BFF BANKING GROUP

Group overview

Jefferies 2017 – Specialty Finance Summit

June 2017

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BFF Banking Group: A Bank Like No Other

Leading financial services provider to suppliers of the European Healthcare and Public Administration sectors

Market leader in large and underpenetrated markets	€240bn market
Solid and resilient business model with compelling assets and earnings growth	>20% CAGR 2013-2016[1]
Low risk profile coupled with solid capital position	10bps Cost of Risk 19.6% TC ratio[2] vs. 15% Target
Superior cash generation with proven track record of high profitability and dividend	36% RoTE[3] 100% payout
Significant growth potential through excess capital, invested platform and access to funding	Excess capital allows 30% RWA growth & 100% payout €1bn of liquidity
Management fully aligned with public market shareholders	7.6% direct stake post IPO 8% hurdle rate on stock options

Source: Annual Report

Notes: (1) 2013 income statement normalised for change in LPI accounting; 2016 net income, [RoTE and C/I ratio] adjusted to exclude extraordinary costs and including 12 months of Magellan. (2) Referring to Banking Group as of 31/3/2017 (3) As of 1Q17

Leading Provider of Credit Management and Working Capital Solutions to Public Sector Suppliers, to Tackle the Payment Delays From the Public Administration in Italy, Iberia and CEE

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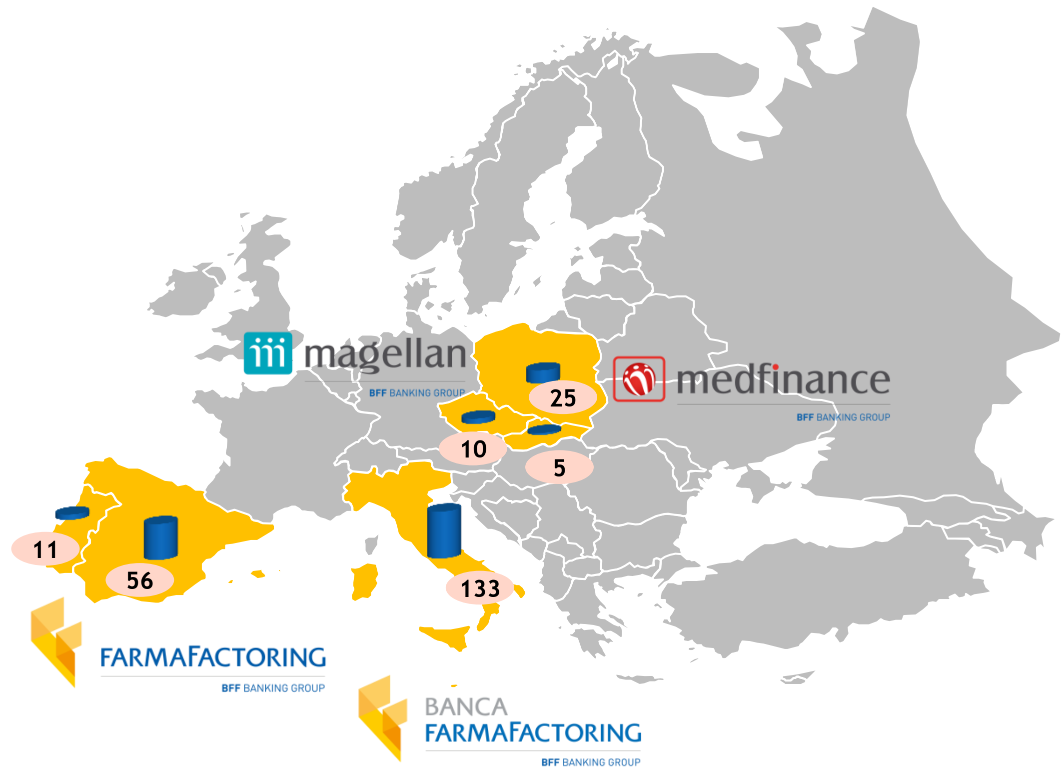
Endemic Delay in Payments in the Public Sector

