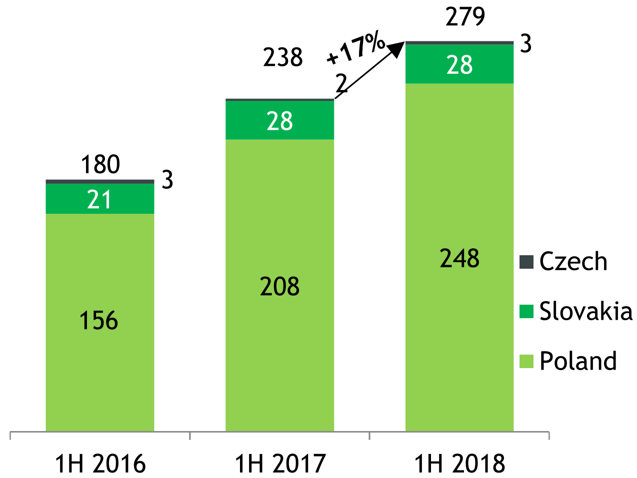
Solid New Business Production across Countries

- **Strong y/y growth (+24%) in new business volumes,** mainly driven by:
  - Italy +15% y/y
  - More than double volumes in Spain, +114% y/y
  - Poland +19% y/y
  - Czech +52% y/y
- Greece contributed for €5m
- Stable new business in Slovakia
- Portugal -9% y/y due to different seasonality
  - Branch opened in July should support new business volumes growth going forward

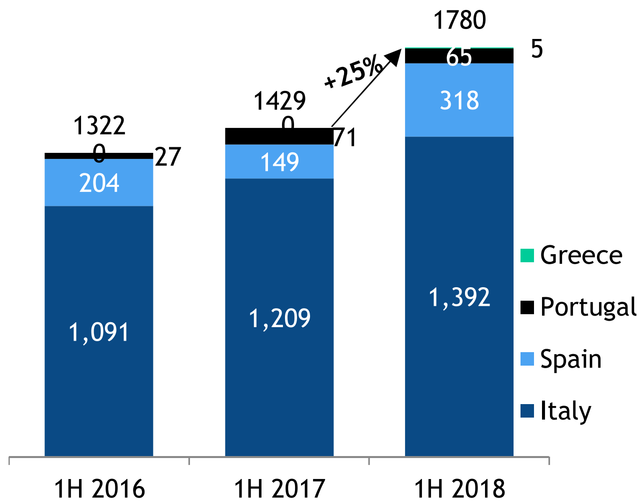
Total New Business Volumes (€m)



BFF Polska Group (€m)



BFF ex BFF Polska Group (€m)



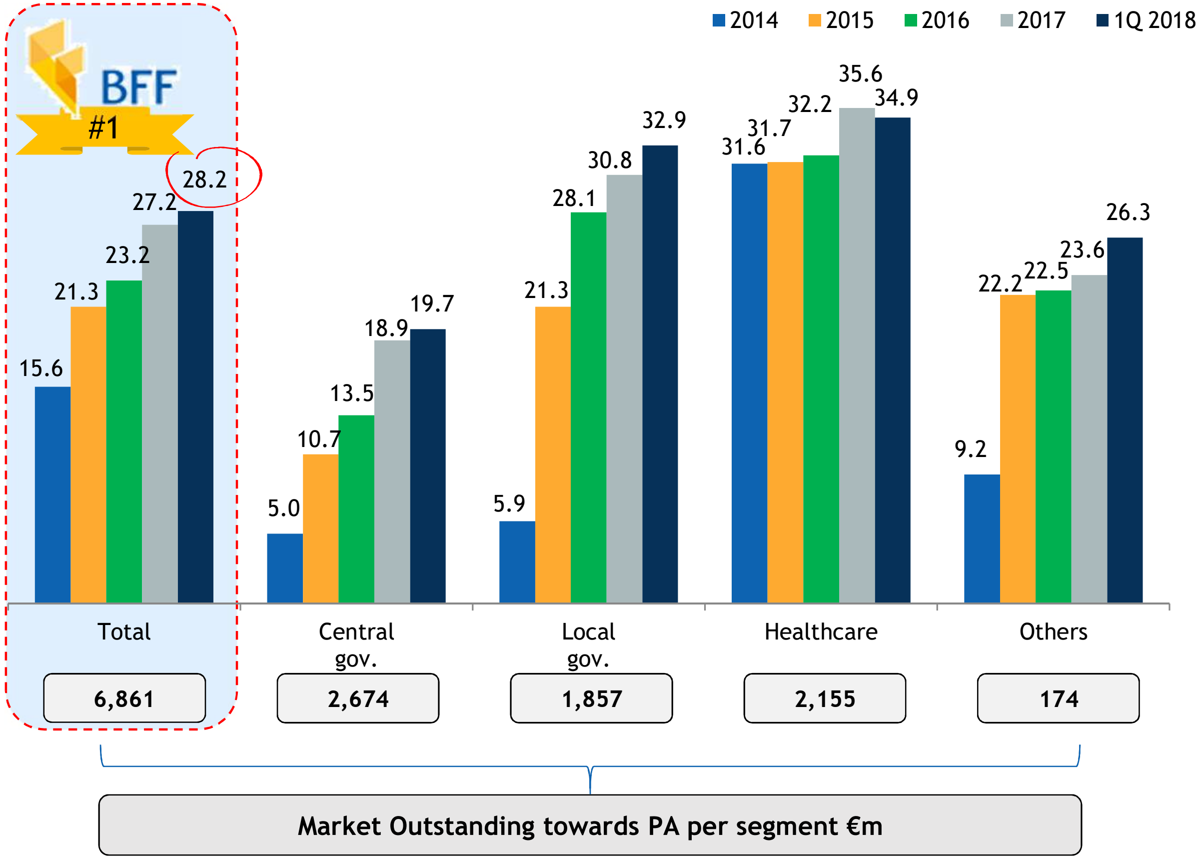
Note: For 2016, BFF Polska's Spanish business (€9m) is included in Banca Farmafactoring S.p.A. Sucursal en España

Market Leadership In all PA Segments in Italy

BFF Banking Group Market Share in Italy

- #1 in Italy for factoring toward PA & NHS
- Market share of 28.2% on total non-recourse factoring outstanding (€6.9bn)
- Undisputed leadership across all segments
- BFF's market share constantly growing in all segments over the last four years

BFF's Market Share by counterparty (%)

