1H 2021 Results

6th August 2021

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Executive Summary

BFF BANKING GROUP	▪ 1H21 reported net income at €210.3m including badwill, with positive one-off impacts deriving from DEPObank acquisition ▪ 1H21 adjusted net income flat at €46.6m (-1% YoY) primarily due to ex-DEPObank HTC portfolio yield deflated by acquisition M2M accounting ▪ Focus on ALM to extract funding synergies, reduce excess liquidity, restore size and increase yield and duration of HTC bond portfolio
CAPITAL and DIVIDENDS	▪ Strong capital position: TCR at 23% and CET1 ratio at 18.6%, excluding accrued dividends ▪ €212m available for dividends, of which €165m '19-'20 accrued dividend. Started discussion with BoI in order to distribute in early Oct-21, following 27-Jul-2021 BoI's recommendation
SYNERGIES	▪ Already locked-in lower end of 2023 target synergies range on a run-rate basis, starting from end of 2021
FACTORING & LENDING	▪ Lower portfolio YoY, due to high liquidity in Italy and Spain accelerating payments of new invoices, partially offset by positive performance of Portugal, Greece, and CEE ▪ Back-book LPI income reserve increased YoY, despite higher LPI collections
SECURITIES SERVICES	▪ AuD YoY growth (+15%) supported by market rebound and commercial development ▪ PBT up by 11% YoY despite excess liquidity
PAYMENTS SERVICES	▪ Transfer and collections transactions up by 9% YoY, above pre Covid-19 levels ▪ PBT +72% vs. 1H20

Positive performance of Transaction Services, acceleration of synergies

Plus

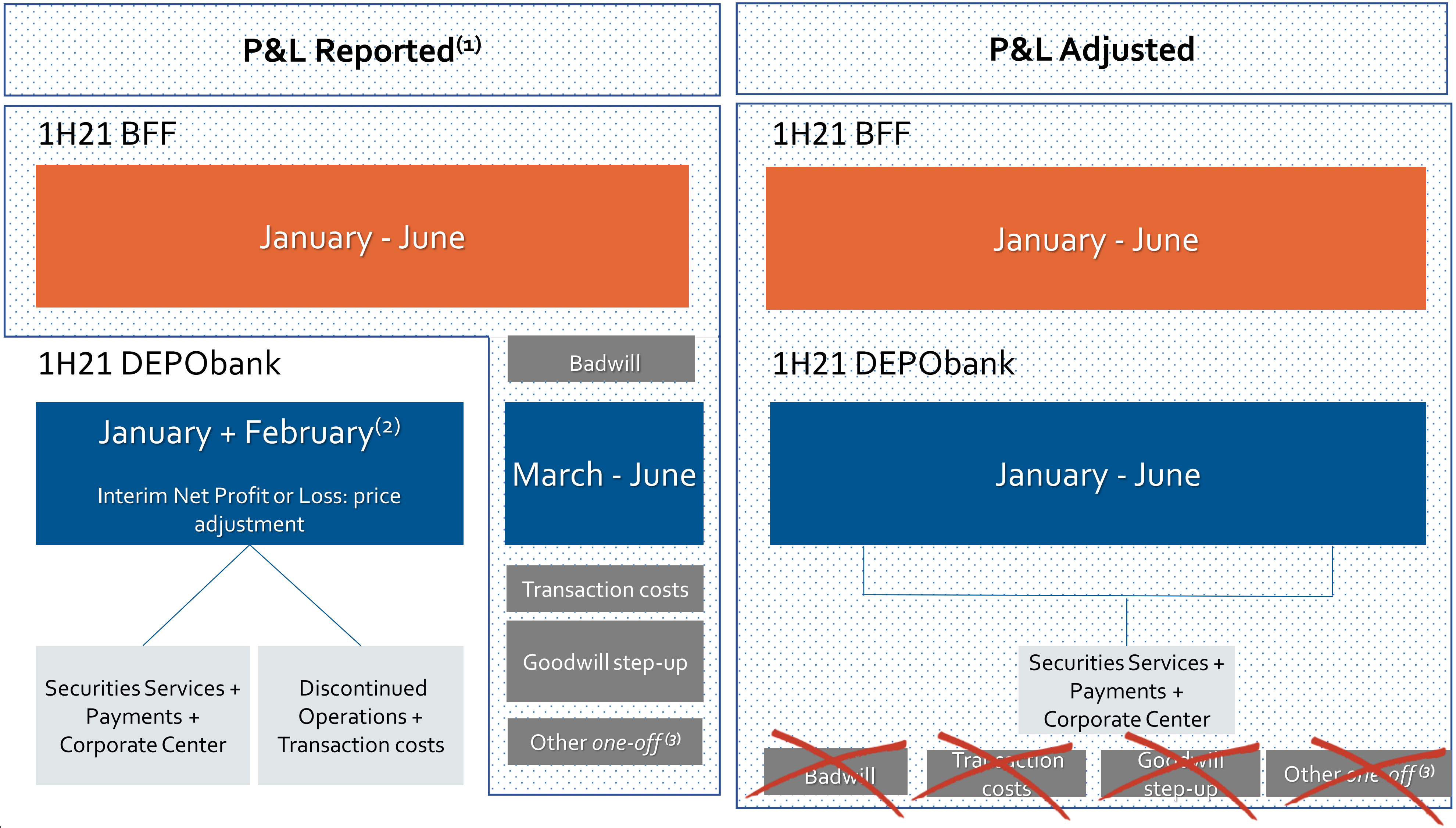
- Good performance of Securities Services and Payments
- Customer loan growth in Portugal, Greece, and CEE, loan book flat QoQ, stabilizing declining YoY trend started in 1Q21
- Already achieved on a run rate basis lower end of 2023 target synergies range from 31/12/2021
- Excess liquidity reduction(1)
- Incremental €20m of positive one-off impacts(2) , from DEPObank deal
- Zero cost of risk

Minus

- High liquidity in Italy and Spain continued, accelerating payments of the newest invoices as in 1Q21: lower YoY loans' portfolio and new volumes in F&L
- Higher AuD generated excess funding deposited in ECB (€6.2m additional costs YoY above tiering)

(1) Reduction of liquidity under the the ECB at tiering level
(2) Ex-DEPObank goodwill tax step-up

How we accounted for 1H21 P&L



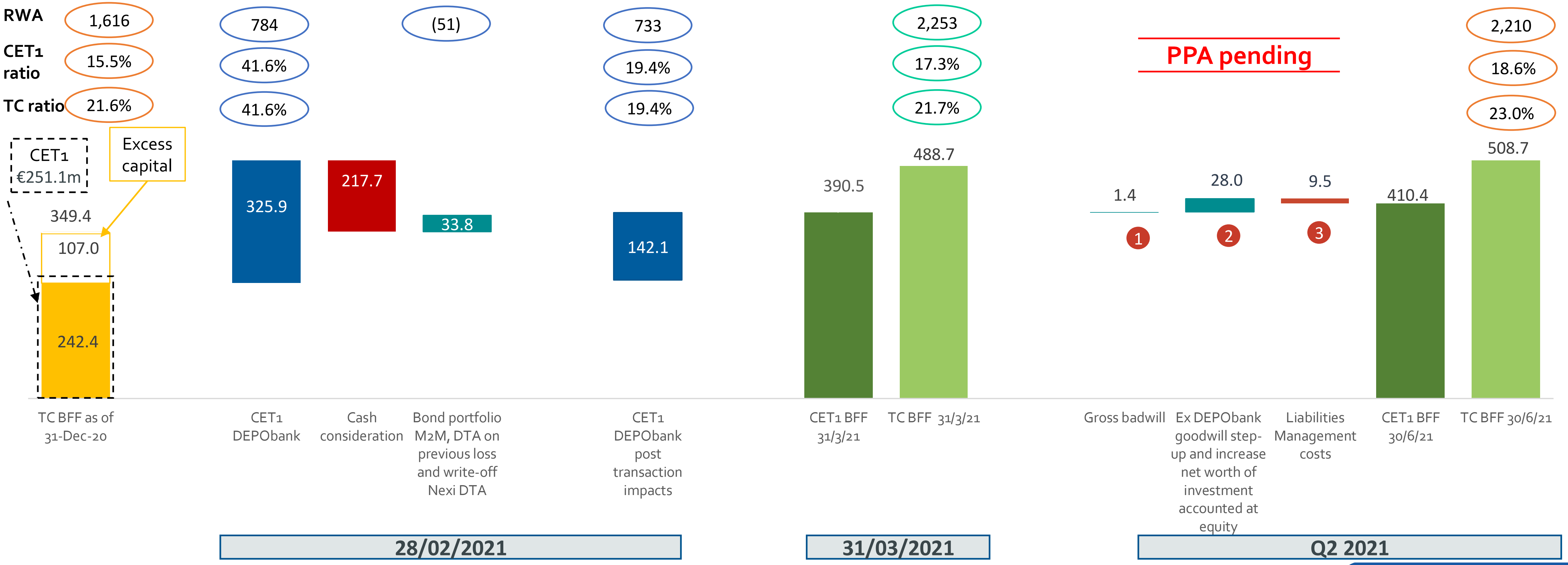
(1) Limited review.
(2) DEPObank January and February 2021: not audited pre-closing accounts.
(3) Other one off: Liabilities Management costs, extraordinary resolution fund contribution and customer contract amortization.

DEPObank acquisition generated additional €20m of one-off capital in 2Q21…

Further capital generation in Q2 by €20m coming from:

1 Price adjustment closed increasing gross Badwill by €1.4m

2 Ex Depo Goodwill step-up along with increase in net worth of asset accounted for with equity method[(1)] equal to €28m, 3 offsetting liabilities management costs (€9.5m net of taxes)



(1) Investment stake accounted for with the equity method.

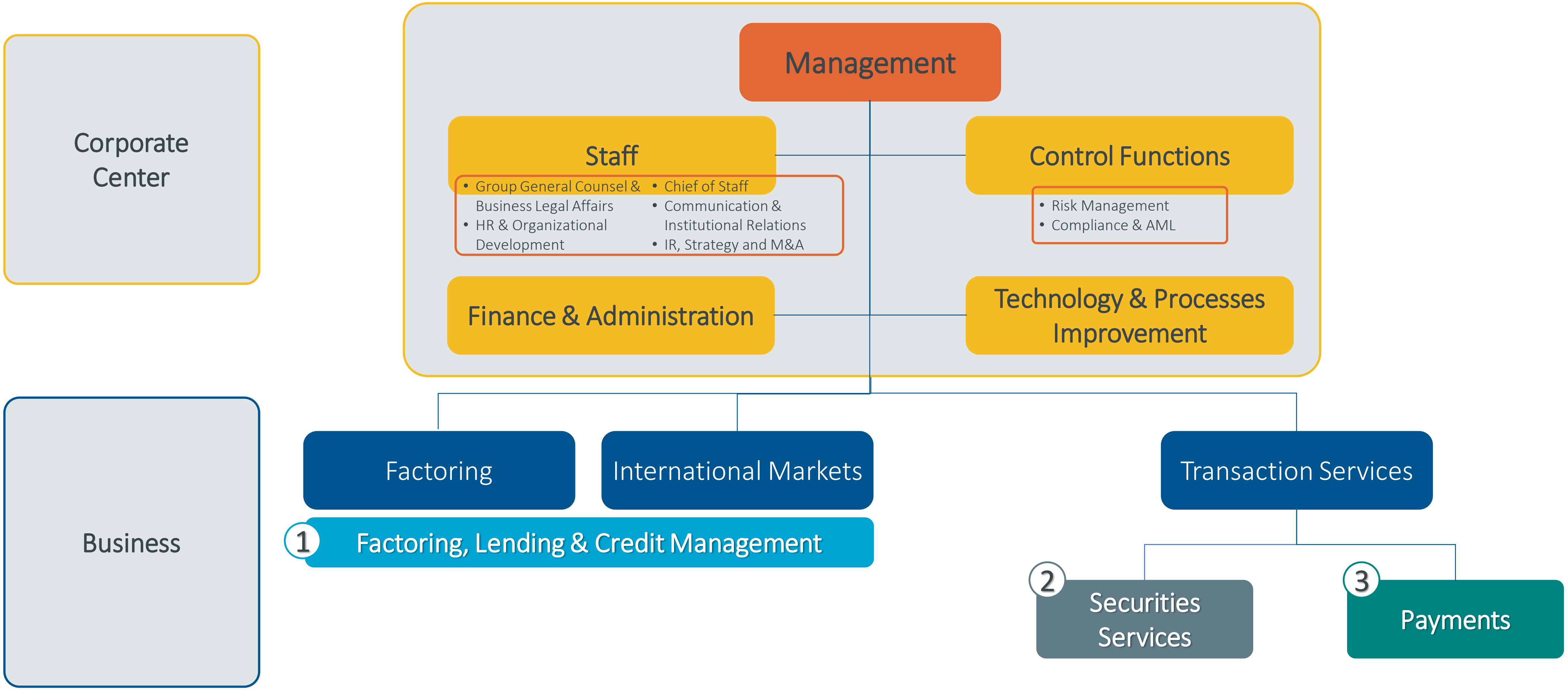
Underlying adjusted net income flat YoY

- 1H21 Adjusted Net Income at €46.6m (-1% YoY) related, among others, to liability management one-off costs for €9.5m, extraordinary Resolution Fund contribution for €2.0m, badwill and other transaction/restructuring costs for -€161.1m, and ex-DEPObank Goodwill step-up tax for -€23.7m
- Reported Net Income raised to €210.3m mainly because of the "gross" badwill