- Some European countries have endemic delays in payments due to Public Administration suppliers, because of:

1. Mismatch between centralised tax collection and decentralised public spending
   - Only 16% of total public expenditure for goods and services in Italy is controlled by Central Government
2. Administrative complexity: 22,948 Italian public entities(1), 18,838 Spanish public entities(2) and 4,069 Portuguese public entities(3)
3. Commercial debt not classified as public debt, allowing financial flexibility to governments

€240bn of Public Sector expenditures in the countries we operate in(4)



Public expenditure in good and services (€bn)5

Source: Eurostat

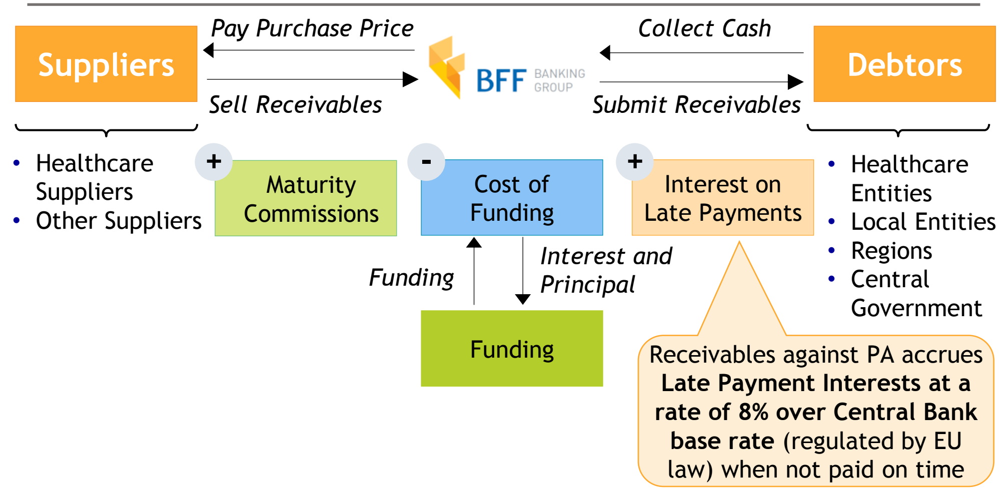
Notes: (1) Souce IPA, Indice delle Pubbliche Amministrazioni; (2) Source IGAE, Intervencion General de la Administracion del Estado; (3) Source Associação Nacional Municípios Portugueses, Direcção Geral do Orçamento and Commissao Nacional de Eleicoes; (4) Exchange rate as of 31/12/15; (5) Data as of 2015.

BFF's Services Offered

General Overview

- Three business lines:
  - **Non Recourse Factoring ("Purchased")** (Funded business, 82% of gross revenues[1])
  - **Credit Collection Management** (Unfunded business, 4% of gross revenues[1])
  - **Financing** to healthcare entities and Local Government in CEE (funded business, 12% of gross revenues[1])

Focus on Non-recourse Factoring - Revenues Model



Source: Annual Report

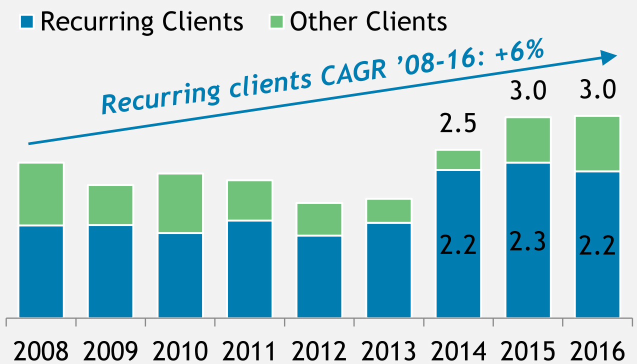
Notes: (1) Based on 2016 Banking Income gross of interest expenses and commission expenses; Data for Magellan are converted into EUR assuming an FX of 4.4103 (31/12/2016).