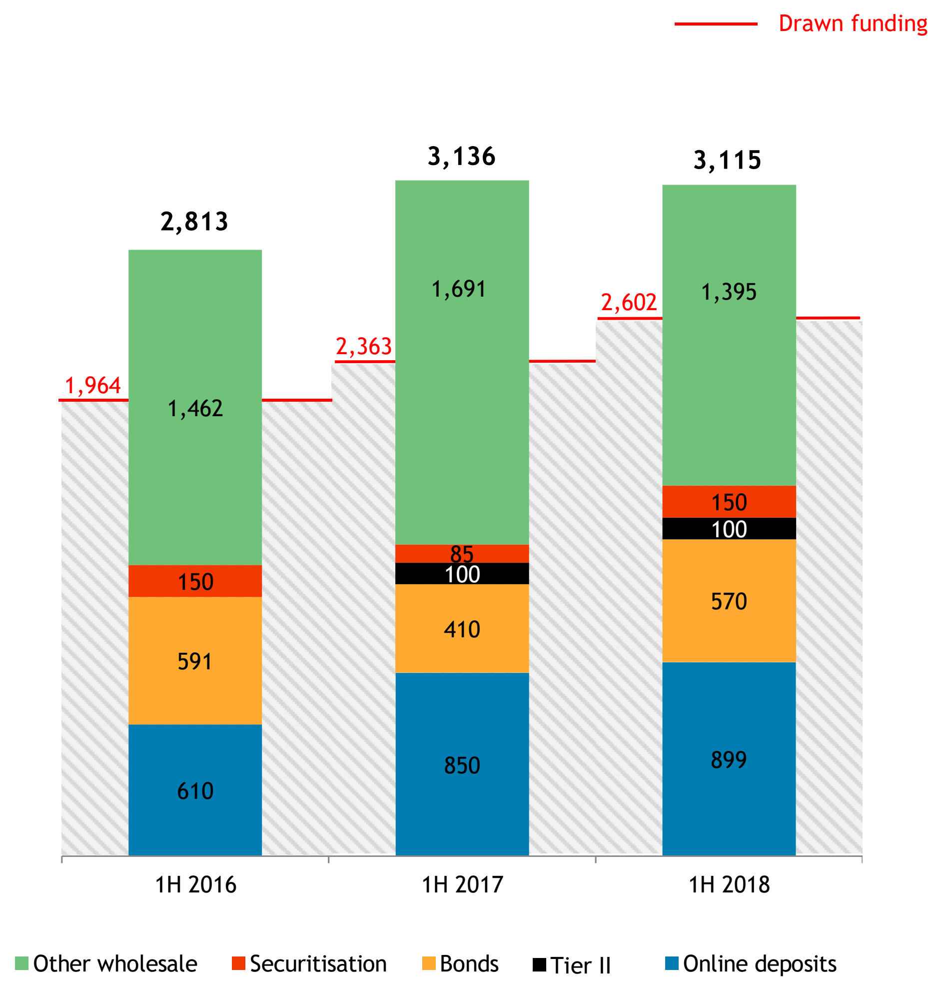


Source: Assifact

Diversified Funding Base with ample liquidity

- **A diversified and flexible funding base to support business growth:**
  - Deposits account for 35% of drawn funds and are equal to €899m as of June 2018, +6% y/y despite strong reduction in offered yields
- **Ample excess liquidity with group undrawn funding at €0.5bn[1]**, down from €0.8bn as of June 2017 following the optimization of the wholesale funding lines to decrease funding cost

Available Funding[2;3] (€m)

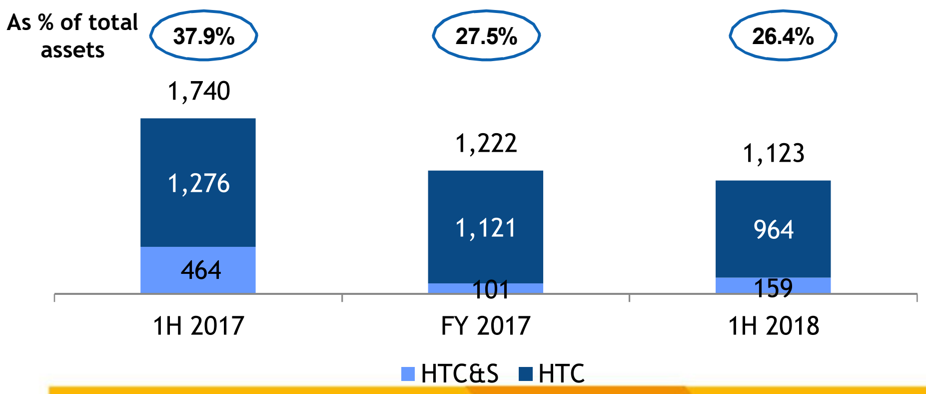


Notes: (1) Based on utilized credit lines; (2) Excluding ECB funds and REPOs; (3) Not considering financing for BFF Polska Group acquisition 378 m PLN.