Adjustments - *€m*	1H19	1H20	1H21	YoY %
Reported Net income	**38.1**	**37.5**	**210.3**	**n.s.**
Ex-DEPObank non-consolidated **adjusted** result	12.0	6.9	5.1	
Exchange rates movement (offset at the comprehensive income and equity level)	0.8	(2.7)	0.6	
Stock Options & Stock Grant plans	1.3	1.1	2.2	
Badwill & Transaction/restructuring costs(1)			(161.1)	
Liability Management one-off costs			9.5	
Goodwill tax step-up			(23.7)	
Extraordinary Resolution Fund contribution	0.5	0.5	2.0	
M&A costs	0.6	2.5		
Taxes on one-off dividend distribution from subsidiaries		1.3		
Customer contract amortization			1.7	
Adjusted Net Income	**53.2**	**47.1**	**46.6**	**-1%**

(1) Badwill and transaction/restructuring costs represents two different accounting items, grouped in a single line for representation purposes.

The Group is organised around the 3 businesses, supported by the Corporate Center



Business Units & Corporate Center P&L

1H 2021 €mln

	Factoring & Lending P&L	+	Securities Services P&L	+	Payments P&L	+	Corporate Center incl. synergies	=	Adj. BFF Banking Group P&L	Adjustments(3)	BFF Banking Group P&L reported
Revenues	€70.7		€27.0		€29.4		€22.2		€149.3	€128.5	€277.8
OPEX incl. D&A	(€18.6)		(€14.6)		(€15.8)		(€43.2)		(€92.2)	€3.7	(€88.5)
LLP(1)	€0.1		€ -		€ -		€2.9		€3.0	(€1.0)	€1.9
PBT(2)	€52.1		€12.4		€13.6		(€18.1)		€60.0	€131.1	€191.1

1H 2020 €mln

	Factoring & Lending P&L	Securities Services P&L	Payments P&L	Corporate Center incl. synergies	Adj. BFF Banking Group P&L	Adjustments(3)	BFF Banking Group P&L reported
Revenues	€78.4	€26.2	€23.3	€33.6	€161.5	(€61.7)	€99.8
OPEX incl. D&A	(€18.9)	(€14.6)	(€15.3)	(€47.0)	(€95.9)	€50.7	(€45.2)
LLP(1)	(€2.4)	(€0.4)	€ -	(€0.9)	(€3.7)	1.4	(€2.3)
PBT(2)	€57.2	€11.2	€7.9	(€14.3)	€62.0	(€9.6)	€52.3

(1) Including net provisions for risks and charges
(2) 6m profit before taxes normalised taking into account one-offs and discontinued operations.
(3) 1H21 results adjusted for first two months of DEPObank adjusted result for €6.3m, costs related to the Stock Option plans for €3.1m, positive impact from the exchange rate movement for €0.9m, customer contract amortization for €2.3m, Liabilities Management costs for € 13.4m, Extraordinary contribution to resolution Fund for €2.8m and €159.9m related to badwill and transaction&restructuring costs. 1H20 results adjusted for 1H20 DEPOBank adjusted result for €7.7m, costs related to the Stock Option plan for €1.5m, positive impact from the exchange rate movement for €3.8m, M&A costs for €3.5m, extraordinary contribution to Resolution Fund for €0.7m.

Increased diversification in B2B niche business

	CLIENTS	WHAT WE OFFER	WHERE
1 **FACTORING & LENDING**	• Public sector suppliers • Large multinationals • Hospitals & municipalities	1) Non-recourse factoring 2) Lending (Central-Eastern Europe only) 3) Credit management	
2 **SECURITIES SERVICES**	• Domestic asset managers and banks - Mutual funds - Pension funds - AIFs	1) Depositary bank 2) Global custody 3) Fund accounting 4) Transfer agent	
3 **PAYMENTS SERVICES**	• Small/medium sized Italian Banks • Medium/Large Corporates • Partnership with Nexi	1) Intermediation 2) Corporate Payments 3) Check & receivables	

Factoring and Lending KPIs: confirmed 1Q21 trend

- Group volumes decreased by €73m YoY (-2.9%), impacted by high liquidity, in Spain and in Italy
- Thanks to positive performance in Greece, Portugal and Slovakia: 2Q21 volumes flat (€1,361m) vs 2Q20 volumes (€1,369m)
- Back-book LPIs income reserve (and unrecognized) continued to grow at 3.4% YoY, despite higher collections of LPIs vs. 1H20
- Gross yield on average loans at 5.0% vs. 5.7% in 1H20, due to different ageing mix
- Good discipline on costs, with stable OPEX/Avg. Loans at 1.0%, despite the reduction of loans' portfolio
- Negligible Cost of Risk, declining YoY

€m	1H19	1H20	1H21
Volume	2,180	2,541	2,468
Collections - Non recourse	2,182	2,683	2,867
Loans & Receivables	3,454	3,789	3,359
RWAs	2,176	2,318	1,559
LPIs collected	23	20	29
LPIs fund	616	678	701
Unrecognised LPI fund	391	414	418
Gross yield on average loans %	6.0%	5.7%	5.0%
Cost of Funding(1) %	(2.3%)	(2.3%)	(1.8%)
Net Interest Income/RWAs(2) %	6.5%	6.2%	8.3%
OPEX/Average Loans %	0.9%	1.0%	1.0%
Cost/Income(3) %	21%	24%	26%
Cost of Risk %	0.03%	0.12%	0.01%
Number of employees	328	365	369

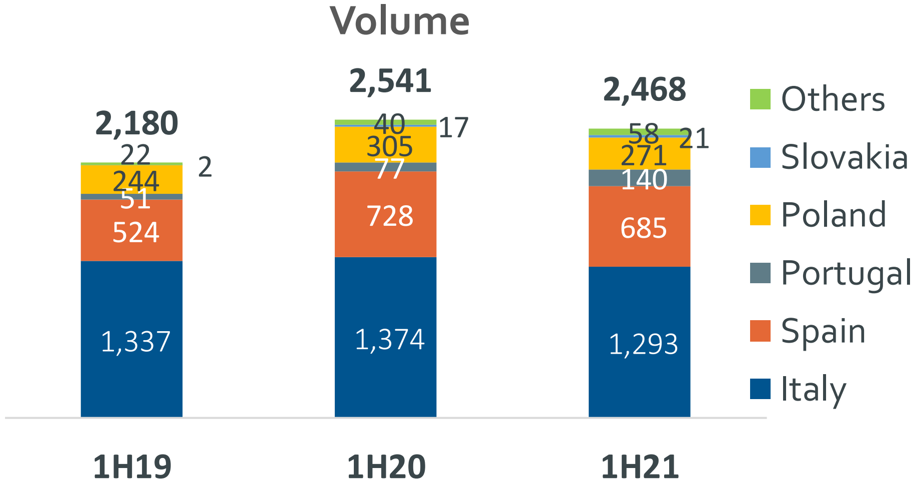
(1) See page 29 for transfer price mechanism.
(2) Net interest income over EoP RWAs. The 1H21 ratio benefits from the reduction of the RWAs, due to the application of the 20% risk-weighting (ex art. 116 CRR) from 31-Dec-2020.
(3) Calculated as (OPEX and D&A)/(Net Banking Income and Other operating income).

F&L: Italy and Spain loan book still impacted by liquidity while Portugal, Greece and CEE grew

- Loan book decreased by -11% YoY, but was flat QoQ, stabilizing declining YoY trend :
  - strong loan growth in Portugal (+86% YoY) and Greece (+47% YoY), supported by higher volumes and in Central-Eastern Europe (€948m, +8% YoY)
  - Italy (-22% YoY), with the factoring market flat [(1)] 2019-20, still suffering from high liquidity with limited new customers' appetite and fast payment of current invoices
  - in Spain (-30% YoY) the Government allocated c. €12bn in 1Q21 and €4bn in 2Q21 to the Autonomous Communities[(2)] to accelerate payments

  International business grew to 46% of total **loans** (42% in 1Q21 and 39% in 1H20), partially offsetting Italy lower portfolio
- Despite high liquidity, **New Business Volume** at €2.5bn (-3%YoY):
  - Portugal and Greece up by 83% and 34% YoY respectively
  - Italy and Spain -6% YoY; Poland -11% YoY

Customer Loans – €m	1H19	1H20	1H21	
Italy	2,271	2,325	1,819	
Spain	204	406	286	
Portugal	157	121	224	
Greece	27	51	74	
Croatia	1	1	2	
France	-	3	6	
Poland	626	682	724	
Slovakia	165	197	223	
Czech Republic	4	3	1	
Total	**3,454**	**3,789**	**3,359**	*-11% YoY*



(1) Advances to customers in Italy as of 30th June 2021; source: preliminary data by Assifact.
(2) Source: Ministerio De Hacienda, Sistemas de Financiación y Deuda Pública.

Factoring & Lending – persisting effects of high liquidity environment

- Net interest income impacted by lower loans' portfolio primarily do to faster collections at YE20 and throughout 1H21
- Net LPI over-recoveries positively impacted by higher LPIs collections (mainly in Spain), despite strong collections on newest invoices, while older outstanding generates rescheduling
- Net revenues decreased by -9.9% YoY
- OPEX slightly decreased, thank to lower G&A expenses
- High asset quality with excellent risk profile
- Profit before tax -8.8% YoY

€m	1H19	1H20	1H21
Interest Income	105.2	110.9	89.0
of which Net LPI over-recovery	*(0.7)*	*(3.3)*	*(0.6)*
Interest Expenses	(34.8)	(38.7)	(24.5)
Net Interest Income	**70.3**	**72.2**	**64.5**
Net Fee and Commission Income	2.6	2.9	3.3
Other Income	(0.1)	0.1	(0.3)
Net Banking Income	**72.9**	**75.2**	**67.5**
Other Operating Income (Expenses)	3.4	3.2	3.2
Total Net Revenues	**76.2**	**78.4**	**70.7**
Direct OPEX	(15.7)	(18.0)	(17.9)
of which Personnel Expenses	*(8.7)*	*(10.2)*	*(10.6)*
of which G&A	*(7.1)*	*(7.8)*	*(7.3)*
Direct D&A	(0.5)	(0.9)	(0.8)
Loan Loss Provisions	(0.4)	(2.2)	(0.2)
Net provisions for risks and charges	0.1	(0.1)	0.2
Profit Before Taxes	**59.6**	**57.2**	**52.1**

Securities Services KPIs: AuD growth supported by market rebound & inflows

BFF securities services

- **Depositary Bank**'s AuD at €80.5bn (+15% YoY), vs. €76bn at YE20 and €70.1bn at the end of Jun-20, thanks to positive market performance vs. 1H20 impacted by Covid-19, customer inflows and new business development initiatives. Liquidity (€6.4bn) at 8.0% on total AuD (vs. 9.5% at the end of 1Q21), expected to normalize thanks to customer deposit repricing from June 2021
- **Global Custody**'s AuC increased by 19% YoY to €168.4bn thanks to depositary bank higher assets (mainly deriving from M&A activity of an existing client), and market performance[1]
- Commissions grew to €22.2m (+9% YoY) in line with Securities Services growth
- **Cost/Income** down to 53%: revenues up and stable cost

	1H19	1H20	1H21
Depositary Bank (AuD, €m)	66,933	70,130	80,461
Fund Accounting (AuM, €m)	45,792	44,572	51,841
Transfer Agent (n° clients, #k)	2,349	2,182	2,159
Global Custody (AuC, €m)	124,716	141,914	168,452
Settlement (n° operations, #k)	934	1,237	1,357
EoP Deposits (€m)	10,687	5,262	6,401
Number of employees	175	175	177
Cost/Income ratio[2]	53%	56%	53%

€m	1H19	1Q20	1H21
Depositary Bank	7.5	6.6	7.9
Fund Accounting	5.1	4.9	5.5
Transfer Agent	4.0	3.5	3.3
Global Custody	3.0	3.0	3.2
Global Custody - Settlements & Other services	1.3	2.3	2.4
Securities Services - Commissions	**20.9**	**20.3**	**22.2**

(1) AuC is impacted by market performance only on the equity component vs. AUD, which is impacted in all its components due to the periodic NAV calculation.
(2) Calculated as (OPEX and D&A)/(Net Banking Income and Other operating income).

