1Q 2020 Results

8th May 2020

A Bank Like No Other®

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1Q 2020 results: key highlights

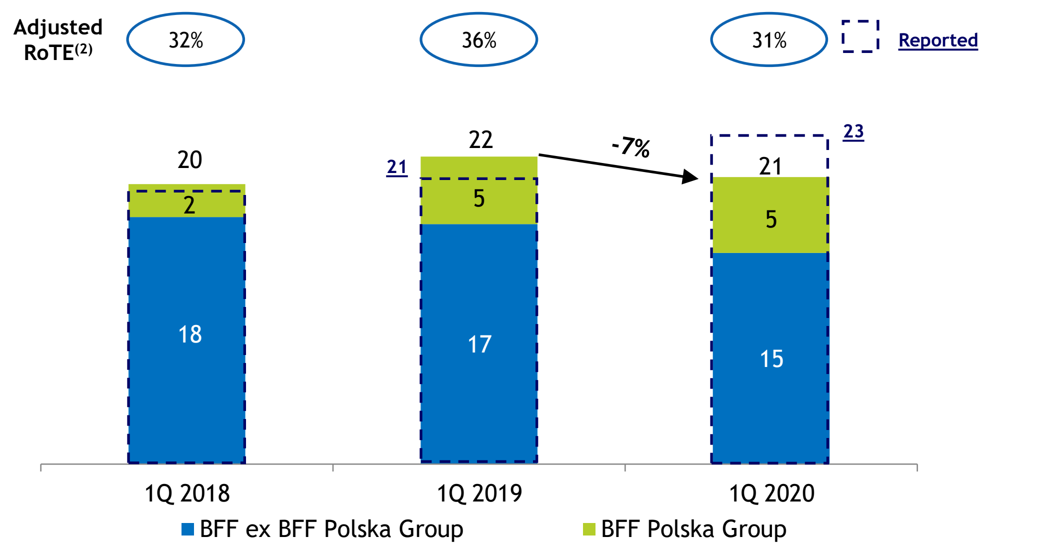
Dividend policy confirmed and 2019 dividend expected to be paid in October	▪ One of the few banks that complied with Bank of Italy's recommendation on the 2019 dividend by adopting Option 1, i.e. not changing the dividend policy and making the payment proposal conditional to the resolution of the COVID-19 emergency ▪ Therefore, the intention to distribute the €70.9m of 2019 Expected Cash Dividend (equivalent to €0.415 DPS) is confirmed and the same amount is excluded from the calculation of the 1Q20 regulatory capital ratio
Solid financial performance	▪ €20.8m of Adjusted Net Income (€23.1m Reported) with 31% of Adjusted RoTE and -€3.6m of net LPI over-recovery ▪ Stock of unrecognized off-balance sheet LPI (back-book income reserve) increased by €31m YoY to €408m ▪ Improving operating leverage with Adjusted Operating Costs/Loans ratio of 1.84% vs.1.87% in 1Q19
Strong growth in volume and loans	▪ Total customer loans up by 8% y/y at €3.7bn, 37% outside Italy vs. 34% at Mar-19 ▪ New business grew by 30% y/y at €1.2bn, with Italy and Spain up by +8% and 107% y/y
Solid funding base and liquidity	▪ Available funding increased by +22% y/y at €4.0bn (of which €0.7bn are undrawn credit lines, +115% y/y) which provides higher flexibility to absorb a higher loan growth (i.e. up to +20% of additional growth for 1Q20) or longer collections times ▪ No recourse to ECB financing ▪ Sound liquidity ratios with LCR at 326.3% and NSFR at 110.3% (140.1% fully phased in)
Robust capital position and low risk profile	▪ TC and CET1 ratios equal to 15.3% and 11.2% (excluding both €70.9m of 2019 Expected Cash Dividend and €23.1m of Reported Net Income for 1Q20, equivalent to 299bps and 98bps of additional capital respectively), well above SREP requirements ▪ Strong reduction in net NPLs (-45% y/y and -14% vs. YE19, excluding Italian municipalities in conservatorship), with the Net NPLs/Loans ratio down to 0.1% ▪ Annualised Cost of Risk at 4bps, 2bps excluding the SME factoring business in run-off
COVID-19	▪ Fully operational since the beginning of the lockdown with no impact on the operations and commercial activity ▪ No need to benefit from <u>any</u> emergency aids made available by authorities or governments in relation to COVID-19 emergency ▪ Good client pipeline and collections volume. LPIs collection potentially effected by PA and courts lockdown.

1Q20 exchange rate for Poland and Czech Republic respectively PLN/€ 4.3241 and PLN/CZK 0.169 for P&L data (1Q20 average), PLN/€ 4.5506 and PLN/CZK 0.167 for Balance Sheet data (31st March 2020); 1Q19 exchange rate for Poland and Czech Republic respectively PLN/€ 4.3016 and PLN/CZK 0.167 for P&L data (1Q19 average), PLN/€ 4.3006 and PLN/CZK 0.167 for Balance Sheet data (29th March 2019); 1Q18 exchange rate for Poland and Czech Republic respectively PLN/€ 4.1792 and PLN/CZK 0.165 for P&L data (1Q18 average), PLN/€ 4.2106 and PLN/CZK 0.166 for Balance Sheet data (29th March 2018).

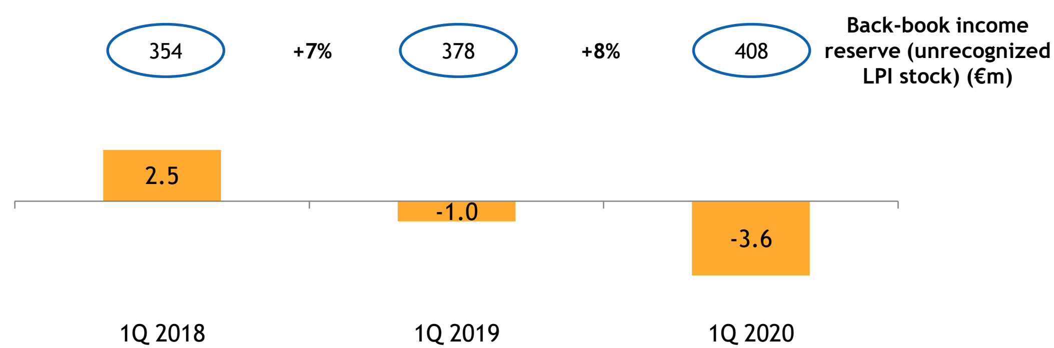
€23m Reported Net Income, €21m Adjusted

- **€23.1m of 1Q20 Reported Net Income and €20.8m Adjusted Net Income vs. €22.2m in 1Q19, with net LPI over-recovery €2.6m lower than 1Q19**
- Adjusted RoTE of 31% vs. 36% in 1Q19
- **The back-book income reserve** (i.e. the stock of LPI accrued, but that has not been collected and has not gone through the P&L) **increased by €31m (+8% y/y) to €408m**

Adjusted Net income(1) (€m)



Net Over-Recovery of LPI collection pre-taxes (€m)



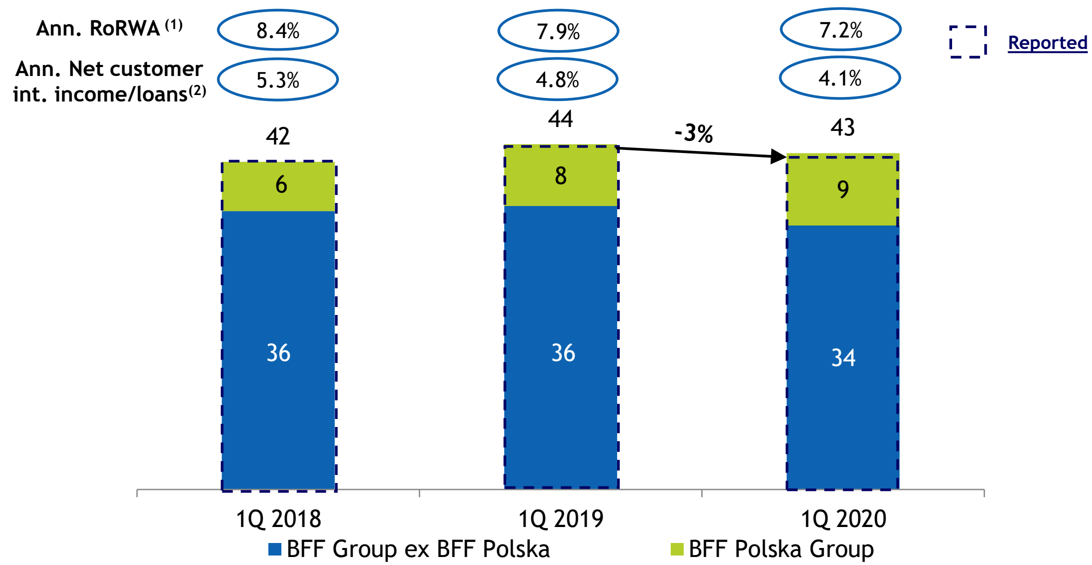
Notes: (1) Adjusted to exclude extraordinary items. 1Q2020 adjusted net income exclude the following items: €0.3m costs related to the Stock Option plan, €1.2m taxes on one-off dividend distribution from subsidiaries, €0.1m M&A costs, €4.0m positive impact from the exchange rate movement. See appendix for adjustments. (2) RoTE is calculated on the average tangible equity, excluding earnings of the period and 2019 Expected Cash Dividend.

Adjusted Net Interest Income and Net Banking Income driven by net LPI over-recovery

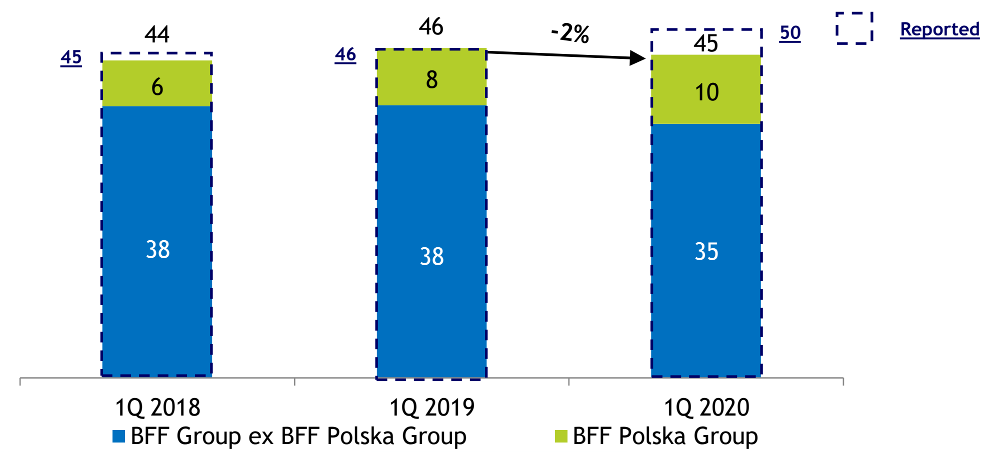
- **Adjusted Net Interest Income and Adjusted Net Banking Income respectively -3% y/y and -2% y/y vs. 1Q19**, with:
  - €2.6m of lower net LPI over-recovery in 1Q20 vs. 1Q19;
  - higher Cost of Funding (+9bps y/y) due to the significant increase in available funding (€4.0bn, +22% y/y, of which €0.7bn are undrawn credit lines, +115% y/y) which provides higher flexibility of BFF's balance sheet to absorb a higher loan growth (i.e. up to +20% of additional loans vs 1Q20 stock) or longer collections times
- **Annualized RoRWA at 7.2% in 1Q20 vs. 7.9% in 1Q19**, mainly driven by the lower net LPI over-recovery
  - Excluding the net LPI over-recovery, annualized RoRWA is equal to 7.8% in 1Q20 vs. 8.1% in 1Q19 and 7.9% 1Q18
- Recovery credit collection costs are accounted in other **operating income** on a cash basis (P&L item "230"), which increased from €1.0m in 1Q19 to €1.1m in 1Q20

Net Banking income are adjusted to exclude extraordinary items: the change in exchange rates impact (€5.6m positive impact for 1Q20 and €0.7m positive impact for 1Q18).