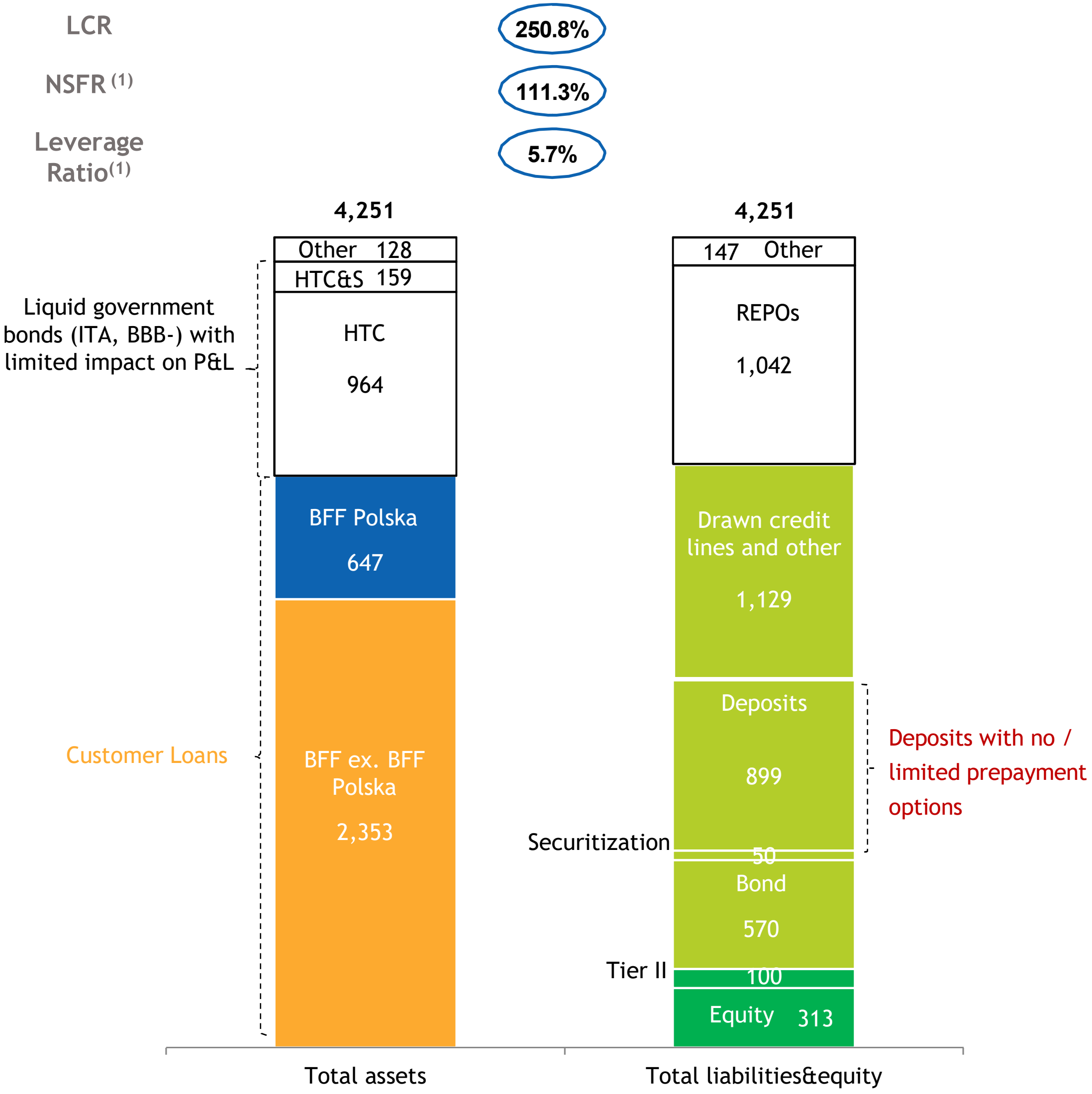
Fortress Balance Sheet

- **Decreasing Government bond portfolio** (-35% y/y): negative mark to market of HTC&S for €5.4m after tax (booked in equity) and €9.7m after tax on HTC
- **Conservative asset / liability management**
- Customer loans funded through a well **diversified funding base** with shorter maturity of the asset side vs. liabilities, allowing for fast repricing
- **Positively geared to higher interest rates**
- **Strong liquidity position** with a LCR of 251% as of June 2018
- **Natural currency hedge:** forex assets and BFF Polska tangible equity funded with forex liabilities

Bond Portfolio[(2)] (€m)



Breakdown of Balance Sheet 1H 2018 (€m)

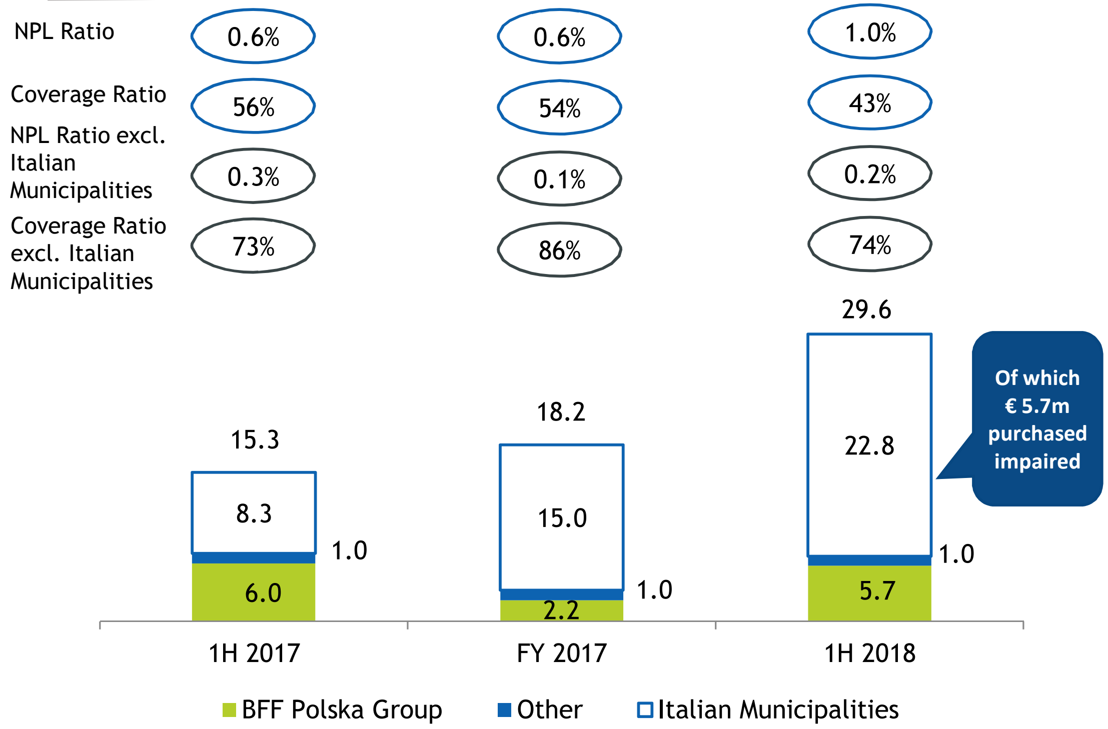


Source: Company data (1) 1H 2018 CRR NSFR and Leverage Ratio: 110.2% and 5.9%; (2) 2017 values of AFS and HTM

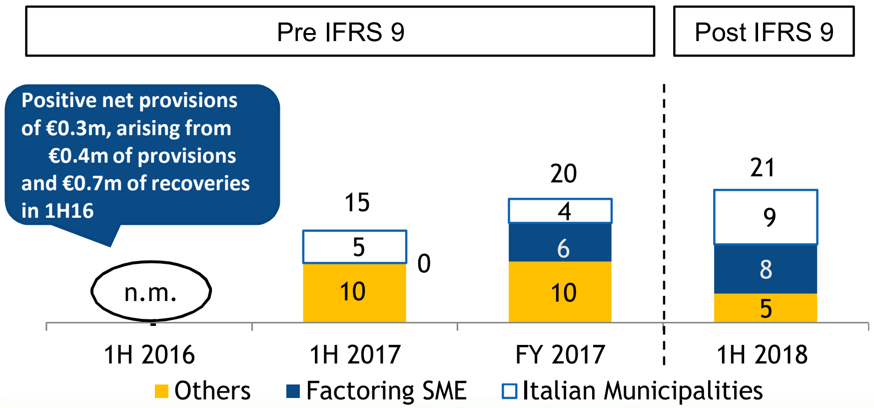
Negligible Credit Risk

- **Increase in Net NPLs (€29.6m, 1.0% of net loans) driven mainly by the growing activities towards the Italian Municipalities:**
  - €23m (77% of total) are related to Italian municipalities in conservatorship, classified NPLs by regulation despite BFF being legally entitled to receive 100% of the capital and LPI at the end of the process (€6m already in conservatorship at the time of purchase), €1m is related to the San Raffaele Hospital exposure. Expected over-recovery on both Italian municipalities and San Raffaele exposure
  - Net past due and total net impaired assets are for 81% and 77% respectively towards the public sector
- **Negligible cost of risk of 21bps in 1H18, 5bps excluding:**
  - 8bps related to the SME factoring business in run-off
  - 9bps related to the Italian municipalities in conservatorship

Net Non Performing Loans Evolution (€m)



Annualised cost of risk (bps)