Securities Services – P&L: Profit Before Tax up 11%

BFF securities services

- Net Fee and Commission Income +9% YoY driven by higher assets under depositary
- Net Interest Income at €4.5m in 1H21 (vs. €5.4m in 1H20) negatively impacted by higher deposits and cost of liquidity in ECB
- Total net revenues went up by 3.1% YoY
- Slight increase of OPEX (+2%), related to higher AuD
- Significant increase YoY PBT growth (+11% YoY)

€m	1H19	1H20	1H21
Net Interest Income	**6.9**	**5.4**	**4.5**
Net Fee and Commission Income	20.9	20.3	22.2
Net Banking Income	**27.8**	**25.8**	**26.7**
Other Operating Income (Expenses)	0.5	0.5	0.3
Total Net Revenues	**28.3**	**26.2**	**27.0**
Direct OPEX	(14.3)	(13.9)	(14.2)
of which Personnel Expenses	*(6.0)*	*(6.1)*	*(6.3)*
of which G&A	*(8.3)*	*(7.8)*	*(7.9)*
Direct D&A	(0.6)	(0.7)	(0.5)
Loan Loss Provisions	-	-	-
Net provisions for risks and charges	-	(0.4)	-
Profit Before Taxes	**13.4**	**11.2**	**12.4**

Payments KPIs: rebound of transfer & collections and corporate payments

BFF payments

- Transactions of **transfer and collections** +10% YoY at #150m, thanks to positive performance of SEPA bank transfers
- **Card settlement** transactions stable at #86k compared to 1H20, but still 20% lower than 1H19, due to exposure to retail & travel
- **Checks and receivables** transactions declining at market trends, but with commissions resilient at €2.0m (vs. €2.3m in 1H19 and 1H20), thanks to introduction at YE20 of fixed fees along with variable commissions
- **Corporate Payments** transactions +7% YoY at #28m, mainly due to positive performance of INPS (Italian Social Security) pensions payments
- Strong commissions growth (+11% YoY)
- Cost/Income ratio significant decrease at 54% in 1H21 vs. 66% in 1H20

	1H19	1H20	1H21
Transfer and collections (n° oper. #k)	138,695	136,015	149,800
Card & Other settlement (n° oper. #k)	107,785	85,927	85,924
Checks & receivables (n° oper. #k)	25,945	17,073	13,476
Corporate Payments (n° oper. #k)	27,851	26,390	28,326
EoP Deposits (€m)	2,429	2,173	2,116
Number of employees	61	49	49
Cost/Income ratio(1)	63%	66%	54%

(1) Calculated as (OPEX and D&A)/(Net Banking Income and Other operating income).

€m	1H19	1H20	1H21
Transfer and collections	4.1	3.6	4.5
Card & Other settlement	9.0	9.0	10.1
Checks & receivables	2.3	2.3	2.0
Corporate Payments	4.1	3.9	4.2
Payments - Commissions	**19.6**	**18.7**	**20.8**

Payments – P&L: +72% Profit Before Tax

- Net Fee and Commission Income increased by €2.1m (+11% YoY), thanks to rebound of transfer and collections services, with card settlement not back yet to pre Covid-19 volumes
- Higher YoY (+€2.2m) Net Interest Income at €3.1m
- Total net revenues up by 26.3%
- Slight increase of direct OPEX (+4% YoY) limited to volumes
- PBT +72% vs. 1H20 driven by economy recovery after the slowdown due to Covid-19 pandemic

€m	1H19	1H20	1H21
Net Interest Income	**0.8**	**0.9**	**3.1**
Net Fee and Commission Income	20.4	18.7	20.8
Net Banking Income	**21.2**	**19.6**	**23.9**
Other Operating Income (Expenses)	3.4	3.7	5.5
Total Net Revenues	**24.5**	**23.3**	**29.4**
Direct OPEX	(15.0)	(14.7)	(15.3)
of which Personnel Expenses	*(2.2)*	*(2.2)*	*(1.9)*
of which G&A	*(12.8)*	*(12.5)*	*(13.4)*
Direct D&A	(0.4)	(0.6)	(0.4)
Loan Loss Provisions	-	-	-
Net provisions for risks and charges	(0.02)	(0.02)	-
Profit Before Taxes	**9.2**	**7.9**	**13.6**

1H21 transfer pricing mechanism modified vs. Depo's 1H20, 1H19 with not significant impact

Corporate Center – P&L: locked in future profitability

- 1H21 lower net interest income YoY primarily due to:
  - Expected M2M accounting effect on ex-DEPObank bond portfolio deflated yield at maturity[1] (2021: €27.3m of which -€11.6m in 1H21, 2022: €21.2m, 2023: ≥€4.7m), and generated a positive impact on capital (€53.2m pre taxes)
  - cost of excess liquidity in ECB (€6.2m additional costs YoY above tiering)
- Executed initiatives to drive performance:

i. refinanced and shrunk Balance Sheet to optimize liquidity (see slide n° 18)

ii. locked in opex synergies and funding (see slide n° 19)

iii. redefined government bond investment strategy (see slide n° 20)

BFF Bank P&L – Factoring & Lending P&L – Securities Services P&L – Payments P&L = Corporate Center P&L

€m	1H19	1H20	1H21
Net Interest Income	**21.7**	**29.7**	**9.5**
Net Fee and Commission Income	(1.5)	(1.0)	(0.9)
Other Income	8.5	4.6	8.1
Net Banking Income	**28.7**	**33.3**	**16.7**
Other Operating Income (Expenses)	(0.3)	0.3	5.5
Personnel Expenses	(14.3)	(17.0)	(15.8)
G&A	(22.3)	(26.4)	(24.1)
D&A	(3.2)	(3.6)	(3.3)
Loan Loss Provisions	2.9	(0.9)	1.4
Net provisions for risks and charges	(0.5)	0.0	1.5
Adjusted Profit Before Taxes	**(8.9)**	**(14.3)**	**(18.1)**

Key synergies areas

1H21 272 HC vs. 280 in 1Q21

(1) In compliance with IFRS3 and with a corresponding net positive impact on capital of €33.9m (see slide n° 5 of *1Q 2021 Results presentation*).

Optimisation of balance sheet drives funding synergies

BFF

- A Reduction of liquidity in ECB (cash down by €2.5bn QoQ) and of deposits from Transaction Services (down by €0.96bn) to:
- B **Reduction of Bonds outstanding** through cash buyback of '22 & '23 Senior Preferred Bonds for €416m and repayment of €150m bonds expired in June '21 (-€566m QoQ)
- C **Closed wholesale funding and** D **reduced fixed-term on-line deposits** by €0.6bn QoQ through repricing
- E **Purchase Government Bonds** for €555m to increase HTC portfolio yield and duration
- F **Total assets decreased by 18% QoQ**

BFF Banking Group – €m	31/3/21	2Q21 ACHIEVEMENTS	BFF Banking Group – €m	30/6/21	2H21 ACTION PLAN
Cash & Cash balances	3,262.7	A *€(2.5bn) Cash and Balances, -76% QoQ*	Cash & Cash balances	787.5	A No excess cash above ECB tiering (1H costs c. €(6.2)m)
Loans & receivables with banks	1,203.4	*€(0.3)bn, -24% QoQ*	Loans & receivables with banks	911.6	
Loans & receivables with customers	3,539.3		Loans & receivables with customers	3,571.0	
HTC portfolio	4,856.3	E *Resume of Govies purchases*	HTC portfolio	5,144.0	E Larger HTC portfolio, with higher yield and duration
Investments	83.3		Investments	83.6	
Other Assets	562.3		Other Assets	541.4	
Total Assets	**13,507.4**	***-18% QoQ***	**Total Assets**	**11,039.0**	
Deposits from transaction services	9,448.7	A *€0.96bn of deposits already deployed*	Deposits from transaction services	8,485.6	
Wholesale funding	615.1	C *Euro/Zloty wholesale funding -99.9% QoQ*	Wholesale funding	1.4	C Rationalized funding sources, maintaining on-line deposits platform, access to debt capital markets, and wholesale funding
Retail deposits	1,281.8	D *On-line deposits -43% QoQ*	Retail deposits	724.4	D
Securitization	-		Securitization	-	
Repos	-		Repos	-	
Tier II & bonds	747.5	B *Bonds -76% QoQ*	Tier II & bonds	181.8	B
Other Liabilities	692.3		Other Liabilities	891.1	
Equity	722.1	*Equity up due to goodwill tax step-up*	Equity	754.8	
Total Liabilities	**13,507.4**	F ***-18% QoQ***	**Total Liabilities**	**11,039.0**	

Synergies – already locked-in lower end of target

- **Locked in lower end of target synergies from 31/12/21:**

1 **Funding synergies** reached 2023 target on a run-rate basis starting from 1st July 21. Completed actions:

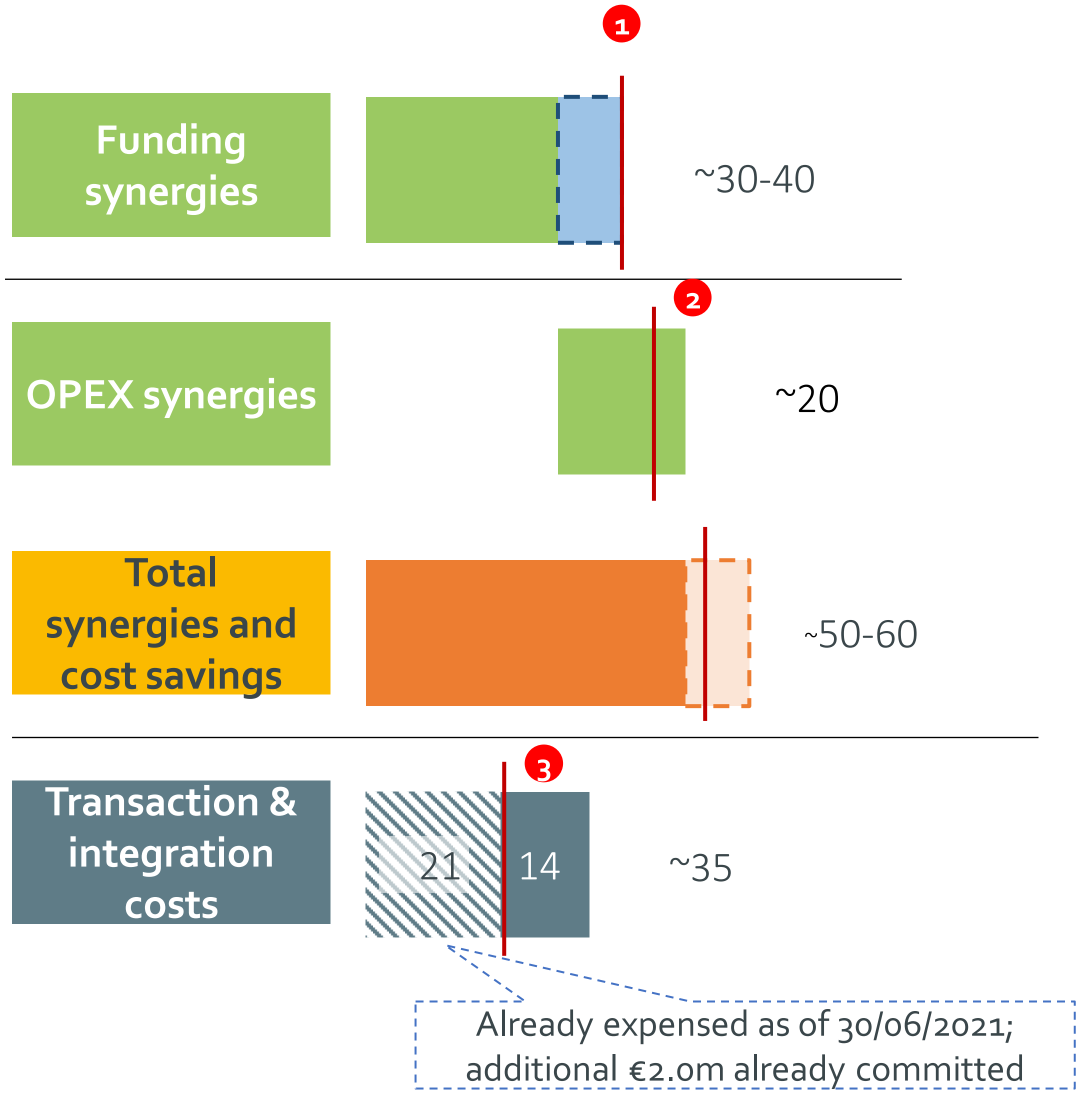
i. closure of wholesale funding

ii. reduction of term deposits in Euro and Zloty

iii. completed in Jun-21 the buy-back of 2022 & 2023 Senior Preferred Bonds for €416m, accelerating the synergies expected in the next years