Adjusted Net Interest Income (€m)



Adjusted Net Banking Income (€m)

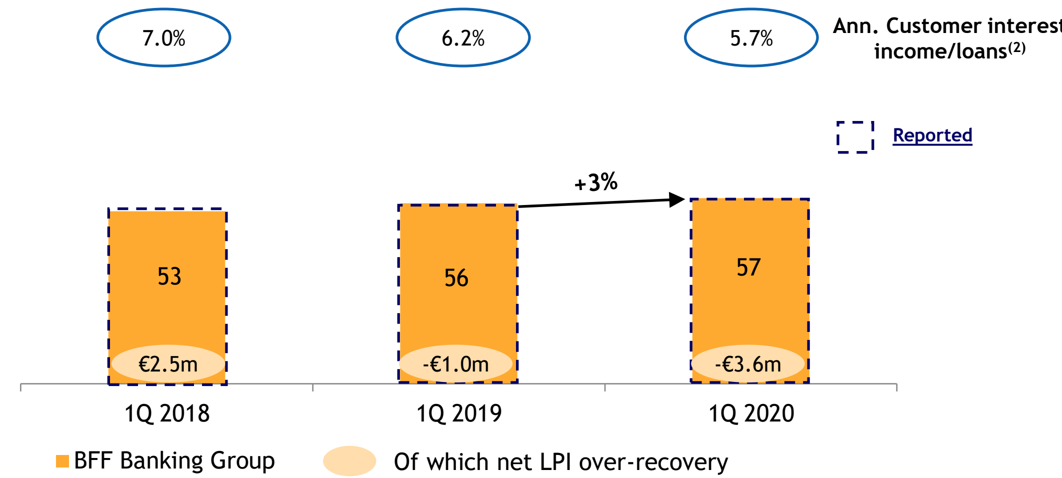


Notes: (1) Calculated as Adjusted Net Interest Income / Average RWAs (beginning and end of the period) (2) Calculated as Adjusted Net Interest Income on customer loans (excluding income on securities and on credit due from banks and REPO activity impact) / Average loans in the period.

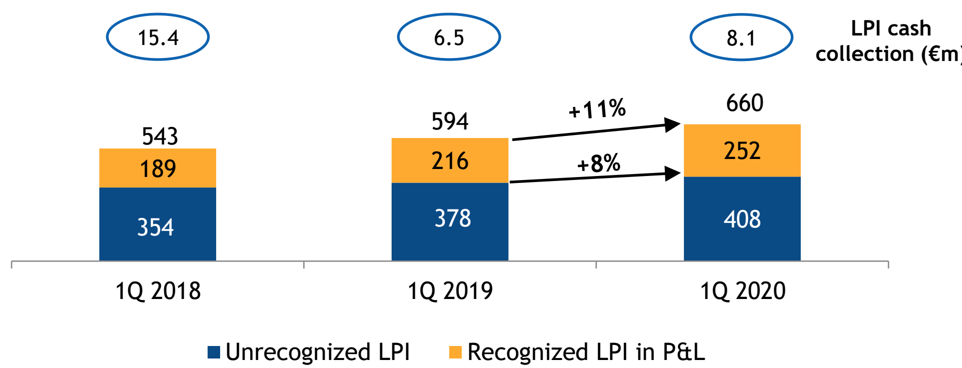
Growing Interest Income and LPI Stock

- **1Q20 Interest Income at €57m, +3% y/y vs 1Q19,** despite €2.6m of lower net LPI over-recovery(1) accounted in P&L vs. previous year
- **€1.6m of higher LPI cashed-in in 1Q20 vs. 1Q19:**
  - LPI cashed-in in 1Q20 amount to €8.1m, vs. €6.5m in 1Q19 and €15.4m in 1Q18, with **lower LPI recovery rate** in 1Q20 vs. a strong 1Q19
- **The stock of unrecognized off-balance sheet LPI (back-book income reserve)** that has not gone through the P&L **increased by €31m**, +8% y/y and equal **to €408m** at the end of 1Q20
- All LPI over-recoveries are accounted when cash-in collected and there is no sale of LPI to third parties

Adjusted Interest Income (€m)



LPI Stock evolution (excluding BFF Polska Group) (€m)



Notes: (1) LPI over-recovery vs. 45% minimum recovery rate assumed for accounting purpose, 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.

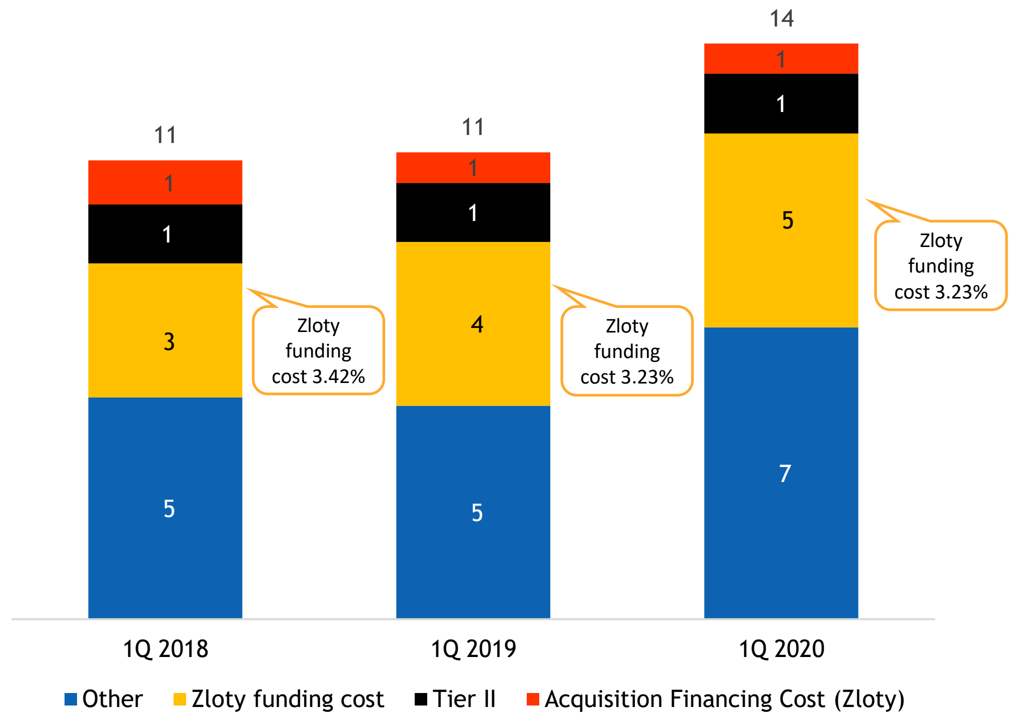
Cost of Funding at 1.66%

- Cost of funding increased to 1.66% (+9bps y/y) reflecting:
  - the issuance of a €300m 3.5Y bond at a 1.75% fixed rate in Oct-19 to prefund the business growth;
  - the decrease of the amount of wholesale credit lines drawn (currently the cheapest source of funding for BFF), which was offset by higher online deposits and bonds;
  - a higher weight of the Polish Zloty exposures.

  The combination of the above has resulted in **higher undrawn committed lines**, from €0.3bn to €0.7bn (+115% YoY), **which provides more flexibility to absorb a higher loan growth** (i.e. +20% additional growth in 1Q20) **or longer collections times**
- Increase in interest expenses at €14m (+19% y/y), driven by *i.* the increase of average drawn funding due to the growth of the business (from €3.2bn to €3.7bn) with a different mix (more deposits and less other wholesale lines), *ii.* the increase in Zloty funding which has a higher base rate (WIBOR 6M 1.19% vs. EURIBOR 6M -0.287% as of 31st March 2020), and *iii.* €1.4m of interest expense related to the €300m bond issued in Oct-19 (not present in 1Q19)
- **National Bank of Poland cut the reference interest rate by 50bps on 18-Mar and an additional 50bps on 9-Apr, leading to almost an equivalent reduction of the WIBOR. Essentially no impact on 1Q20. BFF's Zloty balance sheet has a neutral interest rate sensitivity**
- No funding costs linked to government bond yields
- No ECB refinancing risk

Adjusted Interest expenses (€m)

	1Q 2018		1Q 2019		1Q 2020
Average funding lines used (excluding REPO, €m)	2,563	+24%	3,176	+16%	3,674
Cost of funding (excluding REPO, %)	1.95%	-38bps	1.57%	+9bps	1.66%

