

PILLAR III

Disclosure to the public

as of June 30
2024



Contents

Introduction	2
Key Metrics Information (EU Model KM1 Regulation 637/2021)	5
Financial Reporting Officer	6
Certification compliant with Article 431 (3) of the CRR (Regulation (EU) No. 575/2013 as updated) on disclosure requirements pursuant to Part Eight of the CRR	7

Introduction

The Basel Committee Accords ("Basel 3") aimed at strengthening banks' capacity to absorb shocks from financial and economic tensions, improving risk management and governance and strengthening banks' transparency and reporting, entered into force in European Union law on January 1, 2014.

This being said, at Community level, the contents of "Basel 3" were adopted with two distinct pieces of legislation:

- ▶ Regulation (EU) No. 575/2013 dated June 26, 2013 ("CRR") - Part eight "Disclosure by institutions" (Arts. 431 - 455) and Part ten, Title I, Chapter 3, "Transitional provisions for disclosure of own funds" (Art. 492) - which governs Pillar I prudential supervision mechanisms and public disclosure rules (Pillar III);
- ▶ Directive 2013/36/EU of June 26, 2013 ("CRD IV"), which concerns, inter alia, conditions for access to banking, freedom of establishment and freedom to provide services, the prudential supervision process and additional capital reserves.

The above-mentioned European regulation became applicable in the Italian legal system on the basis of Bank of Italy Circular No. 285 "*Supervisory Provisions for Banks*" of December 17, 2013 as subsequently amended, which implements the provisions of the CRR and the CRD IV.

With the publication of Regulation (EU) No. 876/2019, (CRR2), the EBA introduced a series of significant amendments to the regulatory framework, applicable as of June 28, 2021. These changes, regarding in particular Part Eight of the CRR, aim to standardize the periodic disclosure to be provided to the market.

In Implementing Regulation (EU) No. 637/2021, operators were provided with instructions for mapping between the information to be published starting from the reference date of June 30, 2021 and what is set forth in supervisory reporting. In accordance with the CRR2 Regulation, banks publish the required information at least on an annual basis, and the Core Metrics on a semi-annual basis. Credit institutions are responsible for evaluating the need to provide the required information more frequently, in light of the relevant characteristics of their activity and elements susceptible to rapid changes. The guidelines specify minimum content consistent with the significance of the reporting institution, particularly with reference to capital requirements, the breakdown and adequacy of capital, the leverage ratio, risk exposure and the general characteristics of systems in place to identify, measure and manage such risks.

The approach based on three "Pillars" was maintained.
Specifically:

- ▶ **Pillar I** defines the system of capital requirements that banks are required to meet to deal with typical banking risks: credit risk (which also includes counterparty risk), market risk and operational risk.
This aspect has been strengthened by introducing a definition of higher quality capital and requiring additional capital conservation buffers, with the inclusion of rules on liquidity risk management, for both the short term (Liquidity Coverage Ratio - LCR) and the long term (Net Stable Funding Ratio - NSFR), and the introduction of a limit on leverage;
- ▶ **Pillar II** requires banks to set up strategies, control processes and tools for determining, in addition to Pillar I risks, the adequacy of current and future capital. It is the Supervisory Authority's responsibility to verify the reliability and accuracy of the results generated and, where necessary, to take appropriate corrective action. The BFF Group annually submits the "ICAAP/ILAAP Report" to the Bank of Italy, as an autonomous assessment of current and future capital adequacy and the liquidity risk governance and management system in relation to the risks assumed and company strategies;

- ▶ **Pillar III** establishes specific periodic disclosure obligations concerning capital adequacy, risk exposure and the general features of the related systems for the identification, measurement and management of such risks. This aspect has also been revised to introduce increased transparency requirements and more detailed information on the breakdown of regulatory capital and on how the Banking Group calculates its capital ratios.

Pursuant to Article 433 of the CRR, banks shall publish the disclosures required by EU regulations at least on an annual basis and the Principal Metrics semi-annually, in conjunction with the financial statements.

To this end, the Board of Directors of BFF Bank has approved a dedicated procedure named “Procedure for Disclosure to the Public (Pillar III)”.