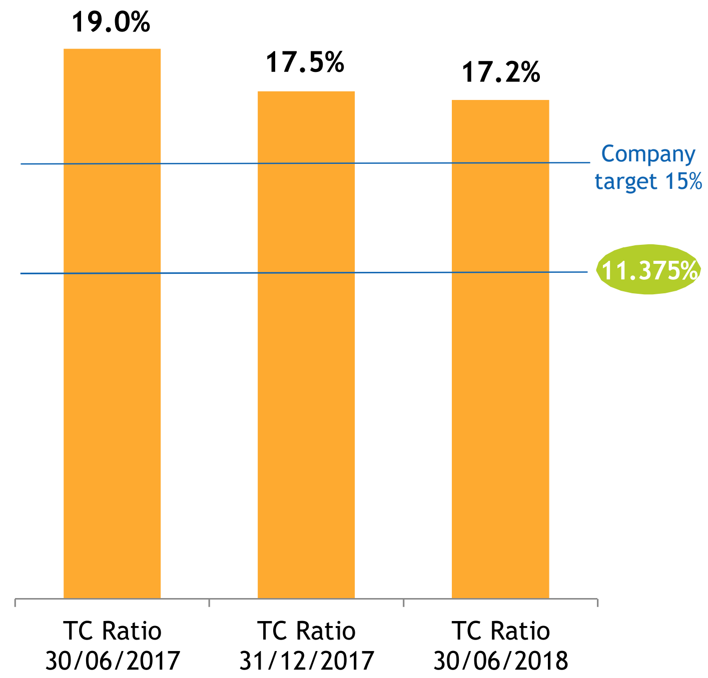
Asset quality - €/000	1H2017	FY2017	1H2018	Public sector
Net Non performing - total	15,329	18,175	29,554	
Net unlikely to pay	3,722	6,760	9,210	
Net past due	54,672	69,794	128,328	81%
Total net impaired assets	73,724	94,730	167,093	77%

Strong capital position

- **Total Capital ratio of 17.2% and CET1 ratio of 12.3%:**
  - €41.3m of reported net income not included in capital ratios (equal to 202 bps of additional CET1 and total capital) available for dividend distribution
  - 220bps Total Capital in excess of 15% target available to sustain RWA growth
  - Both ratios are net of the negative exchange rate and HTC&S mark to market impact (respectively 21bps and 27bps)
- **Conservative RWA calculation** based on standard model and with Italian exposure to NHS and other PA risk weighted at 100%(2). One notch Italian rating upgrade would move the risk weighting to 50% with a 3.6% positive impact on Total Capital Ratio and a 2.6% impact on CET1 Ratio
- **Lower RWA density thanks to a better loan mix**, 67% as of June 2018, vs. 72% as of June 2017, despite increasing past due and non performing loans

Total Capital Ratio - Banking Group ex TUB Capital Ratio(1)

	30/06/2017	31/12/2017	30/06/2018	SREP requirement
CET1	13.7%	12.6%	12.3%	7.175%
RWA	1,853	2,018	2,005	
RWA density	72%	67%	67%	
Net income not included in Ratios	38.1	83.7	41.3	



	DBRS	Country	Other PA RWA
Investment Grade	AAA		20%
	AA (High)		
	AA		
	AA (Low)		
	A (High)		50%
	A		
	A (Low)		
	BBB (High)		100%
	BBB		
	BBB (Low)		
Non-Investment Grade	BB (High)		
	BB	Not rated by DBRS	
	BB (Low)		
	B (High)		
	B		
	B (Low)		
	CCC (High)		150%
	CCC		
	CCC (Low)		
	CC		
	C		
	D		

(1) 1H2018 CRR Total Capital Ratio and CET1 Ratio: 16,2% and 11,7%. These ratios are subject to approval by BFF Luxembourg S.àr.l. 2) Following the DBRS downgrade, starting from March 2017, capital ratios are calculated based on a higher risk weighting factor (from 50% to 100%) for the Italian exposure to NHS and other PA different from local and central government

Potential initiatives of the New Italian Government and Impact on BFF's Business

BFF BANKING GROUP

Initiative	Comment	Run Rate Effect on Net Income
1 20% Corporate Income Tax	▪ The 2016 "Legge di Stabilità" reduced IRES for corporates to 24% starting from 2017, maintaining IRES for banks and financial intermediaries (including BFF) at 27.5% in order for Italian banks to preserve the capital generated through deferred tax asset ("DTA") ▪ The envisaged reduction of the **IRES rate to 20%,** if applied also to banks and financial institutions, would have a **positive material impact on BFF profitability, with zero impact on capital given no DTA**	↑
2 VAT Split Payment	▪ Following the introduction of the VAT Split Payment (a temporary measure introduced in 2015 and authorized by the EU until June 2020), BFF **purchases receivables net of VAT (on average ~15% of the face value of the receivables)** ▪ Minister of Economic Development Di Maio recently announced the intention to terminate the split payment mechanism earlier following the introduction of the **B2B electronic invoicing** ▪ If implemented, BFF **volumes, net interest income and commissions in Italy** (managed only / purchased) would automatically **increase by ~15% or more** (VAT amount) with virtually no impact on operating costs	↑
3 Compensation of Tax payables / receivables	▪ Proposal to extend the existing mechanism of compensation currently limited to "certified" receivables ▪ The **operational complexity** would make it more expensive for companies, PA and factoring companies to operate, as well as expose the factoring players to greater **uncertainty about the existence of credit**, with negative impact mainly for SMEs	?
4 Bramini law	▪ Proposal to prevent bankruptcy of companies because of unpaid claims against the PA ▪ Positive for BFF since it will **reduce dilution risk towards the small sellers of receivables open up more activity with mid sized companies**	↑
5 CDP guarantee	▪ Proposed to the CDP to guarantee payments of public administration receivables ▪ Initiative already tried in 2013-2014 without much success	?
6 MiniBOT	▪ Proposal to introduce a new payment instrument to pay credits for a maximum of €25k p.a. per creditor ▪ In addition to difficult implementation from an operational / cost point of view, it would also have **limited to zero impact on BFF given its client are mainly large corporates** ▪ In an interview (June 2018), Minister of Finance Tria stated that they do not intend to introduce such instrument	=
7 Wider Budget Deficit	▪ More unfunded expenditures mean longer DSOs ▪ More concerns on Italian public finances means more demand for our products, and potentially better pricing to be balanced by higher cost of funding	↑