2 **OPEX**: already locked-in initiatives for €17.2m synergies from 31/12/2021 on a run-rate basis

3 Expensed only c. 66% of **transactions & integration costs,** including committed costs



Corporate Center: portfolio strategy normalization post integration

Illustrative

DEAL IMPACT

Ex DEPO HTC portfolio roll over freeze
of expired bonds between signing and closing due to contractual restrictions
aimed at limiting M2M impact
with consequent reduction in size and duration

DEAL IMPACT

M2M at closing deflated yield (vs a one-off gain @ capital ≈ €53.2m)

LT Target

Resizing of the HTC portfolio

HTC ptf size back to pre- deal levels due to new purchases

LT Target

Duration back to 3 years average

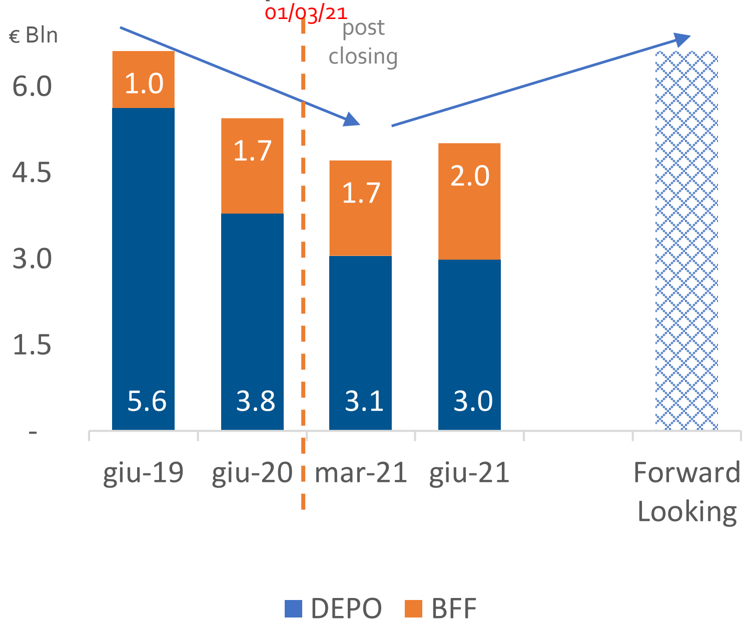
new purchases of gov. bonds with approx. 5y duration @ inception

LT Target

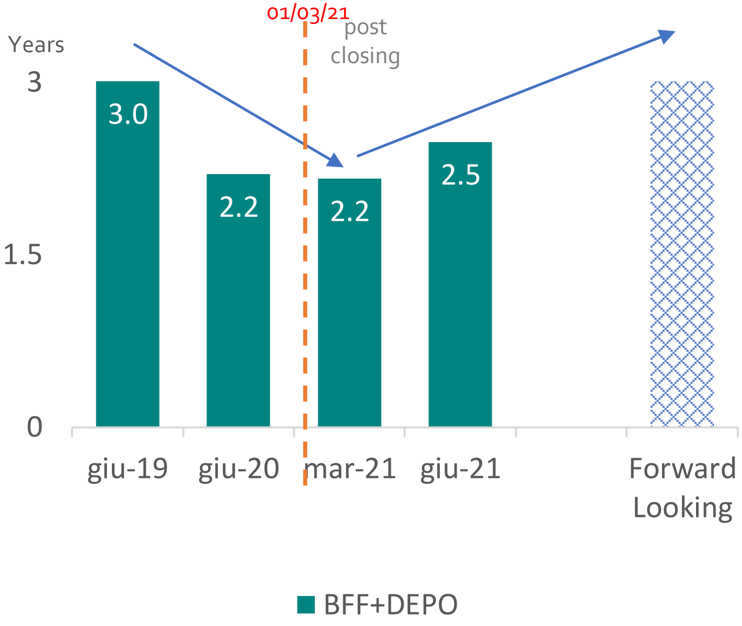
Yield normalization through purchases in line with planned duration

Expected increase of ptf yield thanks to fwd market yield levels and longer duration of new purchases

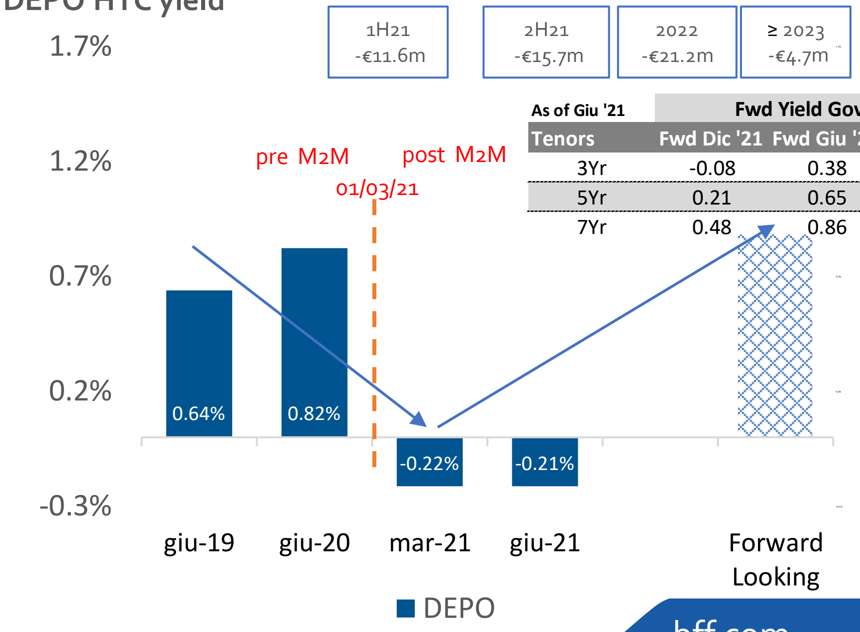
BFF+DEPO HTC ptf amount (nominal values)



BFF+DEPO HTC ptf duration



DEPO HTC yield

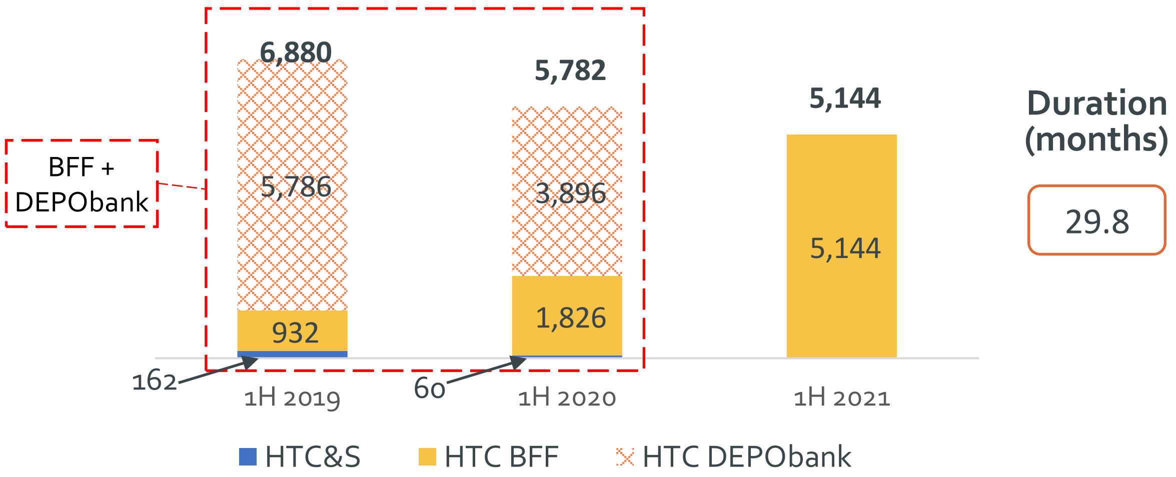


As of Giu '21	Fwd Yield Gov Bond		
Tenors	Fwd Dic '21	Fwd Giu '23	Fwd Giu '24
3Yr	-0.08	0.38	0.62
5Yr	0.21	0.65	0.88
7Yr	0.48	0.86	1.08

1H21 balance sheet: funding structure rationalised

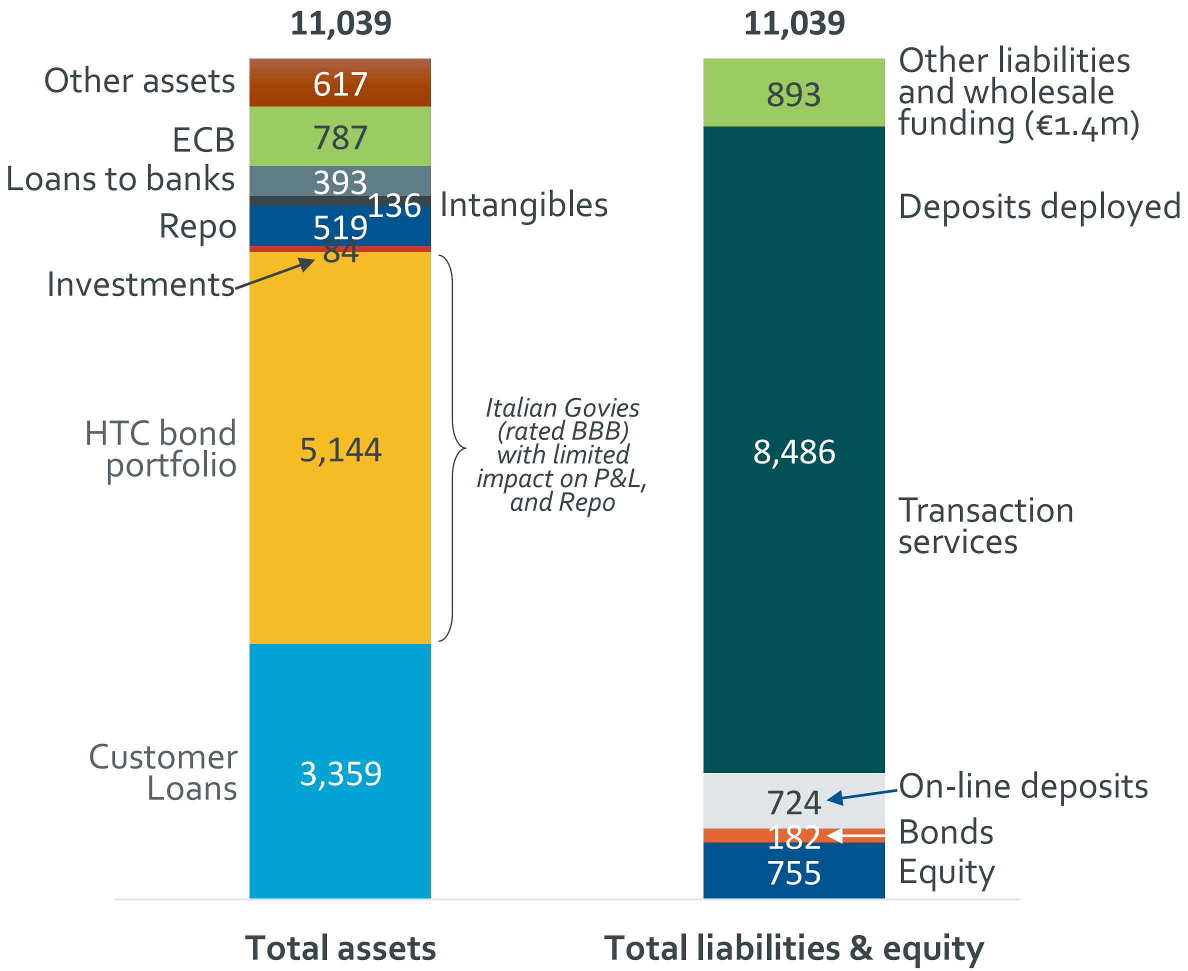
- Funding base rationalization thanks to Senior Bonds repayment at maturity (€150m) and buyback (€416m), and to reduction of on-line deposits (€557m QoQ) and wholesale funding (€614m QoQ)
- Strong LCR at 313.6% and NSFR at 236,5%, positively impacted from 2Q21 by the new regulation. Leverage ratio at 4.0%
- Government bond portfolio at €5.1bn, €638m lower than 1H20
- Positive M2M on HTC portfolio for €41m after taxes (not recognized neither in the P&L nor in the balance sheet)

HTC and HTC&S bond portfolio (€m)



LCR 313.6% **Leverage ratio** 4.0% **NSFR(1)** 236,5%

Breakdown of 1H21 BS (€m)



(1) Fully phased-in from 30/06/2021.