Pursuant to this procedure, the disclosure to the public should be:

- ▶ approved by the Board of Directors before it is made public;
- ▶ published on the website www.bff.com (Section: <https://investor.bff.com/it/pillar-iii>) at least once a year and semi-annually with regard to the Principal Metrics by the deadlines set for the publication of the financial statements, and therefore within 30 days of the date of approval of the financial statements by the Shareholders' Meeting.

The BFF Bank Banking Group (also “BFF Banking Group” or the “Group”) is the largest specialized finance operator in Italy, as well as one of the leaders in Europe in the management and non-recourse disposal of trade receivables due from Public Administrations, and in the area of securities services and payment services. The Group is active in Italy, Croatia, France, Greece and Portugal through BFF Bank, in Spain through BFF Finance Iberia S.A.U. (“BFF Finance Iberia”) and in Poland, the Czech Republic and Slovakia through BFF Polska S.A. (“BFF Polska”) and its associates (the “BFF Polska Group”).

BFF Bank meets the obligation of disclosure to the public for the BFF Banking Group and drafts this document on a consolidated basis based on the above-mentioned regulatory provisions.

Please note that:

- ▶ information on the risks the Group is exposed to and information on the policies for managing and controlling those risks is provided in Part E of the Notes to the Half-Yearly Financial Report as at June 30, 2024;
- ▶ information on the Group's own funds and banking regulatory capital ratios is published in Part F of the Notes to the Half-Yearly Financial Report as at June 30, 2024;
- ▶ information on governance structures can be found in the “Report on Corporate Governance and Ownership Structures” published in the Governance section of the Group's website www.bff.com (section: <https://investor.bff.com/it/struttura-di-governo>);
- ▶ information regarding the Group's remuneration and incentive policies is also specifically provided in the “Report on Remuneration” published in the “Governance” section of the Banking Group website;
- ▶ with regard to the increasing weight that the monitoring of social, environmental and governance risks (ESG risks) is assuming in the framework of European regulations and to certain best practices identified by the EBA in the Report “on assessment of Institutions' Pillar 3 Disclosure” (EBA/Rep/2020/09) and the Bank of Italy in the *Supervisory expectations on climate-related and environmental risks (April 2022)*, the disclosure in terms of financial sustainability and ESG risks is provided – based on current regulations – in the *Sustainability* section on the Group's website www.bff.com (section: <https://investor.bff.com/it/sustainability>). In addition, Article 449 bis will be amended in the CRR3 proposal to require all banks, not just large institutions, to publish information on ESG risks, distinguishing between environmental, social and governance risks and between physical risks and transition risks to environmental risks. In this context, the EBA is tasked with preparing a new ITS (implementing technical standards) that takes into account the principle of proportionality for the disclosure of small and non-complex institutions (SNICs).

The Disclosure to the Public (Pillar III) is also subject to the certification of the Financial Reporting Officer pursuant to Article 154-bis of Italian Legislative Decree 58/98 (Consolidation Law on Finance, or "TUF").

All amounts are stated in thousands of euros, when not specified otherwise.

Key metrics information (EU KM1 template Regulation 637/2021)

The following provides the information in tabular format envisaged in Article 447 of Regulation 876/2019 and implemented in the EU KM1 template of Regulation 637/2021.

In compliance with Article 19 of the CRR, the consolidated capital requirements are calculated considering BFF Bank at the top of the banking group.