1H2018 Results: Key Highlights

Solid financial performance	• €39.9m of Adjusted Net Income (+5% y/y), after having expensed €0.8m of Tier II costs and provisions for €1.0m on Polish SME factoring portfolio in run off, and despite €20m of lower cashed in LPI vs. 1H17 • +7% of Adjusted Net Interest Income • Stock of unrecognized off balance sheet LPI at €358m (+3% vs 1H17) • Efficient operation with Adj. C/I ratio of 38% • 32% of Adjusted ROTE
Double digit growth in loans and volumes	• Total customer loans up 17% y/y, 32% outside Italy • New volumes up 24% y/y
Solid capital position and low risk profile	• TC and CET1 ratios equal to 17.2% and 12.3% (excluding €41m of net income for the period) well above SREP requirements, and including mark to market effect on HTC&S portfolio • Low Net NPLs (1.0% of loans), of which 77% related to Italian municipalities in conservatorship ("Comuni in dissesto") • Annualised CoR 1H18 of 21bps, of which 8bps due to the Polish SME factoring portfolio in run off and 9 bps due to Italian municipalities in conservatorship • Significantly smaller government bond portfolio (-35% y/y)
New Business Initiatives	• Launch of a new financial solution in the infrastructures renovation sector with first deal signed with Citelum • First two revolving agreements signed in Greece • Portuguese branch opened in July 2018

Source: Company data;
Notes: 2018 Exchange rate for Poland and Czech respectively PLN/€ 4,2207 and PLN/CZK 0,166 for P&L data (1H 2018 average), PLN/€ 4,3732 and PLN/CZK 0,168 for Balance Sheet data (29th June 2018); 2017 Exchange rate for Poland and Czech respectively PLN/€ 4,2685 and PLN/CZK 0,159 for P&L data (1H 2017 average), PLN/€ 4,2259 and PLN/CZK 0,161 for Balance Sheet data (30th June 2017);

Appendix

Focus on Drivers of the % of Net Interest Margin vs. Previous Year

Assuming pricing done at i. constant target ROE vs capital absorbed and ii. no LPI over-recovery

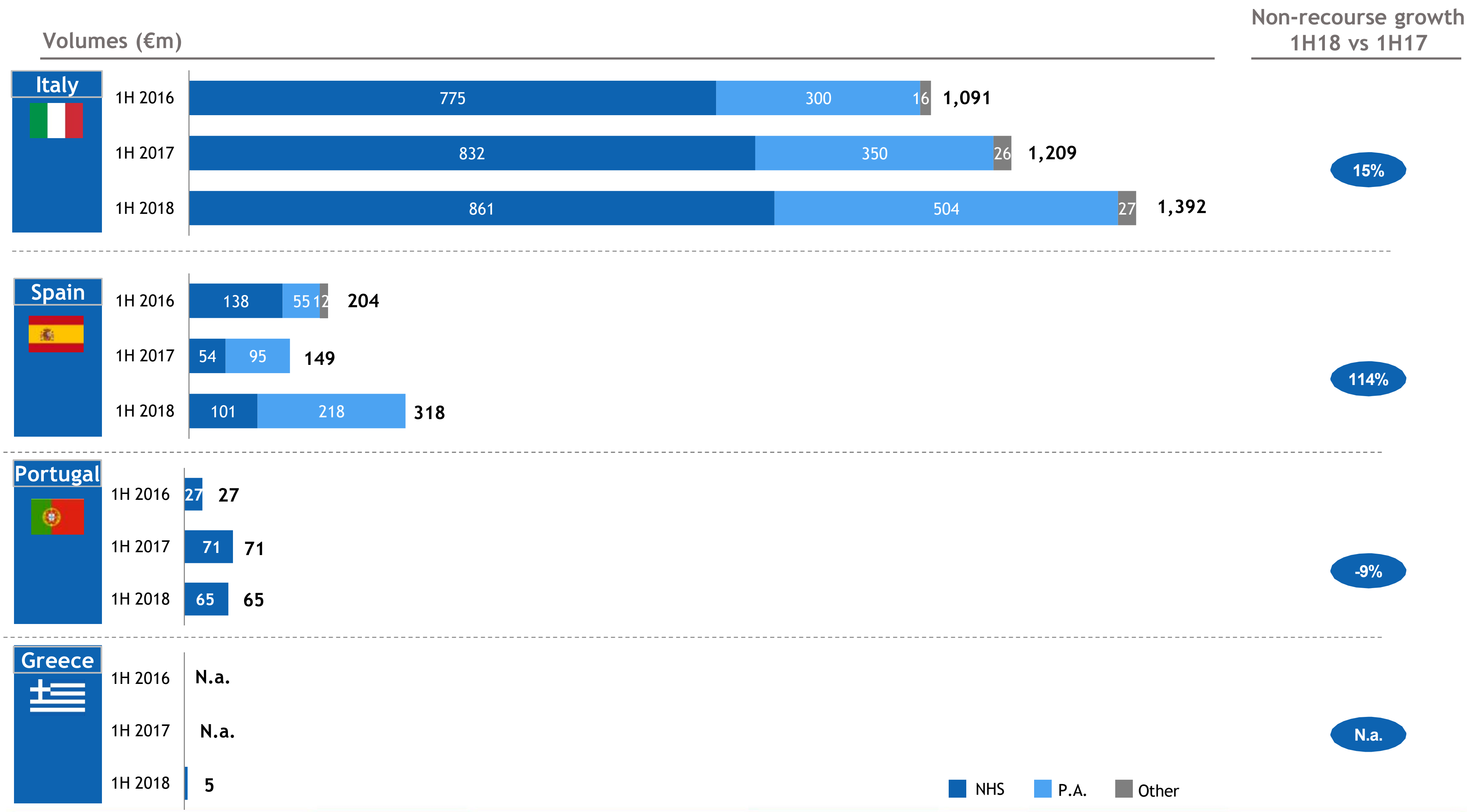
Deferral effect of LPI over-recovery

% NIM (FY17 6.1%)	Net interest income on customer loan (FY17 €161.3m[1]) / Avg. customer loans (Avg FY17 €2,640m)	=	Maturity commission + 45% LPI discounted - interest expenses[2] (FY17 €144.4m[1]) / Avg. customer loans (Average FY2017 €2,640m)	+	LPI over-recovery - Re-scheduling impact (FY17 €16.9m) / Avg. customer loans (Average FY2017 €2,640m)	Impact on Yield on RWA	Comments
Impact on the % of NIM	**In case of loan growth** *(with stable RWA density)*		= / ↓		↓	↓	• **Deferral effect of LPI over-recovery:** the over-recovery on LPI generated by the current loan book will be visible in P&L in 5 years on average. Therefore, in case of loan growth the NIM on current loan book would decrease because of the increase in the denominator and the deferral of income • In case of no growth in the loan book, the deferral effect of the LPI and the over-recoveries "catching up" with the loan book will increase the reported yield
	In case of no loan growth *(with stable RWA density)*		=		↑	↑	
	In case of lower RWA density *(Pricing)*		= / ↓		↓	↑	• Pricing is based on, among other, CoF, capital absorption and assuming no over-recovery on LPI • Larger loan book coupled with lower capital absorption will generate better RoRWAs and lower NIM • With stable loan (no growth) and lower RWA density, NIM would decrease while ROE and RoRWA would improve • Improvement of RoRWA fully visible in 5 years since LPI over-recovery does not depend on capital absorbed

For receivables not collected within the expected maximum collection date, interest income is reduced by the amount of yield required to keep the IRR of the portfolio constant until the new expected collection rate. In particular, the value of the credit on the balance sheet is re-calculated using the new expected cash-flow schedule and the negative delta in value is booked in P&L to maintain the original IRR (**"rescheduling impact"**).