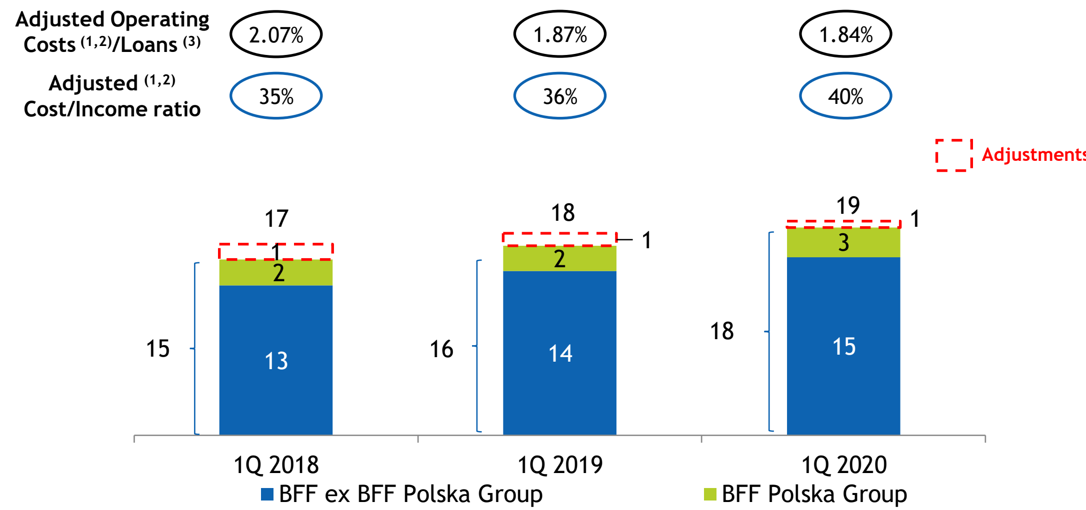


Good operating efficiency despite investment in growth

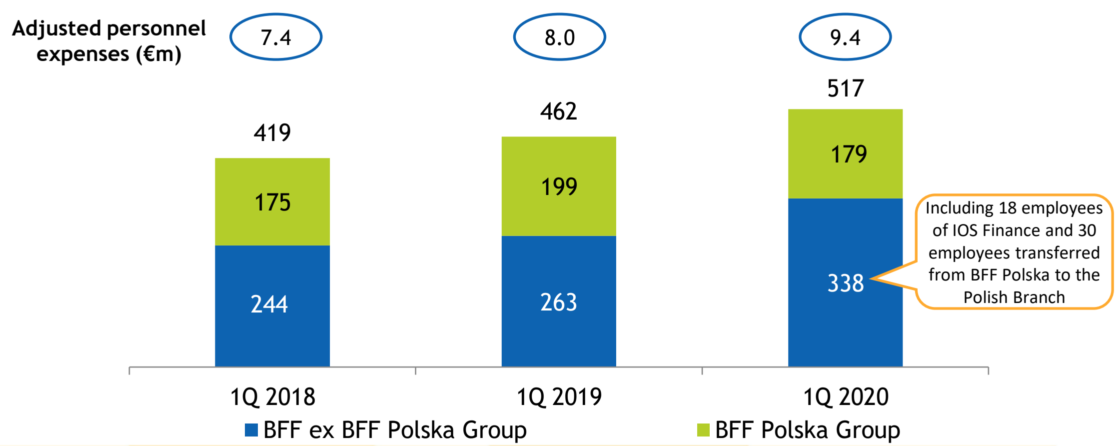
- **Highly efficient structure and improved operating leverage with Adjusted Operating Costs[1]/ Loans ratio of 1.84% in 1Q20 vs. 1.87% in 1Q19 and 2.07% in 1Q18**
- **Operating Cost up by 10% y/y:**
  - Personnel costs increased by 18% y/y due to **higher employee base** (from 462 to 517 employees)
  - Other operating expenses +2% y/y
- **Adjusted Cost / Income ratio increased to 40%**, also driven by lower net over-recoveries

Operating costs adjusted to exclude costs related to the Stock Option plan, which generate an equivalent increase in equity (€0.4m, €1.1m and €1.3m for 1Q20, 1Q19 and 1Q18 respectively) and €0.1m of M&A costs

Operating Costs[1] (€m)



Number of Employees[4,5]

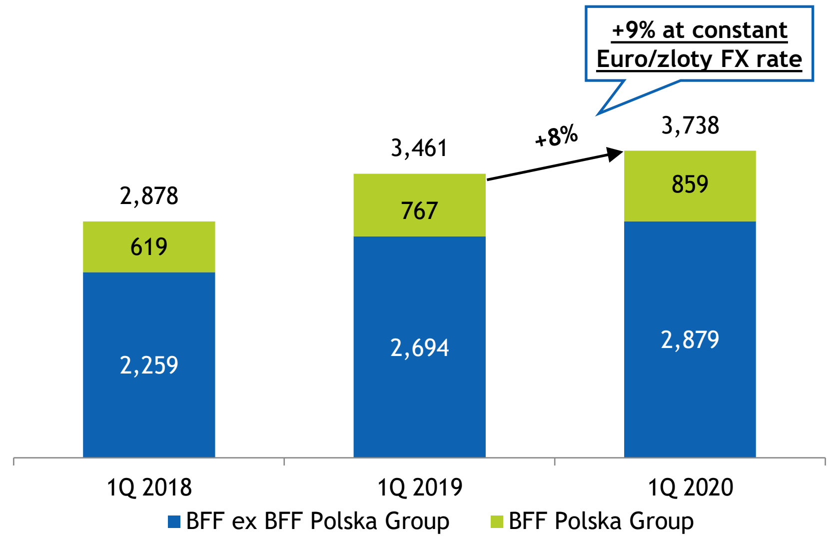


Notes: (1) Adjusted to exclude extraordinary costs. (2) Cost/Income ratio is computed as operating expenses excluding extraordinary costs (administrative expenses + staff expenses + amortization on tangible and intangible assets) divided by adjusted net banking income. (3) Annualised adjusted costs on average loans. (4) BFF includes employees in Italy, Spain and Portugal; 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. (5) 1Q19 BFF Polska Group includes 21 employees related to some previously outsourced BFF Italy processes that were brought in-house in Poland. At 1Q20 these employees were 30 and had been moved under BFF Poland Branch (included in BFF ex Polska Group employees).

Growth in Customer Loans

- **Strong growth in customer loans at €3.7bn (+8% y/y)** throughout the Group:
  - Italy grew by 3% y/y and Spain by 87% y/y excluding IOS Finance in 1Q19 (+40% y/y including IOS Finance for 1Q19)
  - Poland +12% y/y, despite the depreciation of the Euro/Zloty exchange rate in the last days of the quarter (+19% growth at constant FX rate)
  - International business represents 37% of total loans, up from 34% at 1Q19
- Residual €1.6m (-15% vs. Dec-19) net customer loans related to BFF Polska's SME factoring business placed in run-off at the end of 2017, down from €6m at December 2017

Customer Loans Evolution (€m)



Customer Loans Breakdown by Geography (€m)

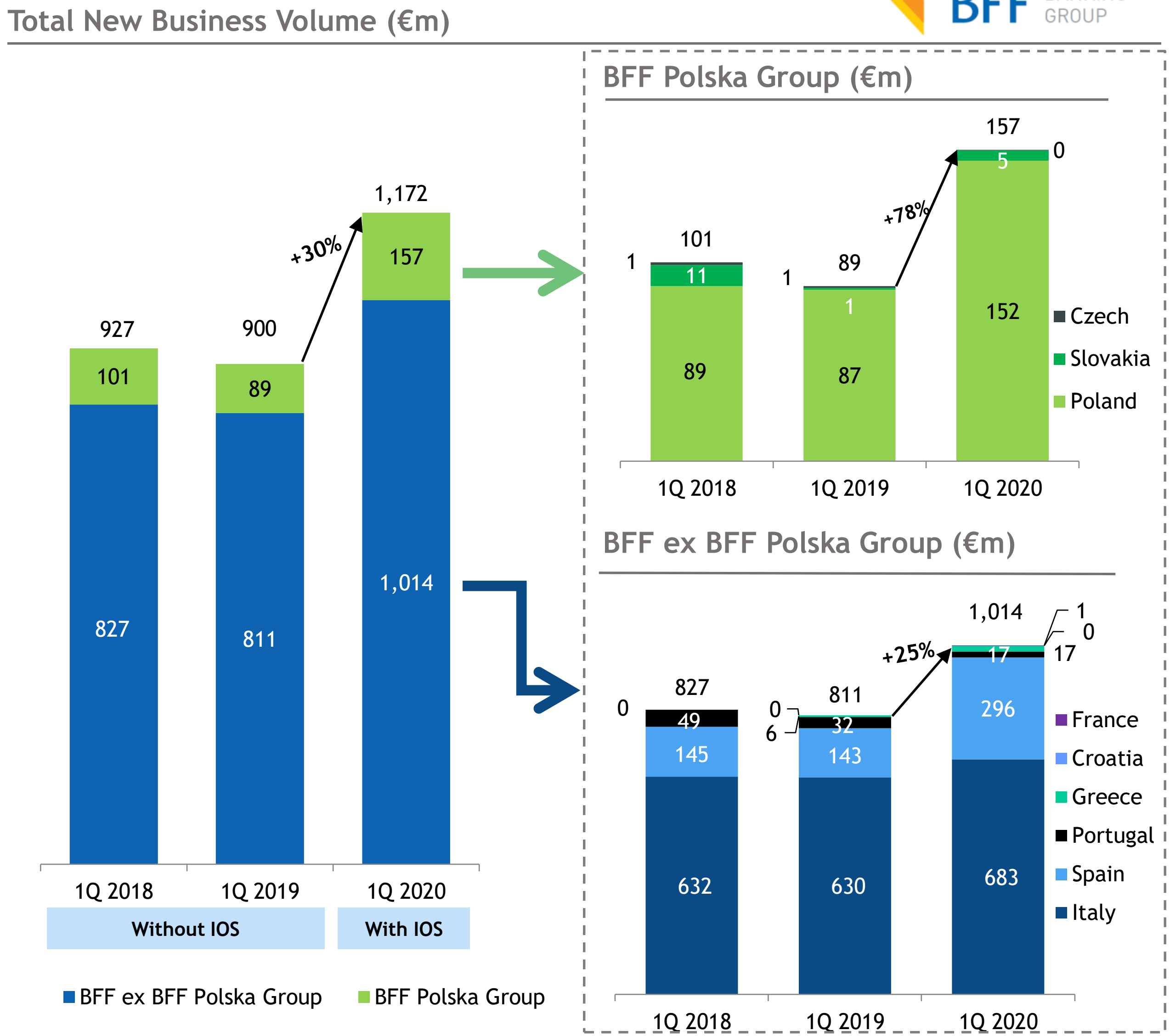
BFF Group ex BFF Polska Group	1Q 2018 (Without IOS)	1Q 2019 (Without IOS)	1Q 2020 (With IOS)
Italy	1,969	2,288	2,346
Spain	169	207	387
Portugal	117	179	100
Greece	5	18	43
Croatia	-	2	1
France	-	-	1
Total	**2,259**	**2,694**	**2,879**

BFF Polska Group	1Q 2018	1Q 2019	1Q 2020
Poland	477	600	674
Slovakia	140	161	182
Czech Rep.	2	6	3
Total	**619**	**767**	**859**

+12% y/y, despite Euro/Zloty FX depreciation in the last days of the quarter, **+19% at constant FX rate**