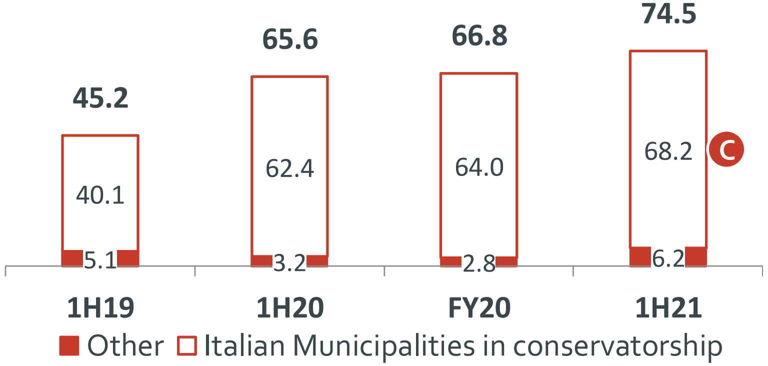
Strong asset quality despite Covid-19

Significant reduction in gross & net impaired loans

- A **Zero bps Cost of Risk in 1H21**, due to portfolio contraction and IFRS 9 release. No impact on CET 1 resulting from calendar provisioning
- B **Impaired loans mostly towards the public sector**
- C Increase in NPLs driven mostly by growing activities towards municipalities in conservatorship ("*dissesti*"): exposures classified NPLs by regulation, despite BFF legally entitled to receive 100% of the principal and LPIs at the end of the process. The increase of other NPL is due to a change of classification (made in the 1Q21) from UTP to NPL of an exposure fully guaranteed in Poland
- D **Negligible NPL Ratio** excl. Italian municipalities in conservatorship ("*dissesti*")
- E **Significant reduction in impaired loans YoY, post "New DoD"**

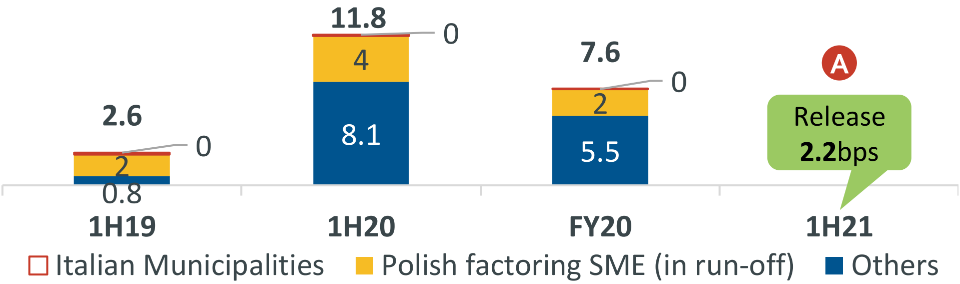
Net Non-Performing Loans evolution (€m)

	1H19	1H20	FY20	1H21
NPL ratio excl. Italian Municipalities	0.1%	0.1%	0.1%	0.2% D
Coverage Ratio excl. Italian Municipalities	70%	81%	84%	74%
NPL ratio	*1.3%*	*1.7%*	*1.6%*	*2.1%*



BFF stand-alone

Cost of Risk (bps)



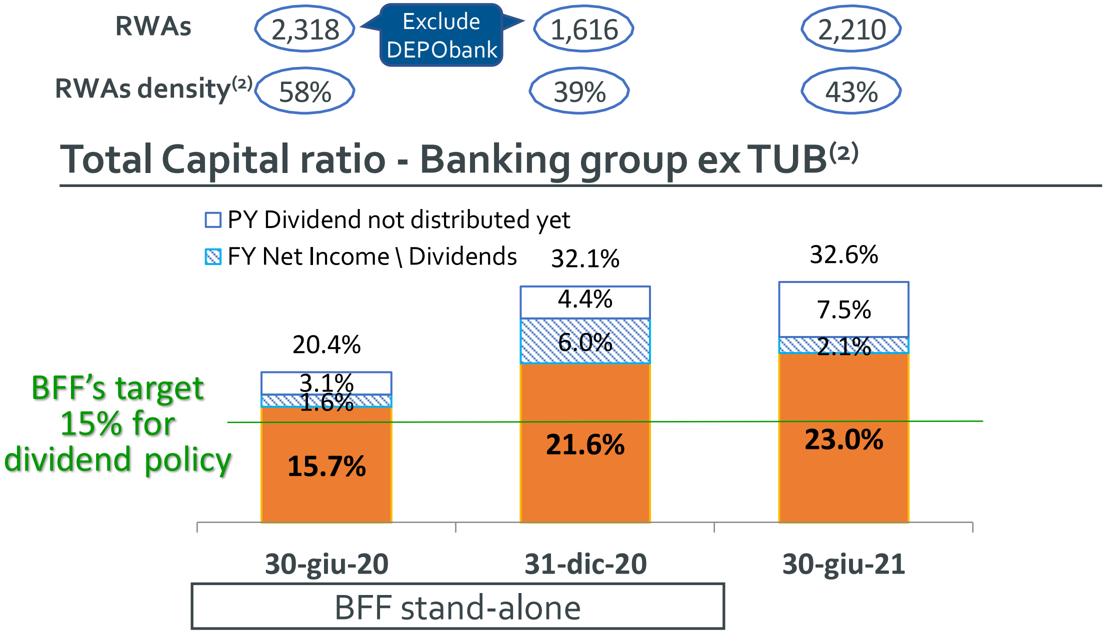
BFF stand-alone

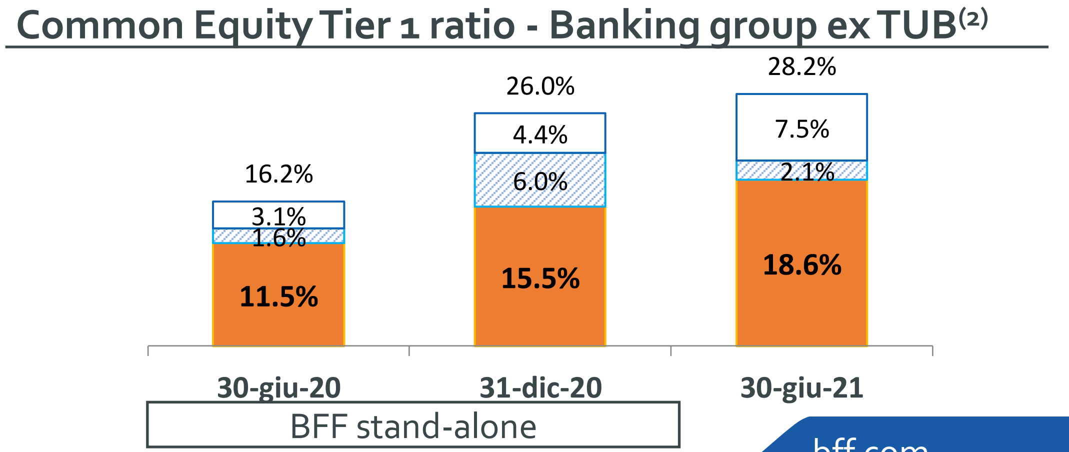
	BFF stand-alone			BFF & DEPObank
€m	1H19	1H20	FY20	1H21
Net NPLs	45.2	65.6	66.8	74.5
Net UTP	10.3	16.1	15.7	14.3
Net Past due	38.7	48.9	42.1	2.1 E
Net impaired loans	**94.2**	**130.5**	**124.6**	**90.9** B
Net impaired loans excl. Italian municipalities	**54.1**	**68.2**	**60.6**	**22.6**

76% public sector

Strong capital position, with €212m of dividend capacity, and additional €177m excess capital vs. target

- **Total Capital ratio at 23.0% and CET1 ratio at 18.6%**(1), with €177m of capital in excess of 15% TC ratio target, not including €165.3m of 2019-20 accrued dividends (in discussion with BoI to be paid in Oct-21, see next slide), and €46.6m of accrued 1H21 adj. earnings
- **32.6% TC ratio and 28.2% CET1 ratio include c. €212m accrued dividends**
- No need to apply any of the ECB/EBA emergency measure or the European Commission's banking package for COVID-19
- **RWAs calculation based on the Basel Standard Model**, and with commercial receivables exposures towards NHS and other PA (different from central government) risk-weighted at 20%, irrespective of countries' sovereign ratings



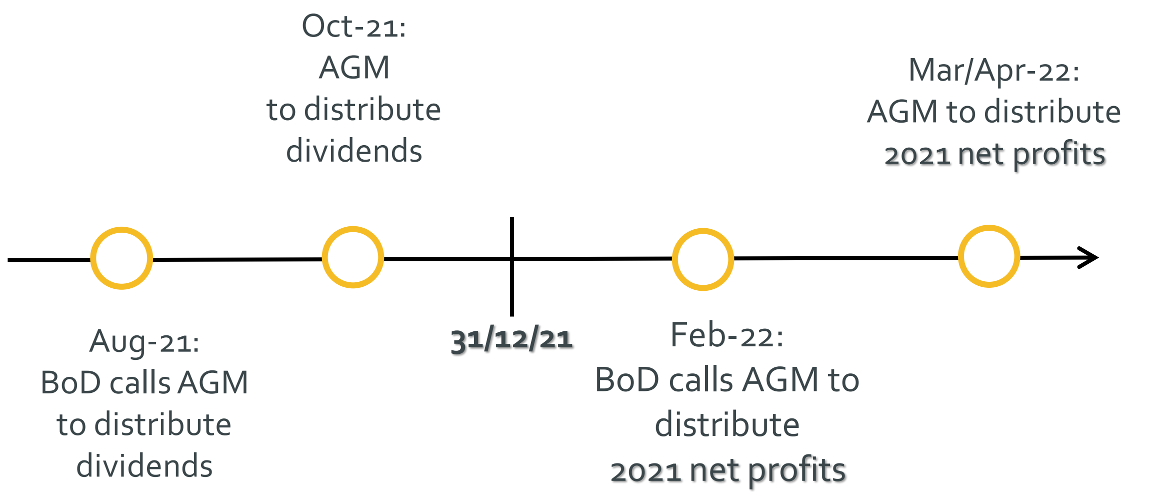


(1) 1H21 ratios are calculated with 20% risk-weighting factor (ex art. 116 CRR) applied as of 31-Dec-2020.
(2) Calculated as RWAs/Total assets excluding HTC and Cash and Cash Balances.

Dividend ban termination: dialogue ongoing with BoI to pay dividends in Oct-21

- On 23rd and 27th Jul-21, ECB and BoI confirmed the termination of dividend ban from 30-Sept-21, encouraging a preliminary dialogue with banks before distribution
- Following the recommendation, BFF started a dialogue with BoI in order to submit a resolution to distribute accrued dividends in Oct -21
- BFF dividend policy remains unchanged, aimed at self-funding business growth and paying excess capital:
  - earnings of the period retained to maintain 15% TCR target and to pay-out the portion excess of the 15% TCR
  - high pay-out ratio due to very solid capital position
- 2021 dividend (of which €46.6m already accrued in 1H21), since TCR >>15%, will be paid out of adj. profit, following 2022 AGM

Expected timeline[1]



(1) Conditional to outcome of a dialogue currently in place with BoI, in compliance with the recommendation of 27th July 2021.