Solid Business Model...

Suppliers

- Long-standing relationship with top suppliers to the PA (leading multinational and national suppliers) → top 10 clients have been BFF clients for more than 16 years
- Majority of clients have outsourced their credit management activities to BFF → significant barrier to entry
- Significant recurring business with established clients

BFF excl. Magellan Non-Recourse Volumes (€bn)



Recurring clients[1] represented on average more than 70% of total volume

- **Highly experienced senior management team with a long tenure in the Group** (> 12 years)
- **Advanced and scalable IT platform developed in-house**

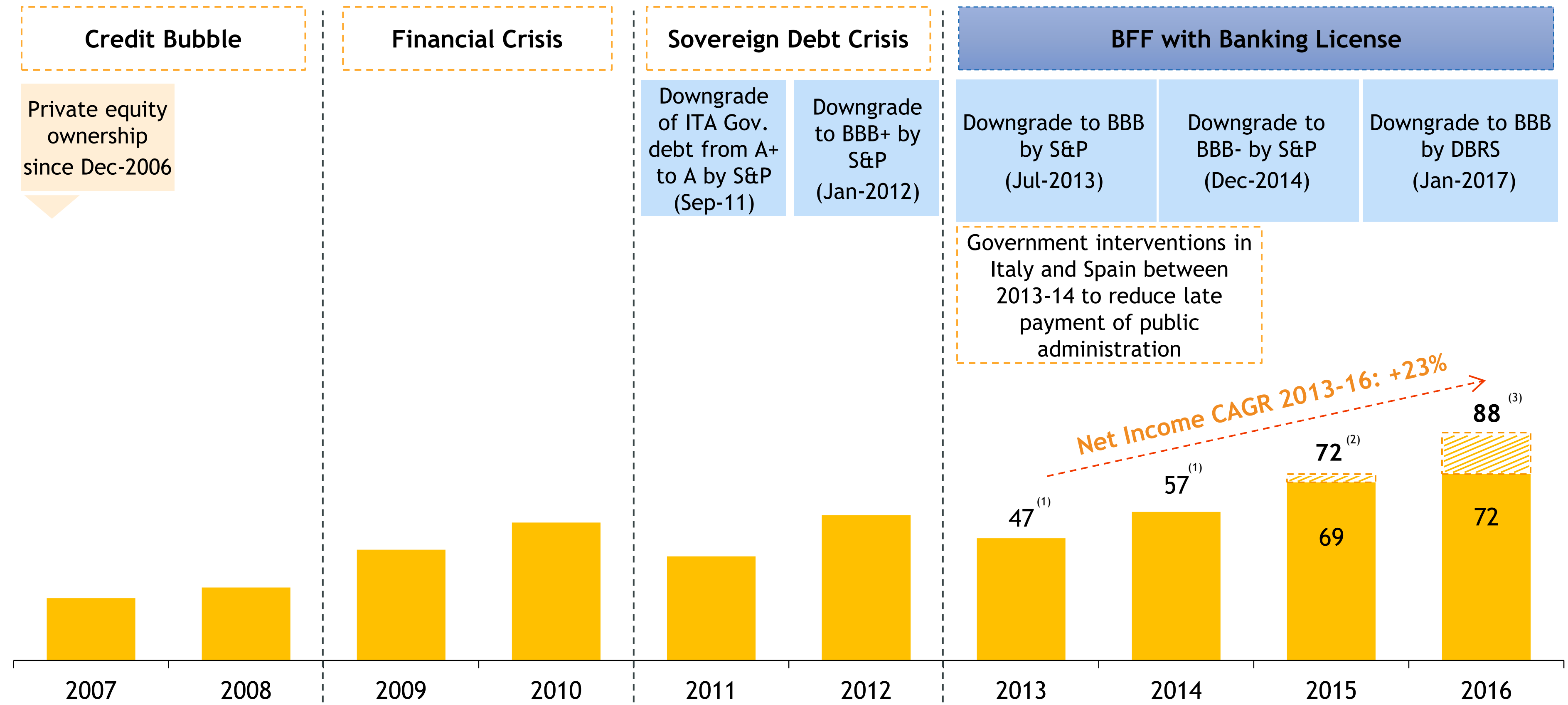
Debtors

- Long track record in dealing with Public entities and deep knowledge of the payment dynamics → better collection
- A proprietary database built over 30 years of experience enabling for an accurate estimate of collection time and credit risk → better pricing
- Short term duration of the receivables purchased allowing constant repricing
- Negligible Cost of Risk
- Low risk of underlying receivables (commercial debt vs. sovereign debt)

Source: Company data
Note: (1) Recurring non-recourse clients defined as clients who concluded at least 1 transaction per year in the 2014 - 2016 period.

...Able to Grow Profitably through Every Season