Double digit growth in New Business Production

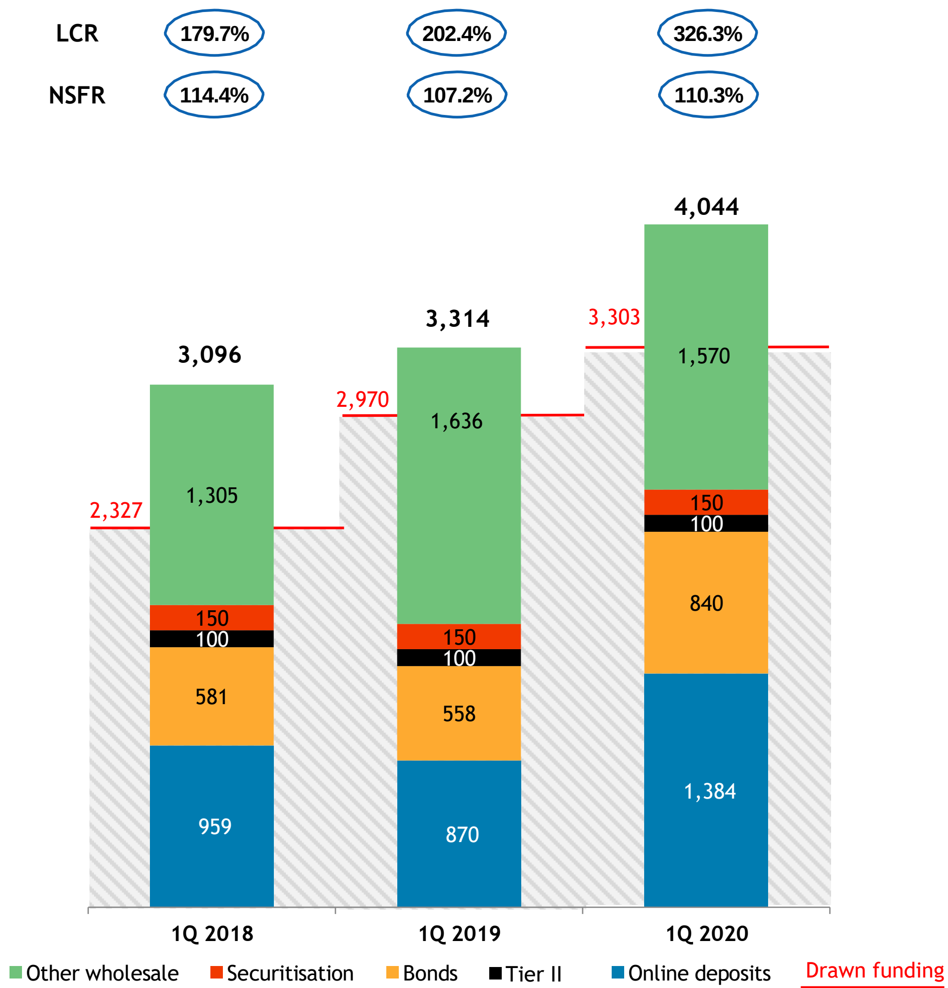
- **New business grew by 30% y/y with volume at €1.2bn in 1Q20:**
  - Spain +107% y/y excluding IOS Finance in 1Q19 (+41% y/y including IOS Finance for 1Q19)
  - Poland +75% y/y
  - Resumed growth in Italy with +8% y/y and in Slovakia (€5m vs. €1m in 1Q19)
  - Greece contributed for €17m and France for €1m
  - Portugal -46% y/ydriven by Government cash injection
- Positive trend confirmed also in April, with volume up by 77% y/y (+39% y/y for the first 4 months of 2019), and with a solid pipeline across the countries for the next quarters



Strong liquidity and no ECB financing

- **A diversified and flexible funding base to support growth:**
  - Online deposits increased by +59% y/y to €1,384m, representing 42% of drawn funds
- **Excess liquidity with group undrawn funding at €0.7bn(1), +115% y/y allowing higher flexibility to absorb a higher loan growth or longer collections times**
- **Strong liquidity position** with a LCR of 326%
- **No funding cost linked to the Italian Government funding cost or rating**
- **No recourse to ECB TLTRO or any other emergency liquidity measure**
- **EMTN Programme of €1bn established in Nov-2018** and renewed in Jan-2020 to promptly benefit of the potential funding opportunities in the markets
- **Positive impact expected on the NSFR ratio** by the new regulation (in force from 2Q 2021), which establishes more favourable weighting factors for the assets and liabilities related to factoring activities (140.1% fully phased in)
- At the end of Mar-20, Moody's confirmed Banca Farmafactoring's ratings (including the LT Issuer rating of Ba1) with positive outlook, while the rating agency took negative rating actions against other 14 Italian banks. **Currently, BFF is the only Italian bank with positive outlook**

Available Funding(2,3) (€m)

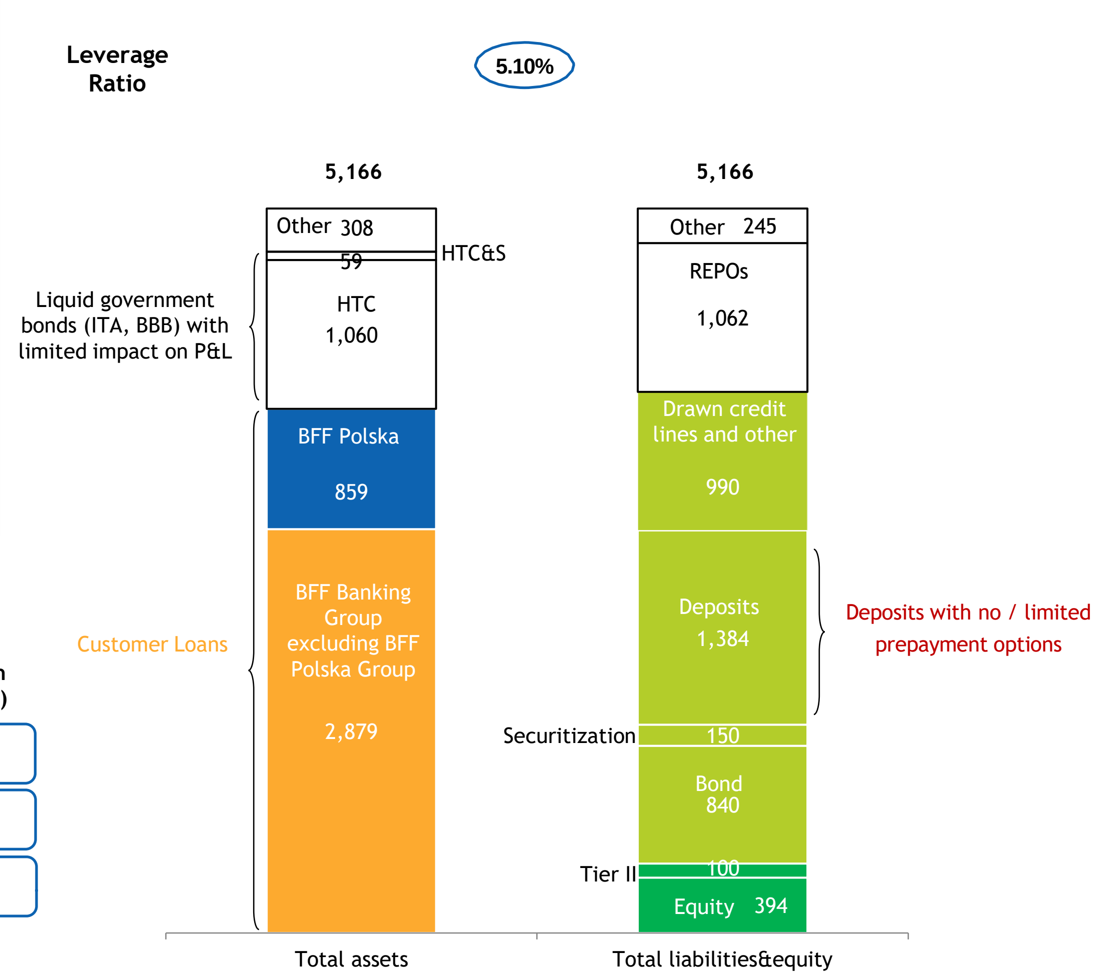


Notes: (1) Based on utilized credit lines. (2) Excluding ECB funds REPOs. (3) Not considering financing for BFF Polska Group and IOS Finance acquisitions, respectively PLN 378m and €26m.

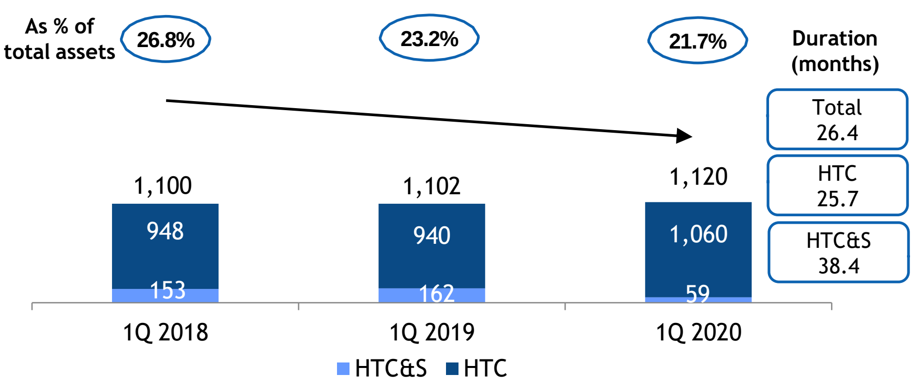
Fortress balance sheet

- Customer loans funded through a well diversified funding base
- **Conservative asset / liability management**
- **Government bond portfolio at €1.1bn** (21.7% of total assets down from 23.2% at 1Q19): negative mark-to-market of HTC&S for €0.6m after taxes (booked in equity) **and positive for €2.6m after taxes on HTC (not recognized in P&L or balance sheet)**
- **Natural currency hedge:** forex assets funded with forex liabilities
- **Positively geared to higher interest rates:** most of BFF Polska Group asset at variable rate and non-recourse factoring portfolio with LPI at variable rate

Breakdown of Balance Sheet 1Q 2020 (€m)



Bond Portfolio (€m)

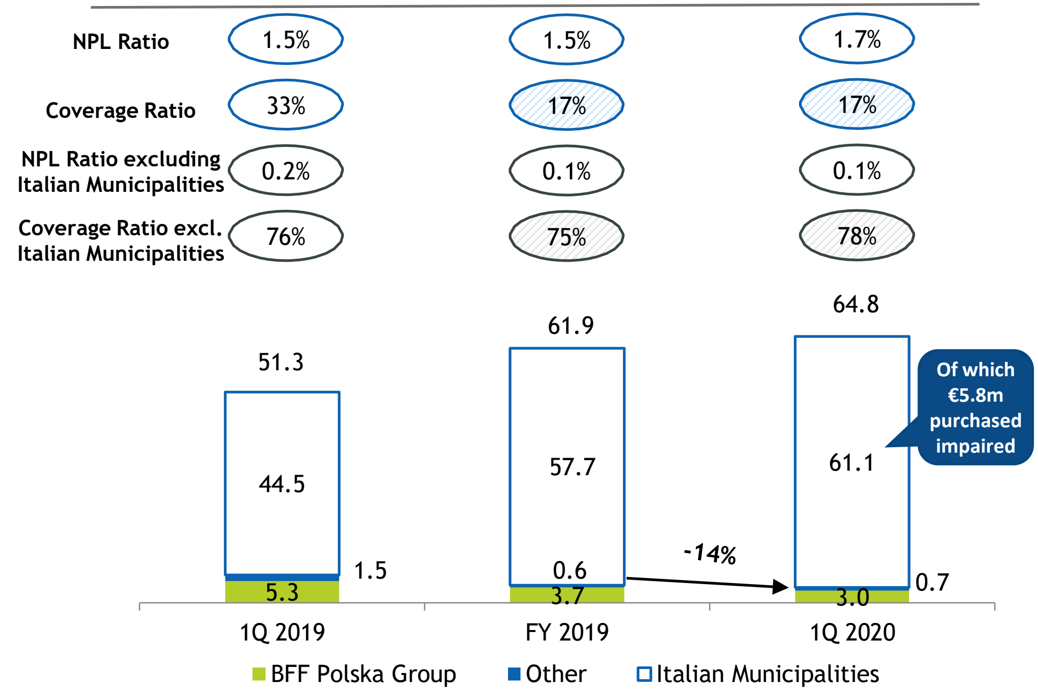


Source: Company data.