Next events

Early September 2021	▪ Virtual roadshow post 1H 2021 results ▪ Fireside chat / Q&A
21/22-Sep-2021	Bank of America – 26th Annual Financials CEO Conference
1-Oct-2021	J.P. Morgan – 8th Italian Conference 2021
October 2021	Shareholders' Meeting to be called to approve: (i) new Articles of Association to be compliant with new regulations and Corporate Governance Code (ii) conditional to outcome of dialogue with BoI, dividends' distribution

Key takeaways

- Factoring & Lending: positive performance of Portugal, Greece and CEE, with Italy & Spain still impacted by additional liquidity injections
- Increased stock of unrecognized off-balance sheet LPIs at €418m as a source of future profitability
- Securities Services: increase of AuD (>15% YoY), due to market rebound and new business initiatives
- Payments: upward trend confirmed, PBT +72% YoY driven by economy recovery
- Synergies: already locked in lower end of synergies, starting from 31/12/2021
- Resizing of HTC portfolio, after rollover contractual restriction on DEPObank portfolio between signing and closing, increasing duration and yield
- From end of Jun-21 no liquidity exceeding ECB tiering threshold, ending “negative carry”
- Excellent credit quality: past due at €2.1m post New DoD, zero Cost of Risk, and 0.2% NPL ratio excluding Italian Municipalities in conservatorship
- Strong capital position (CET1 ratio 18.6% and Total Capital ratio 23%), with €177m excess capital above 15% TC ratio target. CET1 ratio of 28.2% including accrued dividends
- Dividend capacity of €212m. Following lift of dividend ban from 30-Sept-21 by Regulators, BFF started a dialogue with BoI to distribute accrued dividends in Oct-21

Appendix

Glossary

AIF	Alternative Investment Funds	**HC**	Head count
ALM	Assets & Liabilities management	**HTC**	Held-To-Collect
AuC	Assets under custody	**KPIs**	Key performance indicators
AuD	Assets under depositary	**LPIs**	Late payment interests
AVG.	Average	**M2M**	Mark-to-market
BoI	Bank of Italy	**NHS**	National Healthcare System
BS	Balance Sheet	**NI**	Net income
BUs	Business units	**NII**	Net interest income
CC	Corporate Center	**OCI**	Other comprehensive income
CEE	Central-Eastern Europe	**P&L**	Profit & Loss
D&A	Depreciation and amortisation	**PA**	Public Administration
DSOs	Days of sales outstanding	**PBT**	Profit before taxes
DTA	Deferred Tax Asset	**PPA**	Purchase Price Allocation
ECB	European Central Bank	**QoQ**	Quarter-on-quarter
EoP	End of the period	**Repo**	Repurchase agreement
F&L	Factoring & Lending	**SS**	Securities services
FY	Full-year	**TC/TCR**	Total Capital/Total Capital Ratio
Govies	Government bonds	**YoY**	Year-on-year
H	Half-year		

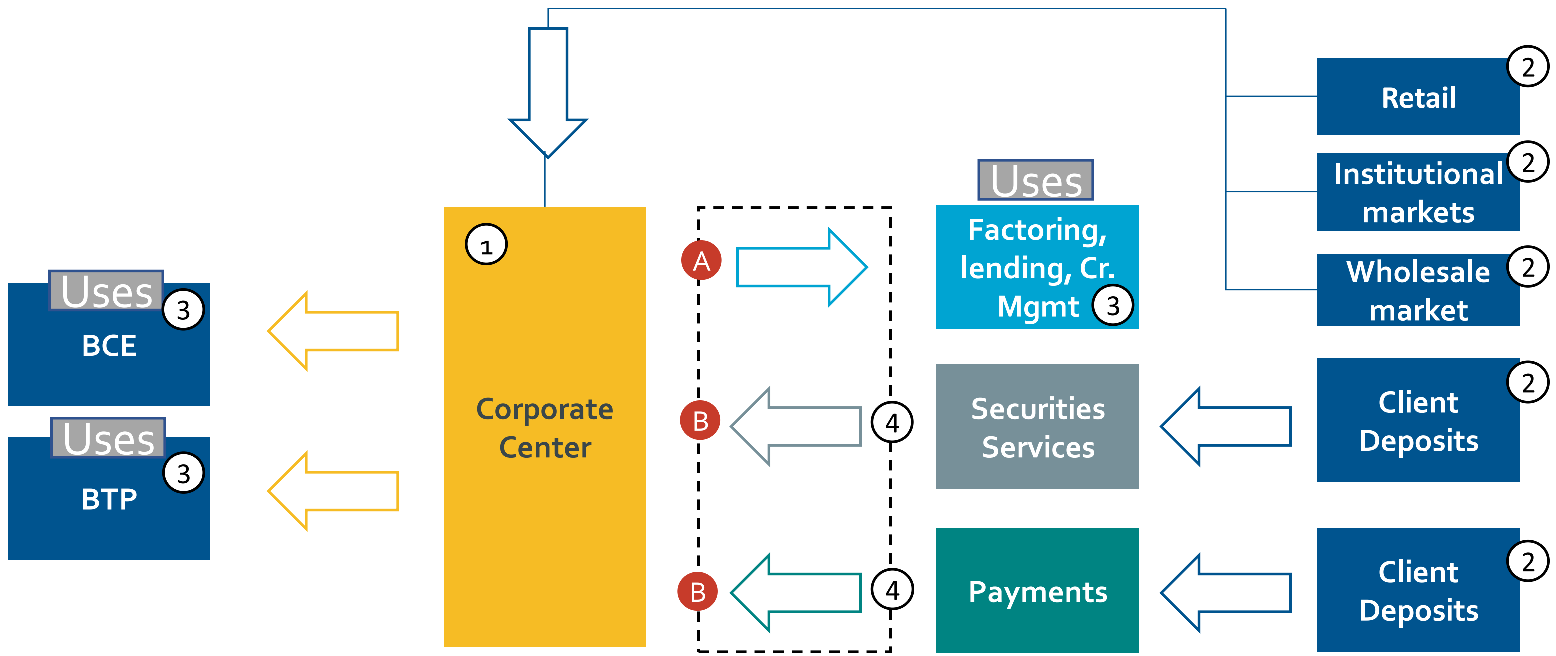
A transfer pricing framework has been set up to avoid excess liquidity and pricing erosion

2021 illustrative example

1. Corporate Center manages the funding to and from BUs
2. Funding is sourced through Securities Services, Payments, retail deposits, wholesale sources and institutional markets
3. Funding is deployed in factoring and lending business, in government bonds or deposited in ECB
4. The deposit from SS and payments are remunerated by the CC at a rate determined according to a proprietary mechanism

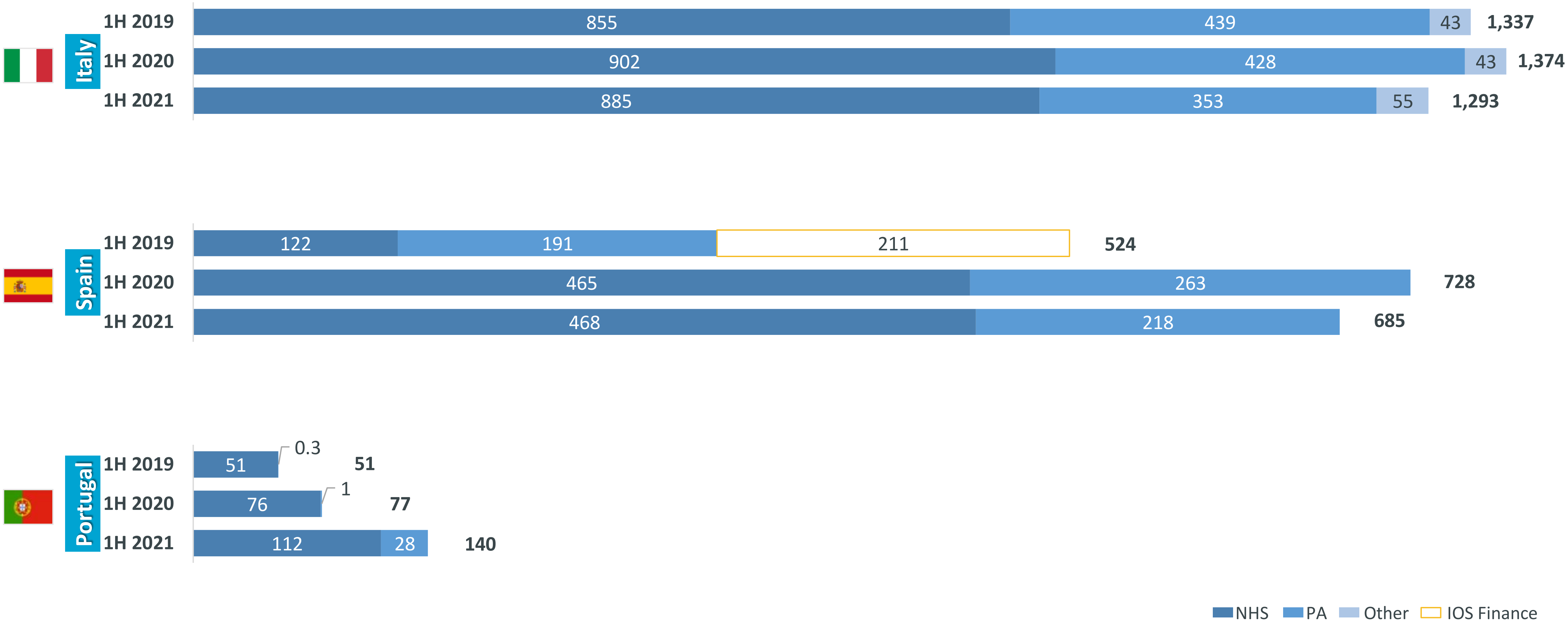
A CC provides funding to BU factoring, lending and credit management and receives a remuneration equal to the COF pre Depo

B CC provides funding to BU D2S and pays a remuneration which depends on the uses mix of the liquidity thus received



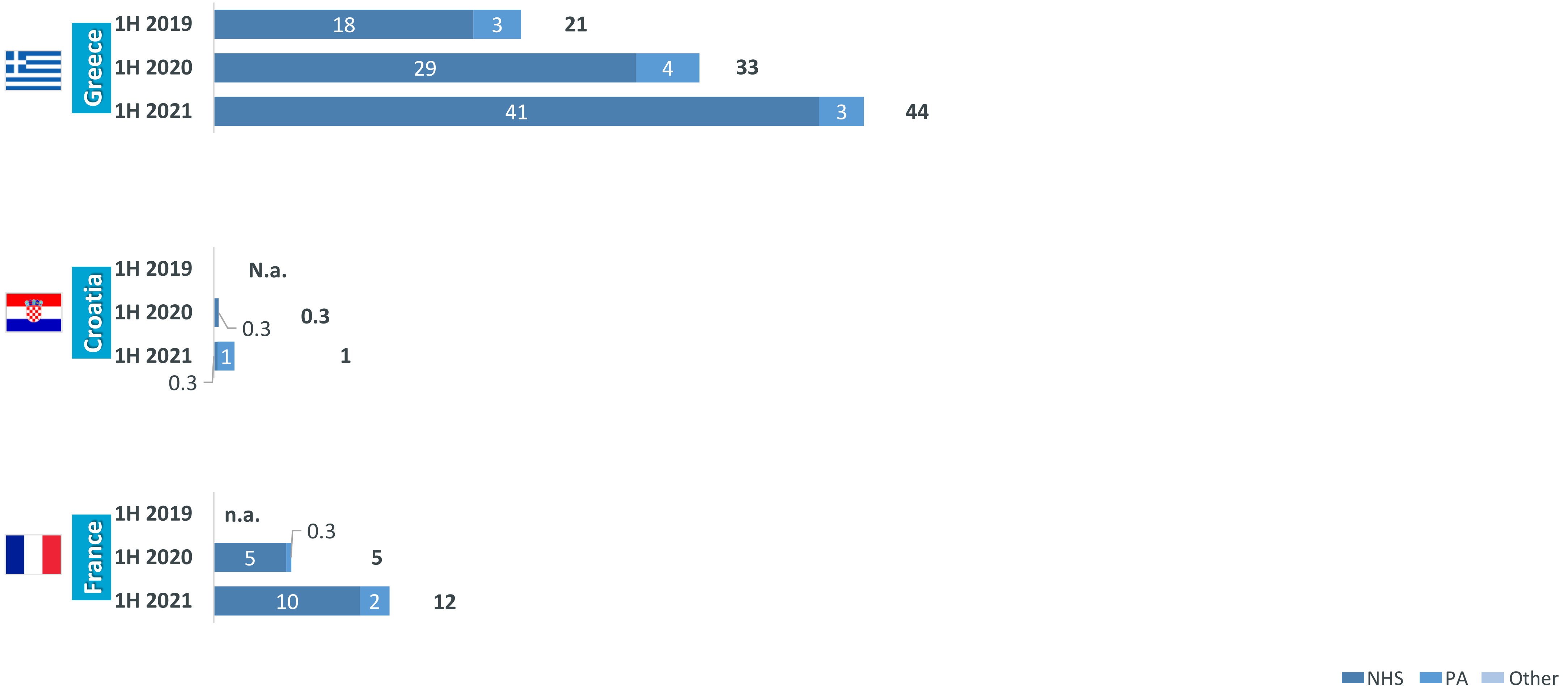
Non-recourse Volume (€m)