Net Income (2007-2016)



IT Lira 500m (€260k) invested in 1985 - c.€450m dividend distributed

Source: annual reports, Factset.

Notes: (1) 2014 net income normalised for change in LPI accounting; (2) Adjusted to exclude extraordinary costs. For 2015 adjusted net income includes ca. €0.3m ordinary contribution to Fondo Interbancario and Resolution Fund and excludes €0.7m of extraordinary contribution to Resolution Fund; (3) Excluding €11m of extraordinary expenses and including €4m Magellan 5 months contribution.

We Operate in an Underpenetrated €240bn Market, with Leadership Position in Many Geographies…

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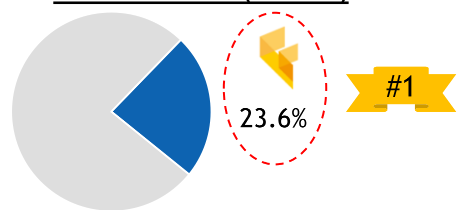
Key Considerations

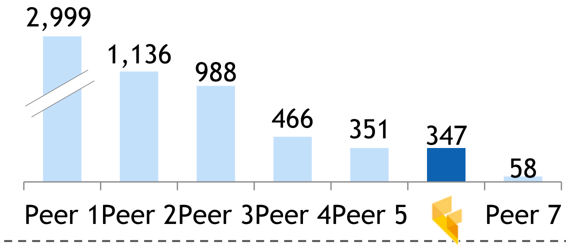
- **Total potential market is** the public sector expenditure in goods & services, **c. €240bn in Italy, Poland, Spain, Portugal, Slovakia and Czech Republic**
- In Southern Europe, stable market despite austerity measures
- Growing market in CEE

BFF Positioning

Non-recourse Factoring outstandings with PA & NHS (€7.3bn)



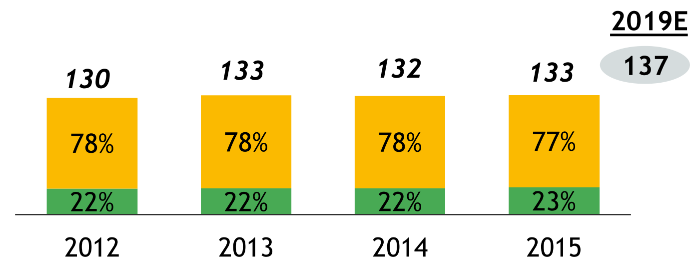
#1 Independent Player

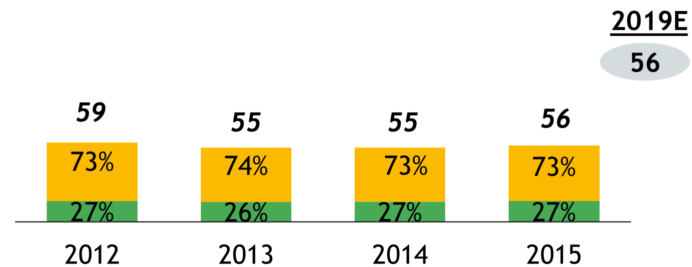


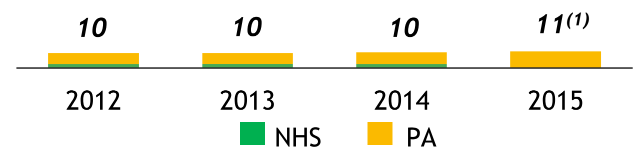
- #1 Independent Player
- Sole specialised player in Portugal