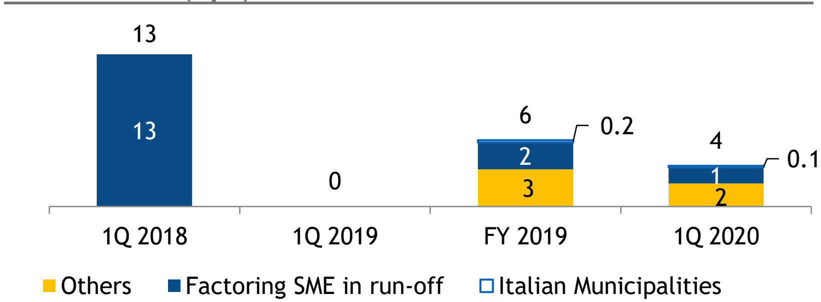
Negligible credit risk

- **Net NPLs excluding Italian municipalities in conservatorship down to €3.7m** (-45% y/y and -14% vs. YE19) and **0.1% of net loans**
  - **Reduction in net NPLs thanks to collections**
- **Increase in total Net NPLs entirely driven by the growing activities towards the Italian Municipalities in conservatorship** (€5.8m already in conservatorship at purchase):
  - Classified as NPLs by regulation despite BFF being legally entitled to receive 100% of the capital and LPI at the end of the process
- **Net past due and total net impaired assets are for 86% and 84% respectively towards the public sector**
- **4bps annualized Cost of Risk in 1Q20,** 2bps excluding the SME factoring business in run-off (€1.6m of residual SME net exposure classified as net impaired loans with 74% coverage ratio)
- No need to apply the extension of the transition period or any other flexibility in relation to IFRS 9 allowed by the European Commission's banking package

Net Non Performing Loans Evolution (€m)



Cost of risk (bps)

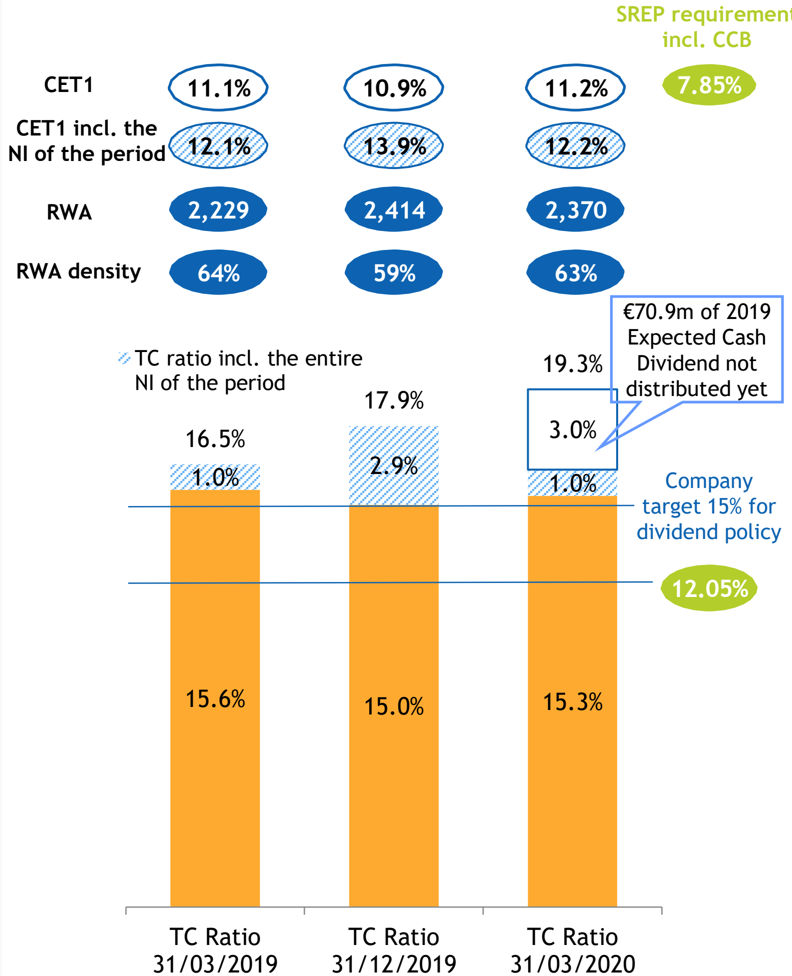


Asset quality - €/000	1Q 2018	1Q 2019	FY 2019	1Q 2020
Total net non performing	19,691	51,281	61,943	64,792
Total net unlikely to pay	9,904	10,396	9,526	8,793
Total net past due	86,735	50,521	34,691	53,440
Total net impaired assets	**116,329**	**112,198**	**106,160**	**127,024**
o/w Total net past due public sector	78%	77%	87%	86%
o/w Total net impaired assets public sector	72%	74%	83%	84%
Total net Impaired Assets/Loans & Receivables	4.0%	3.2%	2.6%	3.4%
Total net Imp. Assets (excl. Ital. Munic.)/Loans & Receiv.	3.5%	2.0%	1.2%	1.8%

Strong capital position

- **Total Capital ratio at 15.3% and CET1 ratio at 11.2%** [1] excluding:
  - €70.9m of 2019 Expected Cash Dividend (equal to 299bps of additional capital)
  - €23.1m of 1Q20 Reported Net Income (equal to 98bps of additional capital)
- **Ample buffer vs. new SREP requirements** (including CCB) which increased by 5bps vs. 2019
- No need to apply any of the ECB/EBA emergency measure or the European Commission's banking package
- Conservative RWA calculation based on standard model and with the Italian exposure to NHS and other PA risk weighted at 100%[2]:
  - Both Italian and Portuguese ratings would have to be downgraded by 9 notches by DBRS (BFF's ECAI) in order to have a negative impact on RWA. Instead, one notch Italian rating upgrade by DBRS would decrease the risk weighting to 50%, with a 3.2% positive impact on Total Capital Ratio and a 2.4% impact on CET1 Ratio, while one notch Portuguese rating upgrade would move the risk weighting to 50%, with a 0.3% positive impact on Total Capital Ratio and a 0.2% impact on CET1 ratio
  - Two notches downgrade of Spain would have no impact on BFF's RWA since all the exposures are classified as exposures toward central or local government, therefore not linked to the sovereign rating
- Lower RWA density, at 63% vs. 64% at 1Q19, thanks to a better loan mix

Total Capital Ratio - Banking Group ex TUB Capital Ratio[1]



Under the Standard Model, the risk weighting factors for exposures to NHS and other PA different from local and central government depend on the Sovereign Rating of each country

	DBRS Rating	Country	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)	Not rated by DBRS	
	BB		
	BB (Low)		
	B (High)		
	B		
	B (Low)		
	CCC (High)		150%
	CCC		
	CCC (Low)		
	CC		
	C		
	D		

Notes: (1) 1Q20 CRR Total Capital Ratio and CET1 Ratio: 18.3% and 14.2%. These ratios are subject to approval by BFF Luxembourg S.à r.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.

COVID-19: impact on BFF business

Fully operational since the beginning of the lockdown with no impact on the operations and commercial activity. Guaranteed access to funding with €0.9bn of liquidity buffer

Operational activity	▪ **No negative impact on day-to-day operations given that almost all BFF employees are equipped with laptops and are working remotely:** entire domestic Italian workforce has already been in smart working since 13-Mar and, notwithstanding the less stringent measures taken abroad, also the entire workforce outside of Italy since 17-Mar ▪ **No pressure to return to physical presence** in the offices, in order to ensure employees' safety
Commercial activity	▪ **Limited impact on the commercial activity** given the low level of physical interaction needed and the long-term relationships with clients ▪ **Experienced an increase in demand from customers:** positive trend confirmed also in April, with volume up by 77% y/y (+39% y/y for the first 4 months of 2019), and **with a solid pipeline ahead** across the countries
Collections	▪ **Continued to file new legal actions**, even if courts have been closed in Italy since 9-Mar ▪ To date, **no significant delay in collections from debtors**, however arrangements with debtors are more difficult ▪ Pricing has been adjusted to include a buffer for potential lengthening of the payment time
Funding	▪ Guaranteed access to funding to support an acceleration in volume and loan growth: **€0.9bn of liquidity buffer** between committed and undrawn credit lines (for €0.7bn), cash and unencumbered bonds ▪ Renewed existing credit lines coming to maturity and, in some cases, extending the commitment period. Also, expanded the base of eligible receivables for secured financing

COVID-19: potential impact on BFF's financial performance if the emergency persists

BFF BANKING GROUP

If this situation persists, BFF could benefit from a potential increase in client demand and longer DSOs[1]. However, the worsening of public finances and the interruption of the court's legal processes could delay the cash collection of LPI (i.e. lower LPI over-recovery), which translates to higher off-balance LPI stock and higher net income in the future

Key drivers		Key considerations on the potential impact
Volume (YoY)		✓ Public expenditure expected to be stable or growing ✓ Higher demand from customers given their increased focus on liquidity and expectation of a lengthening of the DSO ✓ Further upside from the probable termination of the VAT Split Payment
Customer Loans (YoY)		✓ Growth driven by the trend in volume (*see above*) and DSO (*see point below*) ✓ Possible increase in PA payment times ("DSO") due to a worsening of the public finances. Therefore, larger loan book for the same amount of volume
Capital		✓ Very low risk of an increase in RWA due to a downgrade of the sovereign rating (*see slide n°13 on capital ratios*) ✓ No need to apply any of the ECB and EBA emergency measures or the European Commission's banking package (i.e. TLTRO, flexibility to operate below the capital requirement, Transitional Arrangement IFRS 9, or any other flexibility in accounting and prudential rules)
Loans yield	**Yield excl. net LPI over-recovery**	✓ Lower price sensitivity of the customers × Lower yield on BFF Polska's portfolio due to a reduction of WIBOR, more than offset by the reduction of the CoF in Zloty
	Net LPI over-recovery	? If lockdown persists, potential (i) lower cash-in of LPIs - therefore, lower LPI over-recovery but higher off-balance stock of LPI (i.e. future income) - and (ii) lower collections - therefore, higher rescheduling impact on current outstanding
Cost of Funding / Loans		✓ Already guaranteed access to funding to support the potential increase in growth ✓ Lower CoF in Zloty as a result of the WIBOR reduction, which more than offset the impact on yield (expected positive impact on net result)
Operating leverage		✓ Already invested to sustain further growth → infrastructure not saturated yet ✓ Mostly fixed or geared to volume, therefore the loan increase due to the end of the Split Payment or longer DSOs has no impact on costs
Cost of risk / Loans		✓ Limited / no impact given the exposure essentially towards PA, with the residual private exposures mostly toward private hospital ✓ Risk on the sellers mitigated by the high quality of BFF's clients (mainly international and large national companies)
Net return on asset		✓ Confirmed a RoTE target > 30%, on a solid capital base with a growing CET 1 ratio and as a % of the TC ratio (i.e. lower leverage)

All data based on adjusted number to exclude extraordinary items.
Note: (1) Days of sales outstanding.