1/2

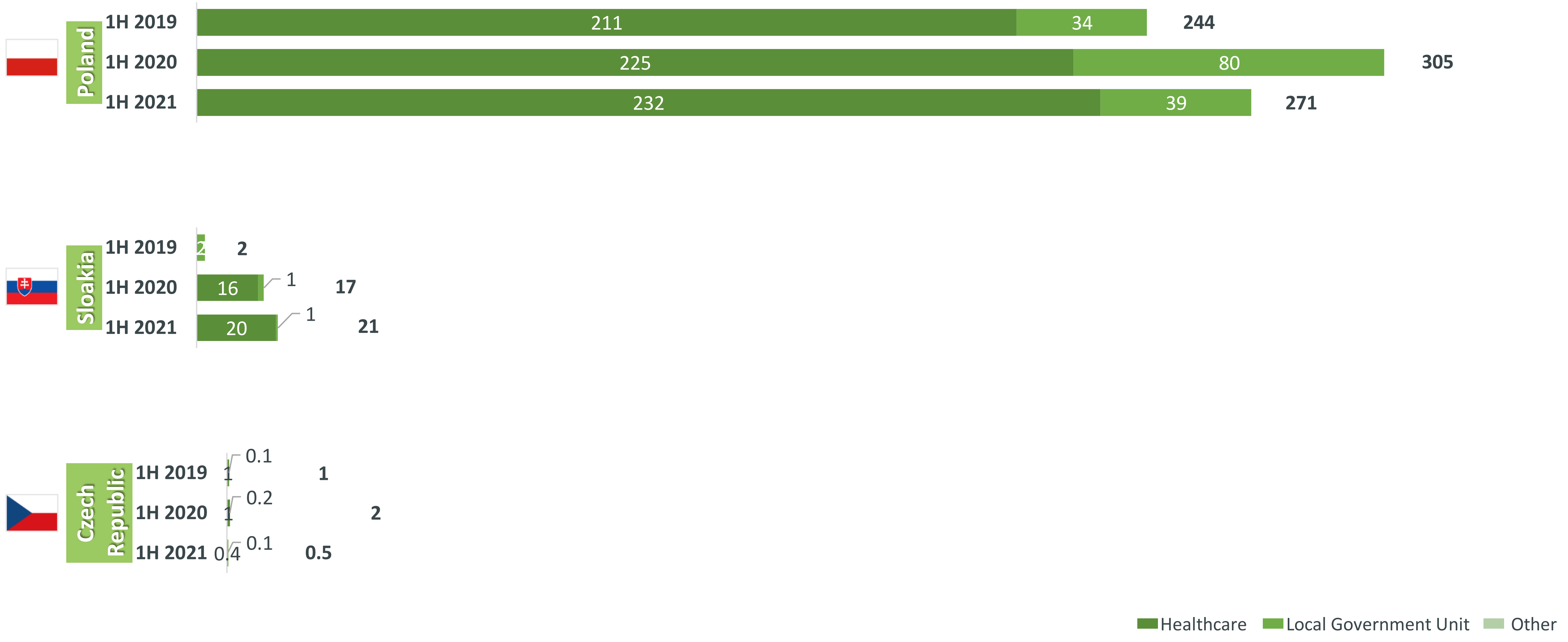


Non-recourse Volume (€m)

(2/2)

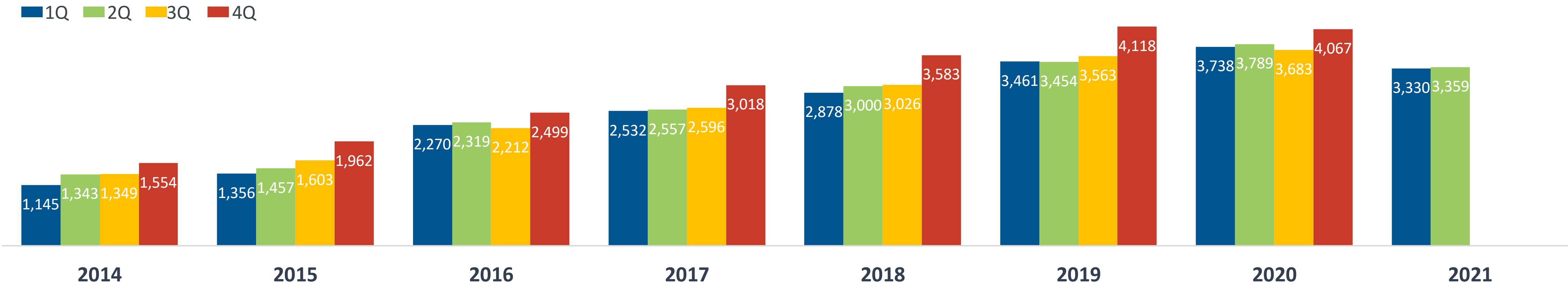


New business Volume (€m)

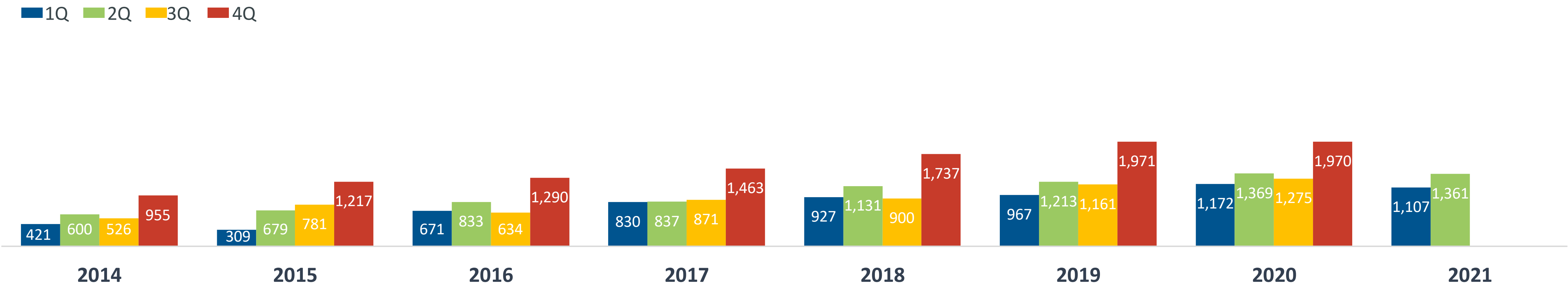


Factoring & Lending

Customer Loans evolution by quarter (€m)

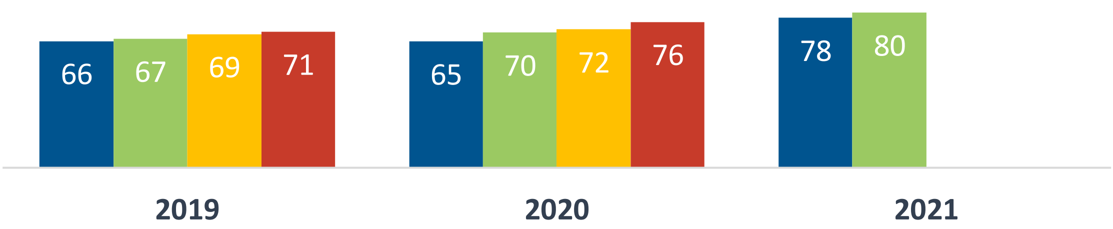


Breakdown of Volume by quarter (€bn)

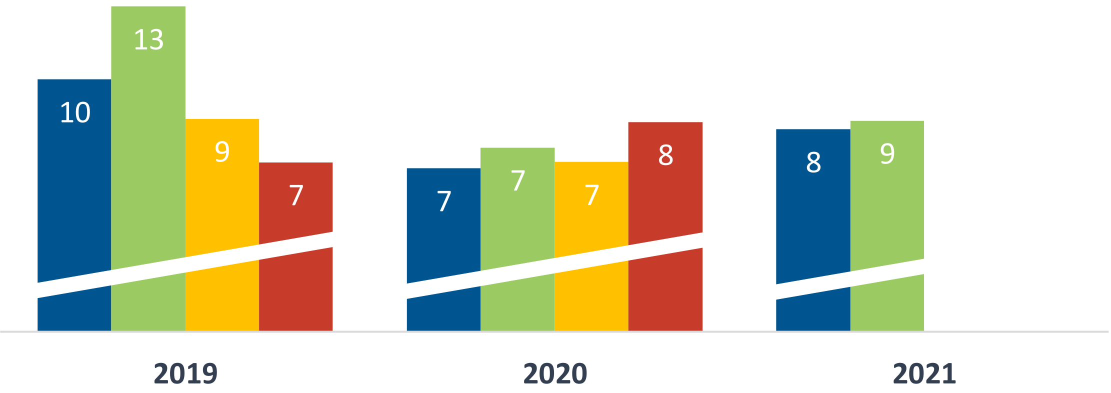


Securities Services & Payments

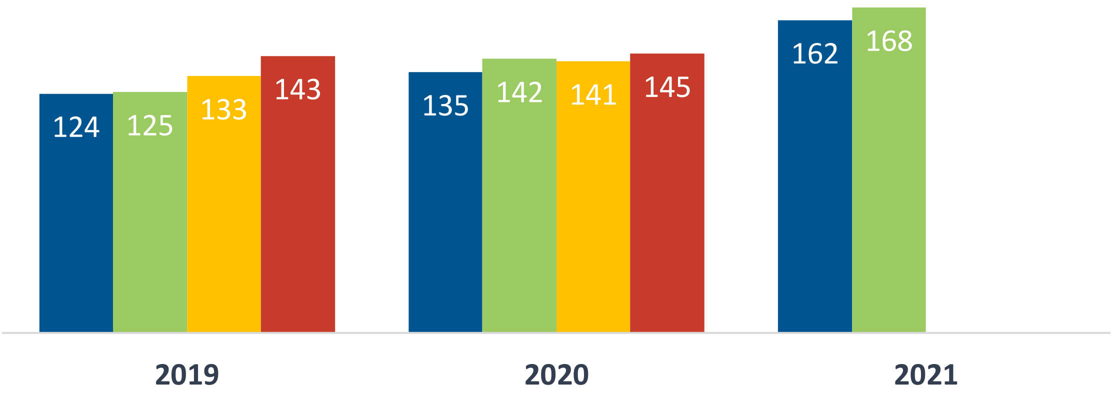
AuD by quarter (€m)



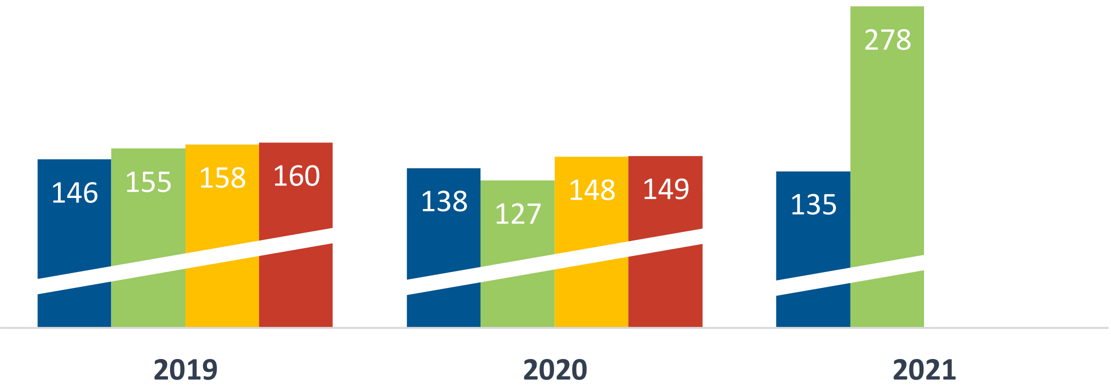
Deposits by quarter (€m)



AuC (€m)



Payment Transactions by quarter (#m)



1Q 2Q 3Q 4Q

1H19-1H21 Adjusted & Reported values

Adjusted values - €m	1H19	1H20	1H21
Net Interest Income	**99.7**	**108.2**	**81.6**
Net Fee and Commission Income	42.4	40.9	45.4
Other Income	8.4	4.8	7.8
Net Banking Income	**150.6**	**153.9**	**134.8**
Other Operating Income (Expenses)	7.0	7.6	14.5
Total Net revenues	**157.6**	**161.5**	**149.3**
Operating costs & D&A	(86.3)	(95.9)	(92.2)
Loan Loss Provision	2.4	(3.2)	1.3
Net provisions for risks and charges	(0.4)	(0.5)	1.7
Profit Before Taxes	**73.3**	**62.0**	**60.0**