Source: Company data;
Notes: (1) Excluding €25m positive one-off impact from change in LPI accounting (40% to 45%) and interest on REPO from the interest expenses. (2) Based on total interest expenses on total funding excluding REPO.

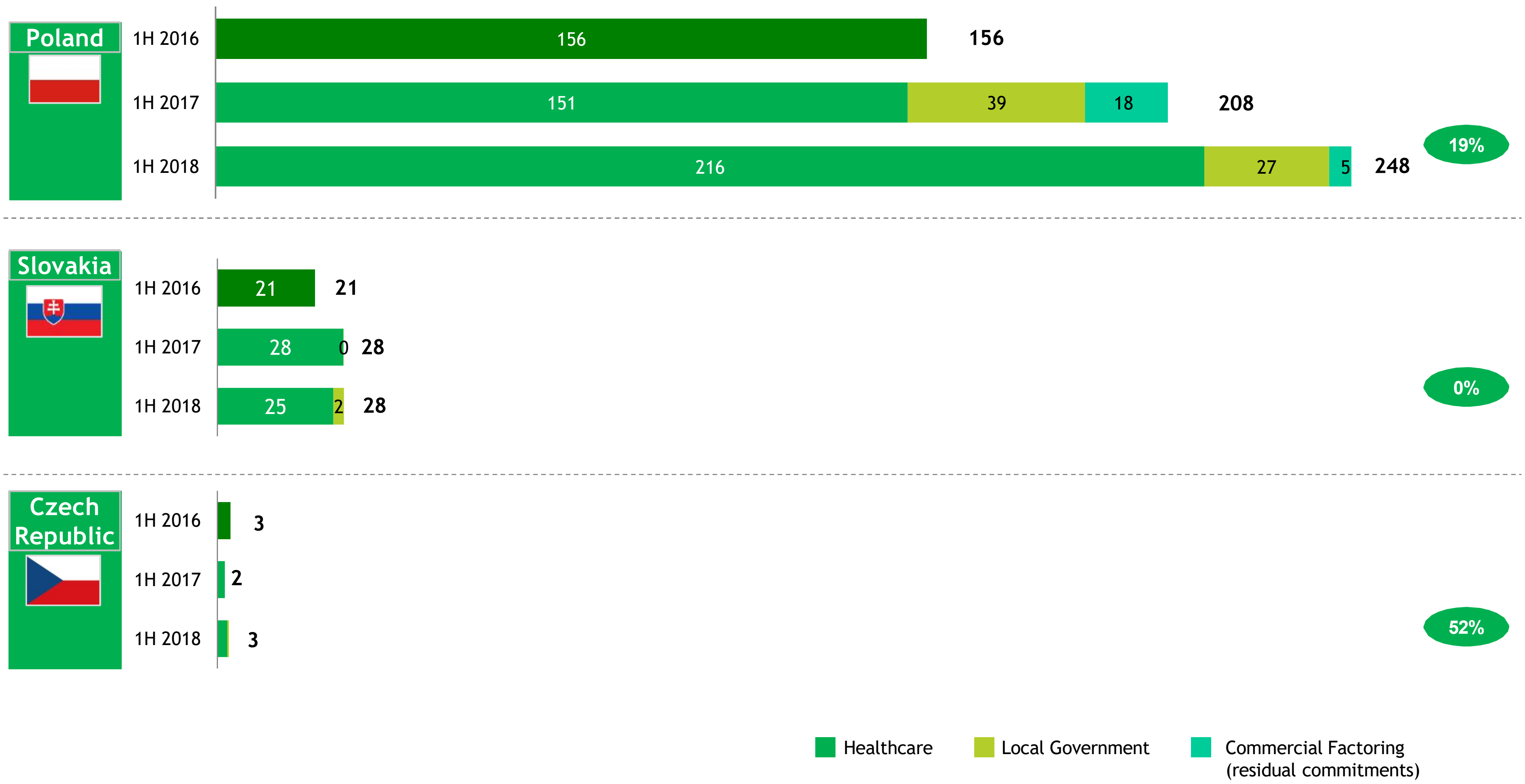
Non-recourse Volumes



New Business

New Business (€m)

New Business growth 1H18 vs 1H17



Adjusted Net Income Reconciliation

€m	1H16	1H17	1H18
Group BFF Reported Net income	**28.3**	**50.7**	**41.3**
Change in LPI accounting from 40% to 45%		(17.8)	
One-off IPO costs	0.9	1.7	
Exchange rates movement (offset at the comprehensive income and equity level)	(0.6)	2.5	(2.8)
Stock options		1.1	0.9
Extraordinary Resolution Fund contribution			0.5
Magellan acquisition costs	3.8		
Magellan Net Income	4.0		
Adjusted Net Income	**36.4**	**38.1**	**39.9**
Additional 2 months Tier II costs			0.8
Magellan SME factoring provision			1.0
Adjusted Net Income "like for like"	**36.4**	**38.1**	**41.7**

Summary Profit & Loss

€m	1H16 Combined	1H16 Adjustments	1H16 Adjusted
Interest Income	91.7	0.0	91.7
Interest Expenses	-18.3	0.0	-18.3
Net Interest Income	**73.4**	**0.0**	**73.4**
Net Fee and Commission Income	3.4	-0.3	3.2
Dividends	0.1	0.0	0.1
Gains/Losses on Trading	0.9	-1.0	-0.1
Gains/Losses on Hedging	0.0	0.0	0.0
Gains/losses on Purchase/Disposal of Available-for-Sale Financial Assets	0.4	0.0	0.4
Net Banking Income	**78.2**	**-1.2**	**76.9**
Impairment Losses/Reversal on Financial Assets	0.3	0.0	0.3
Administrative Expenses	-31.6	6.6	-25.0
Writebacks on Property, Plan and Equipment and Intangible Assets	-1.5	0.0	-1.5
Provisions for risks and charges	-0.5	0.0	-0.5
Other Operating Income (Expenses)	1.4	0.0	1.4
Profit Before Income Taxes from Continuing Operations	**46.3**	**5.4**	**51.6**
Income Taxes	-14.0	-1.3	-15.3
Net Income	**32.3**	**4.1**	**36.4**