Update on the legal and regulatory environment: measures and potential impact for BFF

Measures	Key consideration	Expected impact for BFF
Lockdown	▪ All countries where BFF operates adopted lockdown measures ordering people to stay at home ▪ Public offices are also closed with their employees in smart working ▪ Court's activities are interrupted, however filing to start legal process are still allowed	No impact on operation and commercial activities Possible delay on collection
For local entities	▪ In Italy, Spain and Portugal, extraordinary injection of liquidity or other financial instruments (i.e. loans, rescheduling or debt relief plan) have been supplied by the government to support local entities ▪ However, the amount made available could result as insufficient to compensate for the lower revenues as a result of the restrictions imposed on the collection of local taxes	Possible slow down in collections in case the measures are not sufficient to offset lower revenues from local taxes
For corporates	▪ State-guaranteed loans and other financial package made available by the governments to corporates, especially for SMEs ▪ Possibility to ask for a loan restructuring plan or *moratoria*	Limited impact given BFF's clients are mostly multinational or large corporate. Possible opportunities in case the state-guarantees for loans were extended to factoring (such as Portugal)
For banks	▪ Regulatory authorities (ECB, EBA and Bank of Poland) announced several measures to mitigate the impact of the COVID-19 emergency, which provide more flexibility in terms of prudential and accounting rules ▪ The European Commission also announced additional forbearance measures for European banks - the "banking package" - which reiterates the guidance and flexibility previously communicated by regulatory bodies	No need for BFF to apply such measure given its solid capital position and funding base

1Q 2020 results: key highlights

Dividend policy confirmed and 2019 dividend expected to be paid in October	▪ One of the few banks that complied with Bank of Italy's recommendation on the 2019 dividend by adopting Option 1, i.e. not changing the dividend policy and making the payment proposal conditional to the resolution of the COVID-19 emergency ▪ Therefore, the intention to distribute the €70.9m of 2019 Expected Cash Dividend (equivalent to €0.415 DPS) is confirmed and the same amount is excluded from the calculation of the 1Q20 regulatory capital ratio
Solid financial performance	▪ €20.8m of Adjusted Net Income (€23.1m Reported) with 31% of Adjusted RoTE and -€3.6m of net LPI over-recovery ▪ Stock of unrecognized off-balance sheet LPI (back-book income reserve) increased by €31m YoY to €408m ▪ Improving operating leverage with Adjusted Operating Costs/Loans ratio of 1.84% vs.1.87% in 1Q19
Strong growth in volume and loans	▪ Total customer loans up by 8% y/y at €3.7bn, 37% outside Italy vs. 34% at Mar-19 ▪ New business grew by 30% y/y at €1.2bn, with Italy and Spain up by +8% and 107% y/y
Solid funding base and liquidity	▪ Available funding increased by +22% y/y at €4.0bn (of which €0.7bn are undrawn credit lines, +115% y/y) which provides higher flexibility to absorb a higher loan growth (i.e. up to +20% of additional growth for 1Q20) or longer collections times ▪ No recourse to ECB financing ▪ Sound liquidity ratios with LCR at 326.3% and NSFR at 110.3% (140.1% fully phased in)
Robust capital position and low risk profile	▪ TC and CET1 ratios equal to 15.3% and 11.2% (excluding both €70.9m of 2019 Expected Cash Dividend and €23.1m of Reported Net Income for 1Q20, equivalent to 299bps and 98bps of additional capital respectively), well above SREP requirements ▪ Strong reduction in net NPLs (-45% y/y and -14% vs. YE19, excluding Italian municipalities in conservatorship), with the Net NPLs/Loans ratio down to 0.1% ▪ Annualised Cost of Risk at 4bps, 2bps excluding the SME factoring business in run-off
COVID-19	▪ Fully operational since the beginning of the lockdown with no impact on the operations and commercial activity ▪ No need to benefit from **any** emergency aids made available by authorities or governments in relation to COVID-19 emergency ▪ Good client pipeline and collections volume. LPIs collection potentially effected by PA and courts lockdown.

1Q20 exchange rate for Poland and Czech Republic respectively PLN/€ 4.3241 and PLN/CZK 0.169 for P&L data (1Q20 average), PLN/€ 4.5506 and PLN/CZK 0.167 for Balance Sheet data (31st March 2020); 1Q19 exchange rate for Poland and Czech Republic respectively PLN/€ 4.3016 and PLN/CZK 0.167 for P&L data (1Q19 average), PLN/€ 4.3006 and PLN/CZK 0.167 for Balance Sheet data (29th March 2019); 1Q18 exchange rate for Poland and Czech Republic respectively PLN/€ 4.1792 and PLN/CZK 0.165 for P&L data (1Q18 average), PLN/€ 4.2106 and PLN/CZK 0.166 for Balance Sheet data (29th March 2018).

Appendix

Focus on deferral income and net over-recovery of LPI collection

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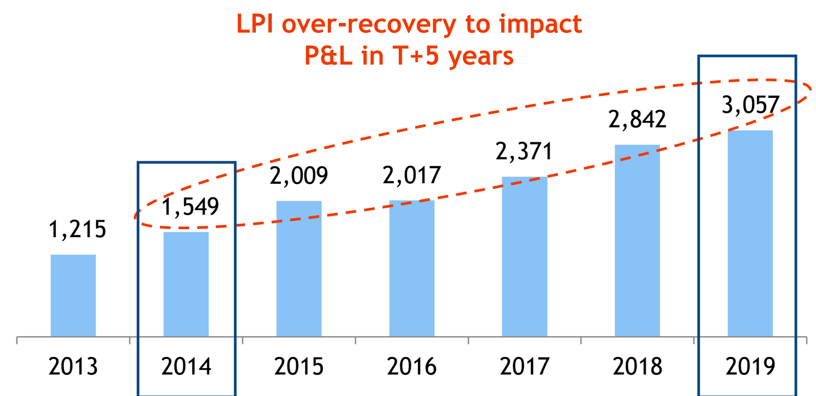
Deferral Income of LPI collection

- 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 outstanding
  - **Deferral effect of the over-recovery:** over-recovery generated by the larger 2018 outstanding vs. previous years will be visible only in c. 5 years

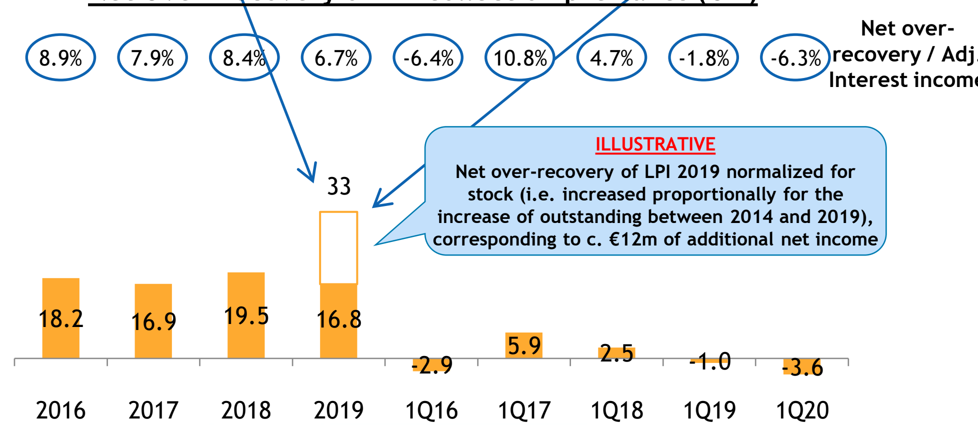
Outstanding Evolution (Excl. BFF Polska Group) (€m)



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

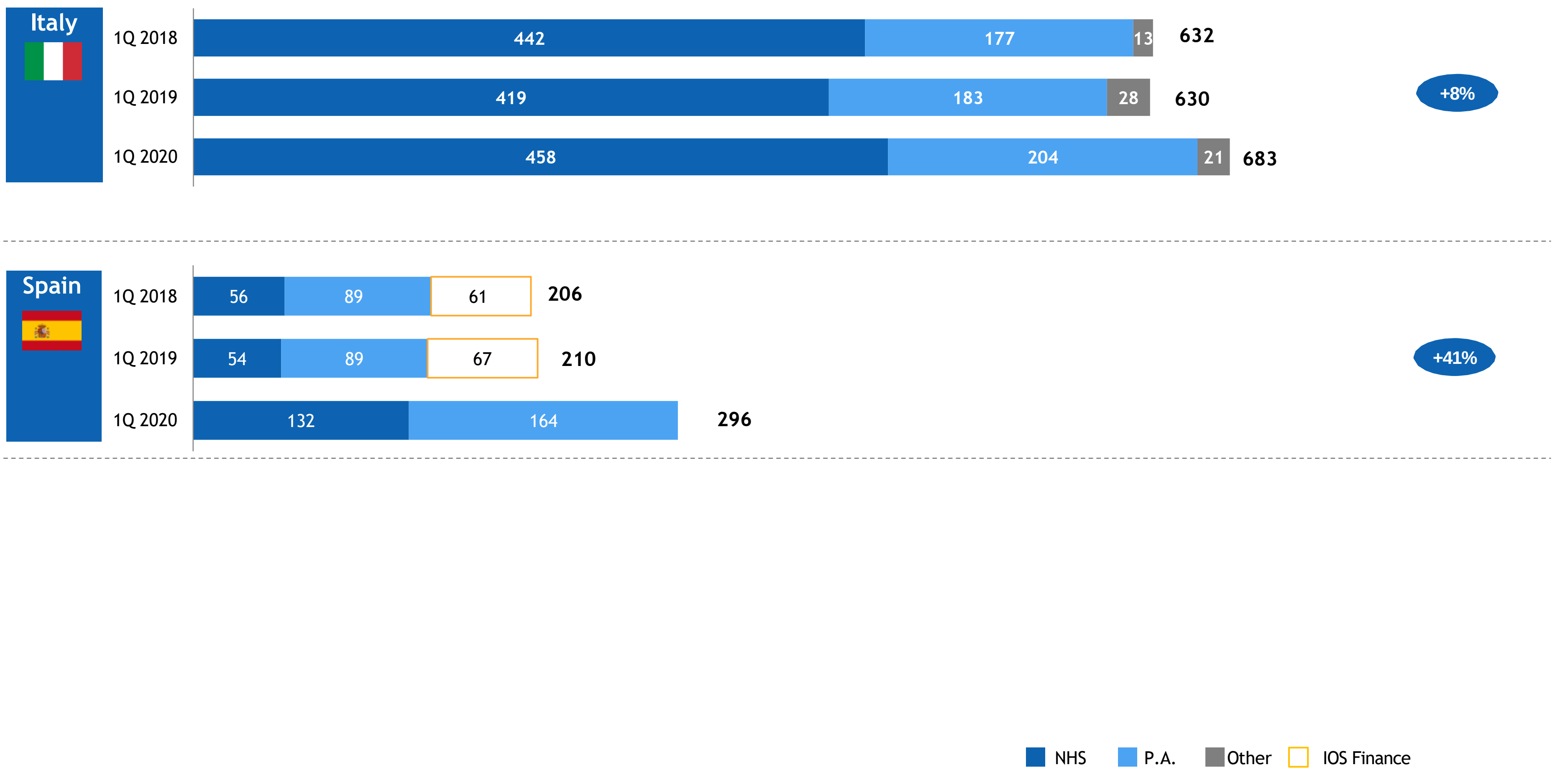
Net Over-Recovery of LPI collection pre-taxes (€m)