Reported values - €m	1H19	1H20	1H21
Net Interest Income	**85.9**	**90.5**	**77.7**
Net Fee and Commission Income	2.4	2.3	31.9
Other Income	(1.0)	4.0	(7.2)
Net Banking Income	**87.3**	**96.9**	**102.4**
Other Operating Income (Expenses)	2.6	3.0	175.3
Total Net revenues	**89.8**	**99.8**	**277.8**
Operating costs & D&A	(38.4)	(45.2)	(88.6)
Loan Loss Provision	(0.4)	(2.3)	0.2
Net provisions for risks and charges	(0.3)	(0.0)	1.7
Profit Before Taxes	**50.7**	**52.3**	**191.1**

1H21 summary P&L

1H21

€m	F&L	SS	PAYM.	CC	ADJUSTED	Adjustments	REPORTED
Interest Income	89.0	6.4	3.1	6.6	105.0	(2.8)	102.2
Interest Expenses	(24.5)	(1.9)	-	2.9	(23.5)	(1.0)	(24.5)
Net Interest Income	**64.5**	**4.5**	**3.1**	**9.5**	**81.6**	**(3.9)**	**77.7**
Net Fee and Commission Income	3.3	22.2	20.8	(0.9)	45.4	(13.5)	31.9
Dividends	-	-	-	3.7	3.7	-	3.7
Gains/Losses on Trading	(0.3)	-	-	5.3	5.0	(2.3)	2.7
Fair value adjustments in hedge accounting	-	-	-	(1.8)	(1.8)	-	(1.8)
Gains/losses on disposal/repurchase of	-	-	-	(0.0)	(0.0)	(12.6)	(12.7)
a) financial assets measured at amortized cost	-	-	-	-	(0.0)	-	(0.0)
b) financial assets measured at fair value through OCI	-	-	-	-	(0.0)	-	(0.0)
c) financial liabilities	-	-	-	-	0.0	(12.6)	(12.6)
Gains (losses) on other financial assets and liabilities measured at fair value through profit or loss	-	-	-	1.0	1.0	-	1.0
a) financial assets and liabilities designated at fair value	-	-	-	-	-	-	-
b) other financial assets mandatorily measured at fair value	-	-	-	1.0	1.0	-	1.0
Net Banking Income	**67.5**	**26.7**	**23.9**	**16.7**	**134.8**	**(32.3)**	**102.4**
Net adjustments/reversals of impairment for credit risk concerning:	(0.2)	-	-	1.4	1.3	(1.0)	0.2
a) financial assets measured at amortized cost	(0.0)	-	-	1.4	1.4	(1.0)	0.4
b) financial assets measured at fair value through OCI	(0.1)	-	-	-	(0.1)	-	(0.1)
Administrative and Personnel Expenses	(17.9)	(14.2)	(15.3)	(39.9)	(87.3)	5.3	(82.0)
Net provisions for risks and charges	0.2	-	-	1.5	1.7	(0.0)	1.7
a) commitments and guarantees provided	0.2	-	-	(0.1)	0.1	0.2	0.3
b) other net allocations	-	-	-	1.6	1.6	(0.2)	1.4
Net Adjustments to/ Writebacks on Property, Plan and Equipment and Intangible Assets	(0.8)	(0.5)	(0.4)	(3.3)	(5.0)	(1.6)	(6.5)
Other Operating Income (Expenses)	3.2	0.3	5.5	5.5	14.5	160.8	175.3
Profit Before Income Taxes from Continuing Operations	**52.1**	**12.4**	**13.6**	**(18.1)**	**60.0**	**131.1**	**191.1**
Income Taxes					(13.4)	32.6	19.2
Net Income					**46.6**	**163.7**	**210.3**

1H20 summary P&L

1H20

€m	F&L	SS	PAYM.	CC	ADJUSTED	Adjustments	REPORTED
Interest Income	110.9	7.6	0.9	22.6	142.0	(25.4)	116.5
Interest Expenses	(38.7)	(2.2)	0.0	7.1	(33.8)	7.7	(26.0)
Net Interest Income	**72.2**	**5.4**	**0.9**	**29.7**	**108.2**	**(17.7)**	**90.5**
Net Fee and Commission Income	2.9	20.3	18.7	(1.0)	40.9	(38.6)	2.3
Dividends	-	-	-	0.0	0.0	(0.0)	-
Gains/Losses on Trading	0.1	-	-	3.9	4.1	(0.1)	4.0
Fair value adjustments in hedge accounting	-	-	-	-	-	-	-
Gains/losses on disposal/repurchase of	-	-	-	0.7	0.7	(0.6)	0.1
a) financial assets measured at amortized cost	-	-	-	0.6	0.6	(0.6)	-
b) financial assets measured at fair value through OCI	-	-	-	0.0	0.0	-	0.0
c) financial liabilities	-	-	-	0.1	0.1	-	0.1
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	-	-	-	-	-	-	-
b) other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
Net Banking Income	**75.2**	**25.8**	**19.6**	**33.3**	**153.9**	**(57.0)**	**96.9**
Net adjustments/reversals of impairment for credit risk concerning:	(2.2)	-	-	(0.9)	(3.2)	0.9	(2.3)
a) financial assets measured at amortized cost	(2.2)	-	-	(0.9)	(3.2)	0.9	(2.3)
b) financial assets measured at fair value through OCI	-	-	-	0.0	0.0	-	0.0
Administrative and Personnel Expenses	(18.0)	(13.9)	(14.7)	(43.5)	(90.1)	47.9	(42.3)
Net provisions for risks and charges	(0.1)	(0.4)	(0.0)	0.0	(0.5)	0.5	(0.0)
a) commitments and guarantees provided	**(0.1)**	**-**	**-**	**0.0**	(0.1)	-	(0.1)
b) other net allocations	-	(0.4)	(0.0)	(0.0)	(0.4)	0.5	0.1
Net Adjustments to/ Writebacks on Property, Plan and Equipment and Intangible Assets	(0.9)	(0.7)	(0.6)	(3.6)	(5.7)	2.8	(2.9)
Other Operating Income (Expenses)	3.2	0.5	3.7	0.3	7.6	(4.7)	3.0
Profit Before Income Taxes from Continuing Operations	**57.2**	**11.2**	**7.9**	**(14.3)**	**62.0**	**(9.6)**	**52.3**
Income Taxes					(14.9)	0.1	(14.8)
Net Income					**47.1**	**(9.6)**	**37.5**

1H19 summary P&L

1H19

€m	F&L	SS	PAYM.	CC	ADJUSTED	Adjustments	REPORTED
Interest Income	105.2	14.6	0.8	23.9	144.4	(35.8)	108.6
Interest Expenses	(34.8)	(7.7)	(0.0)	(2.2)	(44.7)	22.0	(22.7)
Net Interest Income	**70.3**	**6.9**	**0.8**	**21.7**	**99.7**	**(13.9)**	**85.9**
Net Fee and Commission Income	2.6	20.9	20.4	(1.5)	42.4	(40.0)	2.4
Dividends	-	-	-	0.4	0.4	(0.4)	-
Gains/Losses on Trading	(0.1)	-	-	7.9	7.8	(9.0)	(1.2)
Fair value adjustments in hedge accounting	-	-	-	-	-	-	-
Gains/losses on disposal/repurchase of	-	-	-	0.2	0.2	-	0.2
a) financial assets measured at amortized cost	-	-	-	-	-	-	-
b) financial assets measured at fair value through OCI	-	-	-	0.2	0.2	-	0.2
c) financial liabilities	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
b) other financial assets mandatorily measured at fair value	-	-	-	-	-	-	-
Net Banking Income	**72.9**	**27.8**	**21.2**	**28.7**	**150.6**	**(63.3)**	**87.3**
Net adjustments/reversals of impairment for credit risk concerning:	(0.4)	-	-	2.9	2.4	(2.9)	(0.4)
a) financial assets measured at amortized cost	(0.4)	-	-	2.9	2.4	(2.9)	(0.4)
b) financial assets measured at fair value through OCI	-	-	-	0.0	0.0	-	0.0
Administrative and Personnel Expenses	(15.7)	(14.3)	(15.0)	(36.6)	(81.7)	45.7	(36.0)
Net provisions for risks and charges	0.1	-	(0.0)	(0.5)	(0.4)	0.1	(0.3)
a) commitments and guarantees provided	**0.1**	**-**	**-**	**(0.0)**	0.1	-	0.1
b) other net allocations	-	(0.0)	(0.0)	(0.4)	(0.5)	0.1	(0.4)
Net Adjustments to/ Writebacks on Property, Plan and Equipment and Intangible Assets	(0.5)	(0.6)	(0.4)	(3.2)	(4.6)	2.2	(2.4)
Other Operating Income (Expenses)	3.4	0.5	3.4	(0.3)	7.0	(4.4)	2.6
Profit Before Income Taxes from Continuing Operations	**59.6**	**13.4**	**9.2**	**(8.9)**	**73.3**	**(22.6)**	**50.7**
Income Taxes					(20.0)	7.4	(12.6)
Net Income					**53.2**	**(15.1)**	**38.1**

Summary reported Balance Sheet

€m	BFF stand-alone			BFF & DEPObank from 01/03/2021
	1H19	1H20	FY20	1H21
Cash and cash Balances	36.1	111.2	173.3	787.5
Financial assets measured at fair value through profit or loss	-	-	-	37.8
a) financial assets held for trading	-	-	-	*4.4*
b) financial assets designated at fair value	-	-	-	-
c) other financial assets mandatorily measured at fair value	-	-	-	*33.4*
Financial assets measured at fair value through OCI	162.3	60.0	0.2	83.6
Financial assets measured at amortized cost	4,444.1	5,653.6	5,780.6	9,626.6
a) Loans and receivables with banks	*58.7*	*37.9*	*31.1*	*911.6*
b) Loans and receivables with customers	*4,385.3*	*5,615.7*	*5,749.5*	*8,715.0*
Hedging derivatives	-	-	-	4.2
Equity Investments	0.2	0.2	0.1	13.2
Property, Plant and Equipment	14.7	16.7	18.0	37.5
Intangible Assets	25.6	34.7	36.7	135.7
Tax Assets	20.9	27.1	15.3	119.9
Other Assets	16.1	19.1	27.2	193.1
Total Assets	**4,720.0**	**5,922.6**	**6,051.3**	**11,039.0**
Financial liabilities measured at amortized cost	4,247.0	5,332.0	5,415.2	9,393.1
a) deposits from banks	*1,168.5*	*941.7*	*1,034.7*	*926.2*
b) deposits from customers	*2,298.8*	*3,540.5*	*3,571.6*	*8,284.7*
c) securities issued	*779.7*	*849.8*	*808.9*	*182.2*
Financial Liabilities Held for Trading	-	-	-	0.5
Hedging Derivatives	-	-	-	0.7
Tax Liabilities	79.7	90.6	83.7	107.0
Other Liabilities	72.5	83.9	82.8	757.6
Employess Severance Indemnities	0.9	0.7	0.7	3.8
Provision for Risks and Charges	4.4	6.2	6.4	21.5
Equity	277.4	371.6	371.5	544.5
Profits for the Year	38.1	37.5	91.1	210.3
Total Liabilities and Equity	**4,720.0**	**5,922.6**	**6,051.3**	**11,039.0**

Asset quality

€/000	Gross	Provisions	Net
	30/06/2021		
Total non-performing	91,852	(17,385)	74,468
Total unlikely to pay	18,750	(4,431)	14,319
Total past due	2,149	(51)	2,097
Total	**112,751**	**(21,867)**	**90,884**

€/000	Gross	Provisions	Net
	31/12/2020		
Total non-performing	81,582	(14,761)	66,821
Total unlikely to pay	18,743	(3,040)	15,703
Total past due	42,232	(127)	42,105
Total	**142,557**	**(17,928)**	**124,629**

€/000	Gross	Provisions	Net
	30/06/2020		
Total non-performing	79,743	(14,156)	65,588
Total unlikely to pay	18,350	(2,283)	16,067
Total past due	49,915	(1,048)	48,868
Total	**148,008**	**(17,487)**	**130,522**

€/000	Gross	Provisions	Net
	30/06/2019		
Total non-performing	57,016	(11,805)	45,211
Total unlikely to pay	12,874	(2,560)	10,315
Total past due	38,940	(244)	38,695
Total	**108,830**	**(14,609)**	**94,221**

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