	1H17 Reported	1H17 Adjustments	1H17 Adjusted	1H18 Reported	1H18 Adjustments	1H18 Adjusted
Interest Income	126.7	-25.2	101.5	108.3		108.3
of which interest income calculated using the effective interest rate method	106.8	-25.2	81.6	93.7		93.7
Interest Expenses	-20.1		-20.1	-21.4		-21.4
Net Interest Income	**106.6**	**-25.2**	**81.4**	**87.0**		**87.0**
Net Fee and Commission Income	3.5		3.5	3.0		3.0
Dividends	0.0		0.0	0.0		0.0
Gains/Losses on Trading	-4.2	3.6	-0.6	4.1	-4.1	0.0
Fair value adjustments in hedge accounting	0.0			0.1		0.1
Gains/losses on disposal/repurchase of			0.0			
a) financial assets measured at amortized cost	0.0		0.0	0.0		0.0
b) financial assets measured at fair value through OCI	0.0		0.0	0.4		0.4
Net Banking Income	**105.9**	**-21.6**	**84.3**	**94.5**	**-4.1**	**90.5**
Net adjustments/reversals of impairment for credit risk concerning:			0.0			
a) financial assets measured at amortized cost	-1.9		-1.9	-3.2		-3.2
b) financial assets measured at fair value through OCI	0.0		0.0	0.0		0.0
Administrative Expenses	-33.4	3.9	-29.5	-34.3	2.0	-32.4
Net provisions for risks and charges			0.0			
a) commitments and guarantees provided	0.0		0.0	0.0		0.0
b) other net allocations	-0.4		-0.4	-0.5		-0.5
Net Adjustments to/ Writebacks on Property, Plan and Equipment and Intangible Assets	-1.6		-1.6	-1.7		-1.7
Other Operating Income (Expenses)	1.9		1.9	1.6		1.6
Profit Before Income Taxes from Continuing Operations	**70.5**	**-17.7**	**52.9**	**56.4**	**-2.1**	**54.3**
Income Taxes	-19.9	5.1	-14.8	-15.1	0.7	-14.4
Net Income	**50.7**	**-12.6**	**38.1**	**41.3**	**-1.4**	**39.9**

Source: Company data

Summary Balance Sheet

€/m	1H16 Reported	1H17 Reported	FY17 Reported
Assets			
Cash and cash Balances	0.9	3.7	80.9
Financial Assets Held for Trading	0.0	0.0	0.0
Financial Assets at Fair Value	3.4	1.2	0.5
Available-for-Sale Financial Assets	331.8	464.1	101.4
Financial Assets Held to Maturity	1,347.1	1,275.8	1,120.6
Due from Banks	80.6	228.0	44.8
Receivables and Loans	2,319.3	2,556.7	3,018.5
Hedging derivatives	0.0	0.4	0.3
Equity Investments	0.2	0.2	0.3
Property, Plant and Equipment	13.0	12.9	12.8
Intangible Assets	24.4	25.2	26.0
Tax Assets	13.8	16.2	30.9
Other Assets	9.2	9.7	9.8
Total Assets	**4,143.8**	**4,594.0**	**4,446.9**
Liabilities and Equity			
Due to Banks	449.8	665.4	658.0
Due to Customers	2,469.1	2,853.1	2,496.0
Securities Issued	739.1	591.8	790.1
Financial Liabilities Held for Trading	0.2	1.2	0.5
Hedging Derivatives	0.0	0.0	0.0
Tax Liabilities	64.9	69.4	82.5
Other Liabilities	125.0	89.5	49.7
Employess Severance Indemnities	1.0	0.9	0.8
Provision for Risks and Charges	5.6	6.3	5.4
Equity	260.8	265.7	268.3
Profits for the Year	28.3	50.7	95.5
Total Liabilities and Equity	**4,143.8**	**4,594.0**	**4,446.9**

	FY17 Reported	1H18 Reported
Cash and cash Balances	80.9	38.6
Financial assets measured at *fair value* through profit or loss	0.5	0.0
a) financial assets held for trading	0.0	0.0
b) financial assets designated at *fair value*	0.0	0.0
c) other financial assets mandatorily measured at *fair value*	0.5	0.0
Financial assets measured at fair value through OCI	101.4	159.2
Financial assets measured at amortized cost	4,183.9	3,983.3
a) Loans and receivables with banks	44.8	19.2
b) Loans and receivables with customers	4,139.1	3,964.1
Hedging derivatives	0.3	0.0
Equity Investments	0.3	0.2
Property, Plant and Equipment	12.8	12.5
Intangible Assets	26.0	25.3
Tax Assets	30.9	19.3
Other Assets	9.8	12.5
Total Assets	**4,446.9**	**4,250.8**
Liabilities and Equity		
Financial liabilities measured at amortized cost	3,944.1	3,791.3
a) deposits from banks	658.0	687.3
b) deposits from customers	2,496.0	2,386.3
c) securities issued	790.1	717.6
Financial Liabilities Held for Trading	0.5	0.0
Hedging Derivatives	0.0	0.0
Tax Liabilities	82.5	72.6
Other Liabilities	49.7	68.9
Employess Severance Indemnities	0.8	0.9
Provision for Risks and Charges	5.4	4.2
Equity	268.3	271.5
Profits for the Year	95.5	41.3
Total Liabilities and Equity	**4,446.9**	**4,250.8**

Source: Company data

Breakdown by quarter – BFF Group

Adjusted Values	2016 (including Magellan for full period)					2017					2018		
Data in €/m	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H
Interest income	45.6	46.0	44.3	68.1	**204.0**	54.8	46.8	44.4	66.8	**212.8**	53.4	54.9	**108.3**
Interest expenses	(9.4)	(8.9)	(9.6)	(9.3)	**(37.1)**	(9.8)	(10.3)	(9.7)	(10.1)	**(39.9)**	(11.3)	(10.1)	**(21.4)**
Net interest income	36.3	37.2	34.7	58.8	**166.9**	45.0	36.4	34.8	56.7	**172.8**	42.2	44.8	**87.0**
Net banking income	38.2	38.7	37.3	60.6	**174.8**	45.9	38.4	36.8	59.1	**180.3**	44.0	46.5	**90.5**
Operating costs and D&A	(12.7)	(13.8)	(13.9)	(16.0)	**(56.4)**	(15.6)	(15.5)	(13.6)	(16.6)	**(61.2)**	(15.3)	(18.7)	**(34.0)**
LLPs	(0.2)	0.6	(0.5)	(2.5)	**(2.6)**	(0.7)	(1.2)	(0.4)	(3.7)	**(6.0)**	(1.0)	(2.3)	**(3.2)**
Profit Before Taxes	25.5	26.1	23.7	44.5	**119.8**	30.3	22.6	22.8	39.7	**115.3**	27.9	26.4	**54.3**
Income Taxes	(7.2)	(8.0)	(5.2)	(12.1)	**(32.5)**	(8.5)	(6.2)	(6.2)	(10.6)	**(31.6)**	(7.6)	(6.7)	**(14.4)**
Net income	18.3	18.1	18.5	32.5	**87.3**	21.8	16.3	16.5	29.1	**83.7**	20.3	19.7	**39.9**