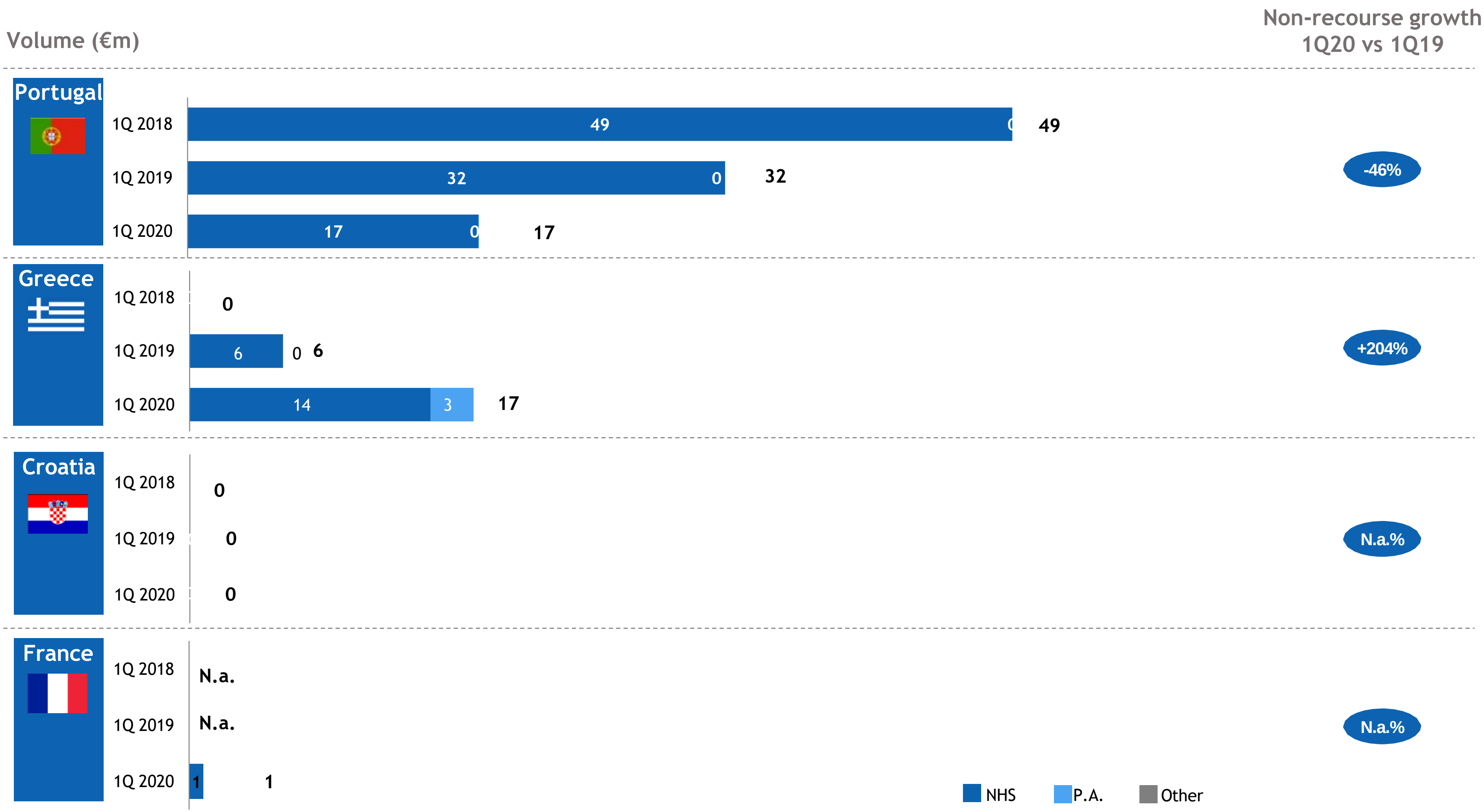
Non-recourse Volume (1/2)

Volume (€m)

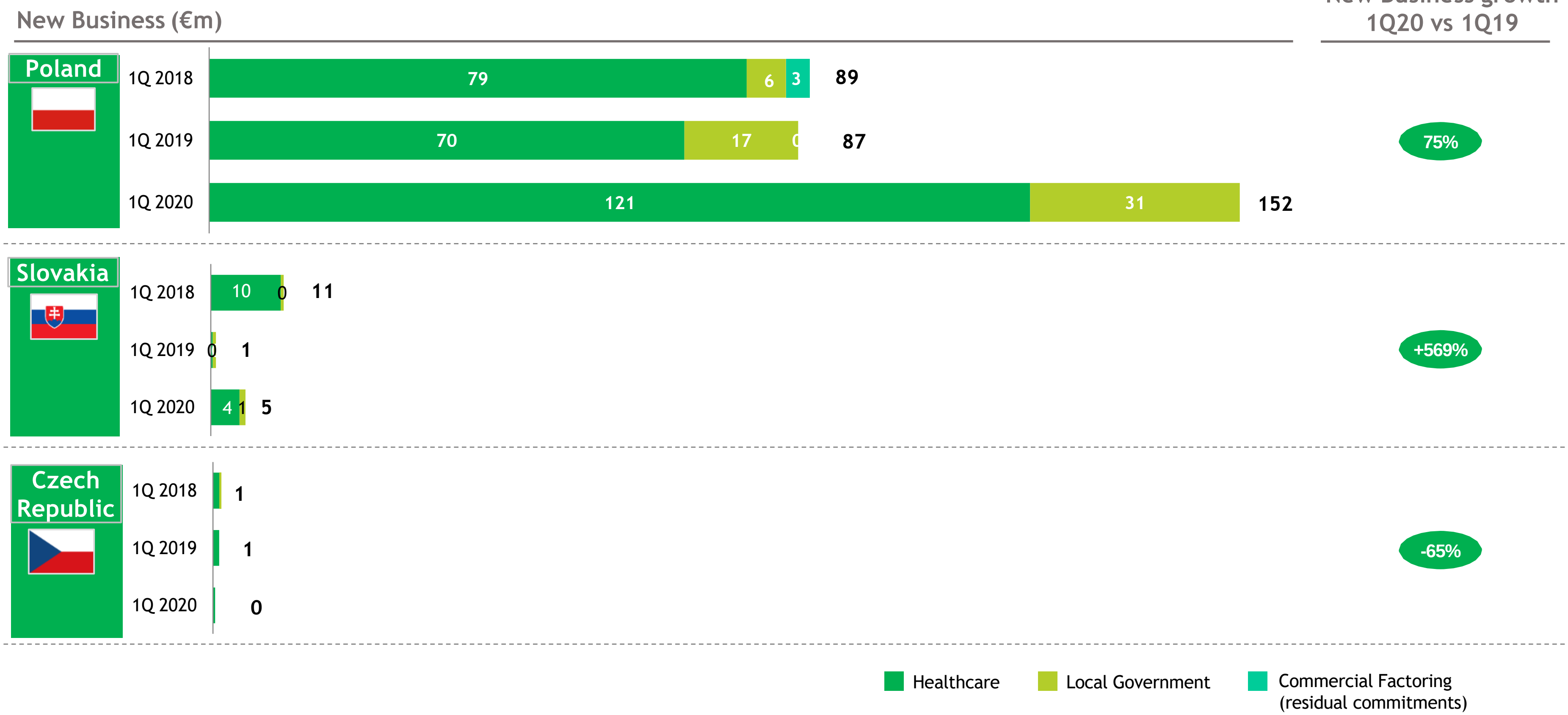
Non-recourse growth 1Q20 vs 1Q19



Non-recourse Volume (2/2)

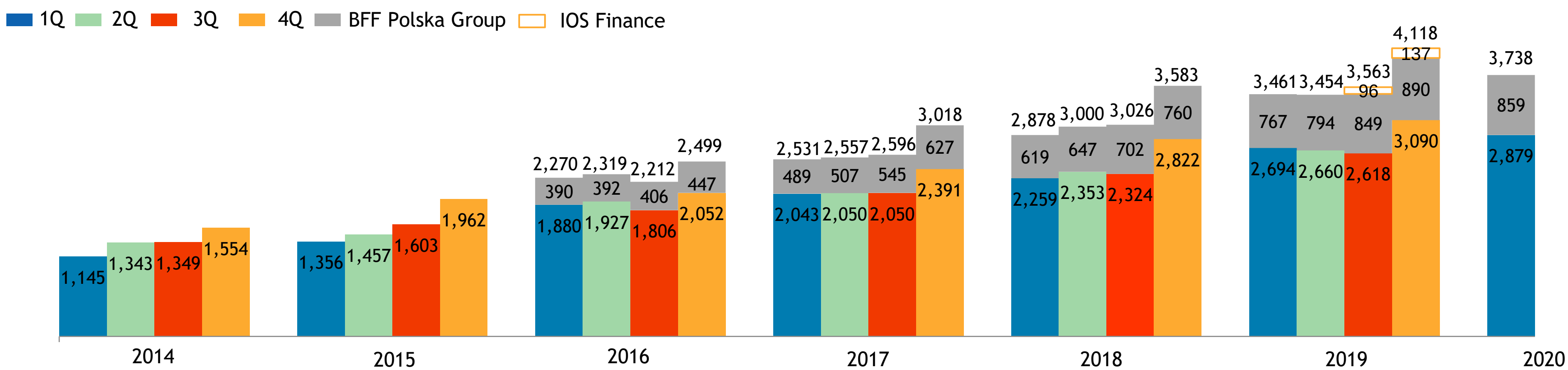


New Business Volume

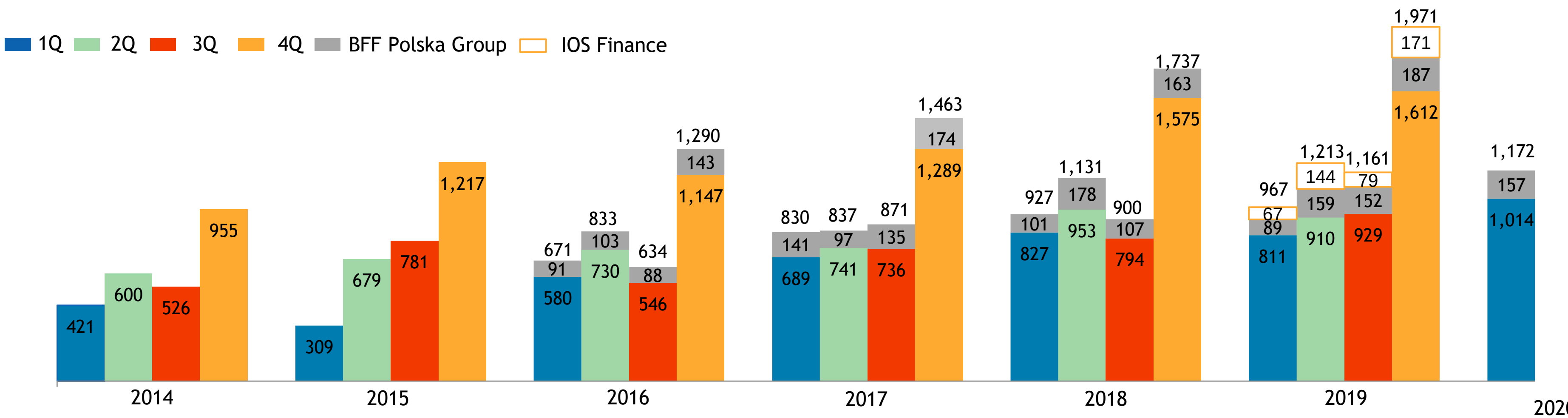


Traditional business subject to seasonality, with peak in 4Q

Loans Evolution by Quarter (€m)