EU KM1 template: Key metrics template

Row		a	b	c	d	e
		06/30/2024	03/31/2024	12/31/2023	09/30/2023	06/30/2023
Available own funds (amounts)						
1	Common Equity Tier 1 (CET1) capital	596,391	433,950	436,946	443,234	453,065
2	Tier 1 capital	746,391	583,950	586,946	593,234	603,065
3	Total capital	746,391	583,950	586,946	593,234	603,065
Risk-weighted exposure amounts						
4	Total Risk exposure amount	5,028,974	3,207,672	3,076,507	2,852,945	2,895,652
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	11.86%	13.53%	14.20%	15.54%	15.65%
6	Tier 1 ratio (%)	14.84%	18.20%	19.08%	20.79%	20.83%
7	Total capital ratio (%)	14.84%	18.20%	19.08%	20.79%	20.83%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)						
EU 7a	Additional own funds requirements based on SREP (%)	2.00%	2.00%	2.00%	2.00%	2.00%
EU 7b	of which consisting of CET1 capital (%)	2.00%	2.00%	2.00%	2.00%	2.00%
EU 7c	Additional AT1 SREP requirements (%)	2.00%	2.00%	2.00%	2.00%	2.00%
EU 7d	Total SREP own funds requirements (%)	10.00%	10.00%	10.00%	10.00%	10.00%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.5000%	2.5000%	2.5000%	2.5000%	2.5000%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-	-	-
9	Institution specific countercyclical capital buffer (%)	0.1233%	0.0973%	0.0070%	0.0079%	0.0062%
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-	-	-
EU 10a	Other Systemically Important Institution buffer (%)	-	-	-	-	-
11	Combined buffer requirement (%)	2.6233%	2.5973%	2.5070%	2.5079%	2.5062%
EU 11a	Overall capital requirements (%)	12.6233%	12.5973%	12.5070%	12.5079%	12.5062%
12	CET1 available after meeting the total SREP own funds requirements (%)	243,494	225,452	236,973	257,793	264,847
Leverage ratio						
13	Leverage ratio total exposure measure	12,133,781	12,274,427	12,260,487	12,528,105	12,004,926
14	Leverage ratio (%)	6.151%	4.757%	4.787%	4.735%	5.023%
Additional own funds requirements to address risks of excessive leverage (as a percentage of leverage ratio total exposure amount)						
EU 14a	Additional own funds requirements to address risks of excessive leverage (%)	-	-	-	-	-
EU 14b	of which consisting of CET1 capital (%)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.00%	3.00%	3.00%	3.00%	3.00%
Leverage ratio buffer and total leverage ratio requirement (as a percentage of leverage ratio total exposure amount)						
EU 14d	Leverage ratio buffer requirement (%)	0.000%	0.000%	0.000%	0.000%	0.000%
EU 14e	Overall leverage ratio requirements (%)	3.000%	3.000%	3.000%	3.000%	3.000%
Liquidity Coverage Ratio						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	3,208,237	3,455,002	3,663,490	1,824,432	2,024,240
EU 16a	Cash outflows - Total weighted value	1,854,439	1,798,290	1,885,362	1,639,959	2,208,680
EU 16b	Cash inflows - Total weighted value	515,854	477,534	654,921	610,357	1,560,441
16	Total net cash outflows (adjusted value)	1,338,586	1,320,756	1,230,441	1,029,602	648,239
17	Liquidity coverage ratio (%)	241.05%	261.31%	297.74%	177.20%	312.27%
Net Stable Funding Ratio						
18	Total available stable funding	6,135,537	6,162,292	6,376,277	5,331,652	4,833,892
19	Total required stable funding	4,565,028	3,455,586	3,313,550	3,101,588	3,038,719
20	NSFR ratio (%)	134.40%	178.33%	192.43%	171.90%	159.08%

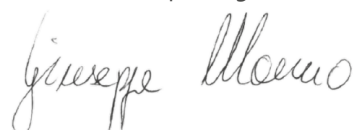
Financial Reporting Officer

Pursuant to paragraph 2 of Article 154-bis of the Consolidated Law on Finance, the Financial Reporting Officer Giuseppe Manno

DECLARES

that the accounting information contained in this document corresponds to the documentary evidence, books and records.

Giuseppe Manno
Financial Reporting Officer

A handwritten signature in black ink that reads 'Giuseppe Manno' in a cursive script.

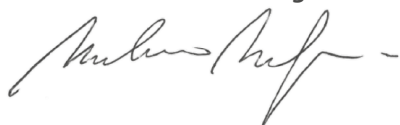
Certification compliant with Article 431 (3) of the CRR (Regulation (EU) No. 575/2013 as updated) on disclosure requirements pursuant to Part Eight of the CRR

The undersigned Massimiliano Belingheri, in his capacity as Chief Executive Officer, and Piergiorgio Luca Bicci, in his capacity as Chief Financial Officer

CERTIFY

that, compliant with the provisions of Article 431 (3) of the CRR (Regulation (EU) No. 575/2013 as updated) on disclosure requirements pursuant to Part Eight of the CRR, the information provided pursuant to the above-mentioned Part Eight has been drafted in compliance with the formal policy and internal processes, systems and controls.

Massimiliano Belingheri

A handwritten signature in black ink, appearing to read 'M. Belingheri', written in a cursive style.

Piergiorgio Luca Bicci

A handwritten signature in black ink, appearing to read 'P. Luca Bicci', written in a cursive style.