Reported Values	2016					2017					2018		
Data in €/m	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	1Q	2Q	1H
Interest income	37.5	40.5	44.1	68.1	**190.2**	79.9	46.8	44.4	66.8	**237.9**	53.4	54.9	**108.3**
Interest expenses	(5.7)	(6.5)	(10.0)	(8.9)	**(31.0)**	(9.8)	(10.3)	(9.7)	(10.1)	**(39.9)**	(11.3)	(10.1)	**(21.4)**
Net interest income	31.8	34.0	34.2	59.2	**159.2**	70.1	36.4	34.8	56.7	**198.0**	42.2	44.8	**87.0**
Net banking income	33.7	36.9	31.1	62.3	**164.0**	67.4	38.6	38.5	56.5	**200.8**	44.7	49.8	**94.5**
Operating costs and D&A	(12.0)	(18.4)	(16.2)	(19.7)	**(66.3)**	(19.5)	(15.5)	(13.6)	(16.6)	**(65.1)**	(16.6)	(19.4)	**(36.0)**
LLPs	(0.1)	0.7	(0.4)	(2.5)	**(2.2)**	(0.7)	(1.2)	(0.4)	(3.7)	**(6.0)**	(1.0)	(2.3)	**(3.2)**
Profit Before Taxes	21.7	19.7	15.2	42.5	**99.1**	47.8	22.7	24.4	37.0	**132.0**	27.3	29.1	**56.4**
Income Taxes	(6.4)	(6.6)	(2.6)	(11.4)	**(27.0)**	(13.6)	(6.3)	(6.8)	(9.8)	**(36.4)**	(7.5)	(7.6)	**(15.1)**
Net income	15.3	13.1	12.6	31.1	**72.1**	34.2	16.4	17.7	27.2	**95.5**	19.8	21.5	**41.3**

Asset quality

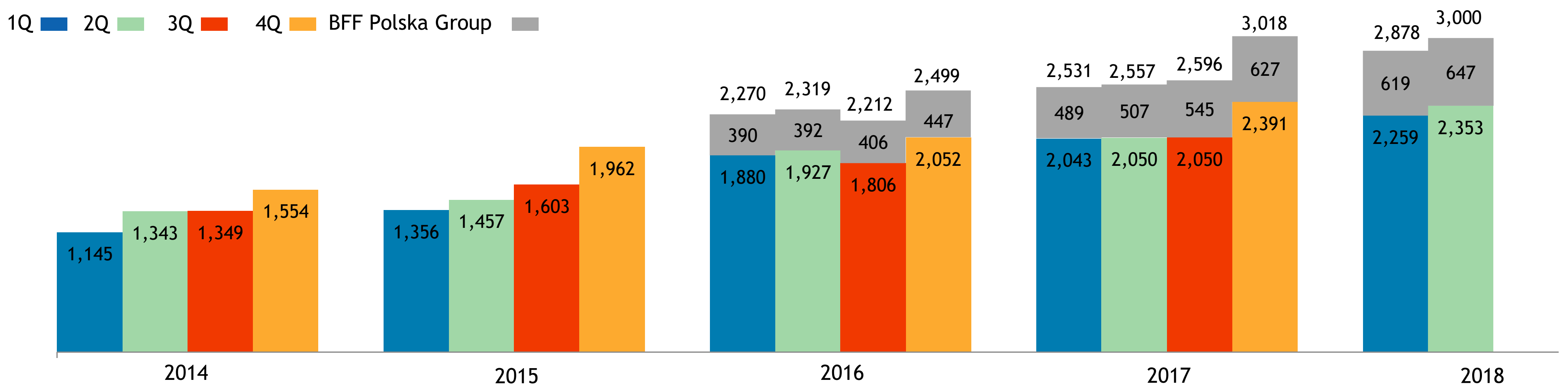
€/000	30/06/2018 Gross	Provision	Net
Net non performing - total	51,917	(22,363)	29,554
Net unlikely to pay	12,615	(3,405)	9,210
Net past due	128,936	(607)	128,328
Total net impaired assets	**193,467**	**(26,375)**	**167,093**

€/000	31/12/2017 Gross	Provision	Net
Net non performing - total	39,587	(21,412)	18,175
Net unlikely to pay	10,370	(3,610)	6,760
Net past due	69,935	(140)	69,794
Total net impaired assets	**119,892**	**(25,162)**	**94,730**

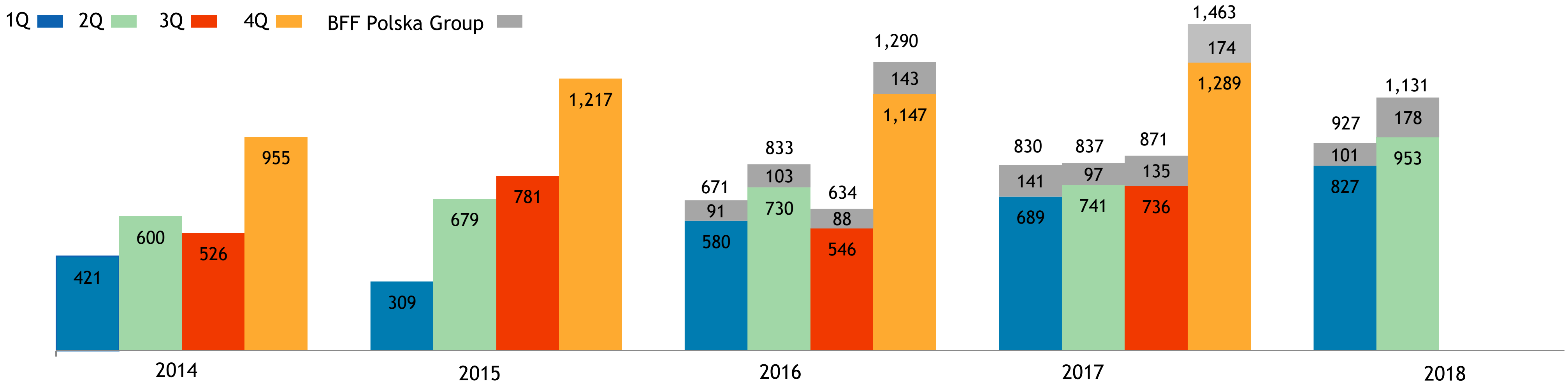
€/000	30/06/2017 Gross	Provision	Net
Net non performing - total	34,695	(19,366)	15,329
Net unlikely to pay	4,876	(1,153)	3,722
Net past due	54,921	(249)	54,672
Total net impaired assets	**94,492**	**(20,768)**	**73,724**

Traditional Business Subject to Seasonality, with Peak in Q4

Loans Evolution by Quarter(1) (€m)



Breakdown of Volumes by Quarter(2) (€bn)



(1) 2018 loans: item 40 b) Balance Sheet excluding HTC (2) 2016 BFF Polska Group New Business includes Spanish Branch New Business (€12m) and is converted to the 2016 average exchange rate PLN/€ 4,3632; 2017 BFF Polska Group New Business is converted to the relevant period average FX rate; 2016 and 2017 BFF Polska Group Loans are converted to the relevant end of period day FX rate.