Breakdown of Volume by Quarter (€bn)



Adjusted Net Income reconciliation

€m	1Q18	1Q19	1Q20
Group BFF Reported Net income	**19.8**	**21.4**	**23.1**
Exchange rates movement (offset at the comprehensive income and equity level)	(0.5)	0.0	(4.0)
Stock Options & Stock Grant	1.0	0.8	0.3
M&A costs			0.1
Taxes on *one-off* dividend distribution from subsidiaries			1.2
Adjusted Net Income	**20.3**	**22.2**	**20.8**

Summary Profit & Loss

	1Q18 Reported	1Q18 Adjustments	1Q18 Adjusted	1Q19 Reported	1Q19 Adjustments	1Q19 Adjusted	1Q20 Reported	1Q20 Adjustments	1Q20 Adjusted
Interest Income	53.4		53.4	55.9		55.9	57.4		57.4
of which interest income calculated using the effective interest rate method	47.0		47.0	52.7		52.7	54.4		54.4
Interest Expenses	-11.3		-11.3	-11.5		-11.5	-14.1		-14.1
Net Interest Income	**42.2**		**42.2**	**44.4**	**0.0**	**44.4**	**43.3**		**43.3**
Net Fee and Commission Income	1.6		1.6	1.3		1.3	1.2		1.2
Dividends	0.0		0.0	0.0		0.0	0.0		0.0
Gains/Losses on Trading	0.7	-0.7	0.0	0.0	0.0	0.0	5.9	-5.6	0.3
Fair value adjustments in hedge accounting	0.1		0.1	0.0		0.0	0.0		0.0
Gains/losses on disposal/repurchase of									
a) financial assets measured at amortized cost	0.0		0.0	0.0		0.0	0.1		0.1
b) financial assets measured at fair value through OCI	0.2		0.2	0.0		0.0	0.0		0.0
c) financial liabilities	0.0		0.0	0.0		0.0	0.0		0.0
Gains (losses) on other financial assets and liabilities measured at fair value through profit or loss									
a) financial assets and liabilities designated at fair value	0.0		0.0	0.0		0.0	0.0		0.0
b) other financial assets mandatorily measured at fair value	0.0		0.0	0.0		0.0	0.0		0.0
Net Banking Income	**44.7**	**-0.7**	**44.0**	**45.7**	**0.0**	**45.7**	**50.4**	**-5.6**	**44.8**
Net adjustments/reversals of impairment for credit risk concerning:									
a) financial assets measured at amortized cost	-1.0		-1.0	0.0		0.0	-0.3		-0.3
b) financial assets measured at fair value through OCI	0.0		0.0	0.0		0.0	0.0		0.0
Administrative and Personnel Expenses	-15.8	1.3	-14.5	-16.4	1.1	-15.3	-17.2	0.6	-16.6
Net provisions for risks and charges									
a) commitments and guarantees provided	0.0		0.0	-0.1		-0.1	-0.2		-0.2
b) other net allocations	-0.3		-0.3	-0.3		-0.3	0.4		0.4
Net Adjustments to/ Writebacks on Property, Plan and Equipment and Intangible Assets	-0.8		-0.8	-1.2		-1.2	-1.4		-1.4
Other Operating Income (Expenses)	0.5		0.5	1.0		1.0	1.1		1.1
Profit Before Income Taxes from Continuing Operations	**27.3**	**0.6**	**27.9**	**28.8**	**1.1**	**29.9**	**32.8**	**-5.1**	**27.8**
Income Taxes	-7.5	-0.1	-7.6	-7.3	-0.3	-7.6	-9.7	2.7	-7.0
Net Income	**19.8**	**0.5**	**20.3**	**21.4**	**0.8**	**22.2**	**23.1**	**-2.4**	**20.8**

Summary Balance Sheet

	1Q18 Reported	1Q19 Reported	1Q20 Reported
Cash and cash Balances	11.9	39.3	65.6
Financial assets measured at *fair value* through profit or loss	0.0	0.0	0.0
a) financial assets held for trading	0.0	0.0	0.0
b) financial assets designated at *fair value*	0.0	0.0	0.0
c) other financial assets mandatorily measured at *fair value*	0.0	0.0	0.0
Financial assets measured at fair value through OCI	152.6	161.8	59.5
Financial assets measured at amortized cost	3,851.1	4,463.5	4,932.9
a) Loans and receivables with banks	25.3	63.1	134.5
b) Loans and receivables with customers	3,825.8	4,400.4	4,798.4
Hedging derivatives	0.0	0.0	0.0
Equity Investments	0.3	0.2	0.1
Property, Plant and Equipment	12.7	14.7	17.3
Intangible Assets	25.7	26.0	34.9
Tax Assets	31.1	36.6	36.3
Other Assets	13.1	16.1	19.1
Total Assets	**4,098.5**	**4,758.1**	**5,165.8**
Liabilities and Equity			
Financial liabilities measured at amortized cost	3,536.6	4,155.2	4,526.1
a) deposits from banks	530.7	1,119.4	906.2
b) deposits from customers	2,275.0	2,271.7	2,625.6
c) securities issued	730.8	764.1	994.3
Financial Liabilities Held for Trading	0.1	0.0	0.0
Hedging Derivatives	0.0	0.0	0.0
Tax Liabilities	91.2	96.0	107.6
Other Liabilities	79.8	204.7	131.0
Employess Severance Indemnities	0.9	0.9	0.7
Provision for Risks and Charges	5.6	5.2	6.0
Equity	364.6	274.7	371.2
Profits for the Year	19.8	21.4	23.1
Total Liabilities and Equity	**4,098.5**	**4,758.1**	**5,165.8**

Breakdown by quarter - BFF Banking Group

Adjusted Values			**2018**					**2019**			**2020**
Data in €/m	**1Q**	**2Q**	**3Q**	**4Q**	**FY**	**1Q**	**2Q**	**3Q**	**4Q**	**FY**	**1Q**
Interest income	53.4	54.9	49.3	74.0	**231.6**	55.9	52.7	55.3	85.1	**249.0**	57.4
Interest expenses	(11.3)	(10.1)	(10.3)	(11.2)	**(42.9)**	(11.5)	(11.3)	(12.3)	(13.5)	**(48.4)**	(14.1)
Net interest income	42.2	44.8	39.0	62.8	**188.7**	44.4	41.4	43.1	71.6	**200.5**	43.3
Net banking income	44.0	46.5	40.7	63.6	**194.9**	45.7	42.7	44.4	72.6	**205.3**	44.8
Operating costs and D&A	(15.3)	(18.7)	(16.0)	(19.3)	**(69.3)**	(16.5)	(18.7)	(18.6)	(22.3)	**(76.0)**	(18.1)
LLPs	(1.0)	(2.3)	(0.6)	(1.0)	**(4.8)**	0.0	(0.5)	(0.5)	(1.4)	**(2.4)**	(0.3)
Other*	0.2	0.9	0.2	1.7	**3.0**	0.6	1.7	0.2	2.2	**4.7**	1.3
Profit Before Taxes	27.9	26.4	24.5	44.9	**123.7**	29.9	25.2	25.5	51.1	**131.6**	27.8
Income Taxes	(7.6)	(6.7)	(6.4)	(11.2)	**(31.9)**	(7.6)	(6.2)	(6.2)	(12.8)	**(32.8)**	(7.0)
Net income	20.3	19.7	18.1	33.8	**91.8**	22.2	19.0	19.3	38.2	**98.8**	20.8

Reported Values			**2018**					**2019**			**2020**
Data in €/m	**1Q**	**2Q**	**3Q**	**4Q**	**FY**	**1Q**	**2Q**	**3Q**	**4Q**	**FY**	**1Q**
Interest income	53.4	54.9	49.3	74.0	**231.6**	55.9	52.7	55.3	85.1	**249.0**	57.4
Interest expenses	(11.3)	(10.1)	(10.3)	(11.2)	**(42.9)**	(11.5)	(11.3)	(12.3)	(13.5)	**(48.4)**	(14.1)
Net interest income	42.2	44.8	39.0	62.8	**188.7**	44.4	41.4	43.1	71.6	**200.5**	43.3
Net banking income	44.7	49.8	38.8	64.1	**197.5**	45.7	41.6	47.0	70.3	**204.6**	50.4
Operating costs and D&A	(16.6)	(19.4)	(16.0)	(19.4)	**(71.4)**	(17.6)	(20.8)	(19.5)	(26.7)	**(84.6)**	(18.6)
LLPs	(1.0)	(2.3)	(0.6)	(1.0)	**(4.8)**	0.0	(0.5)	(0.5)	(1.4)	**(2.4)**	(0.3)
Other*	0.2	0.9	0.2	1.7	**3.0**	0.6	1.7	0.2	1.5	**4.1**	1.3
Profit Before Taxes	27.3	29.1	22.5	45.4	**124.3**	28.8	21.9	27.3	43.7	**121.7**	32.8
Income Taxes	(7.5)	(7.6)	(5.8)	(11.3)	**(32.1)**	(7.3)	(5.3)	(5.2)	(10.7)	**(28.6)**	(9.7)
Net income	19.8	21.5	16.7	34.1	**92.2**	21.4	16.7	22.0	33.0	**93.2**	23.1

**other income/other provisions (risk&charges, etc..)*

Asset quality

	31/03/2020		
	Gross	Provision	Net
Total non performing	78,010	(13,219)	64,792
Net unlikely to pay	10,718	(1,925)	8,793
Net past due	53,600	(160)	53,440
Total	142,328	(15,304)	127,024

	31/03/2019		
	Gross	Provision	Net
Total non performing	76,022	(24,741)	51,281
Total unlikely to pay	13,083	(2,687)	10,396
Total past due	50,949	(428)	50,521
Total	140,054	(27,856)	112,198

	31/03/2018		
€/000	Gross	Provision	Net
Total non performing	40,957	(21,266)	19,691
Total unlikely to pay	13,483	(3,580)	9,904
Total past due	87,145	(410)	86,735
Total	141,585	(25,256)	116,329