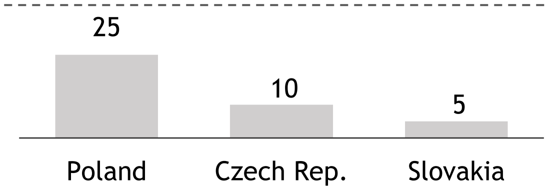
- Leader in alternative financing in Poland
- Sole specialised player in Slovakia
- One of the few specialist in Czech Republic

Total Public Expenditure in Goods and Service (€bn)









Source: PwC, IMF, DEF 2015 and 2016, Ministero de Sanidad, Servicios Sociales e Igualdad, Ministerio de Hacienda y Administraciones Públicas, and Actualizacion del Programa de Estabilidad 2016-2019 – Reino de Espana, Instituto Nacional de Estatistica – Portugal

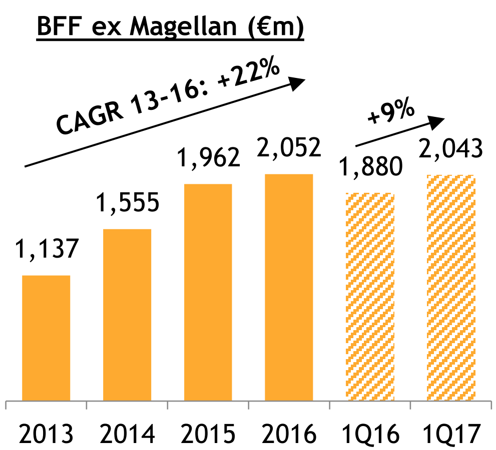
Notes: (1) Breakdown not available.

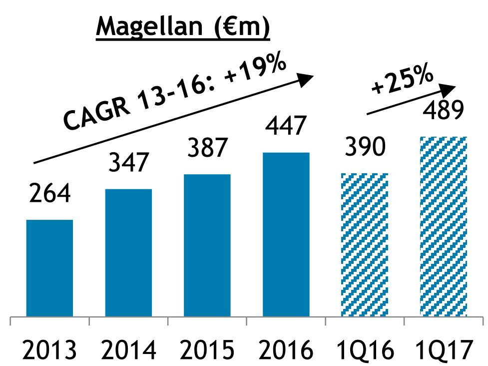
...With a Growing Business, Increasingly Diversified...

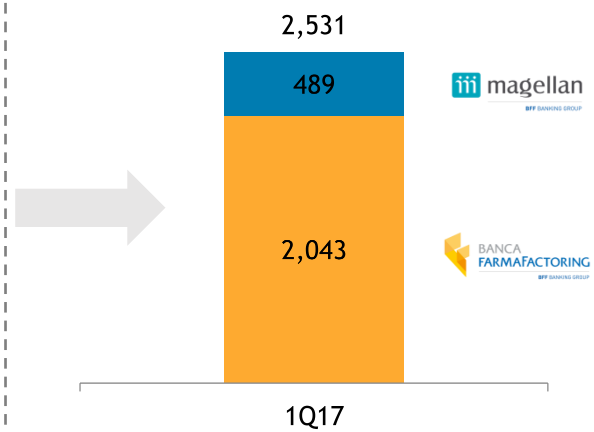
Key Considerations

- Significant customer loans growth **with higher contribution from less capital intensive segments** (non NHS public administration)
- **Increased geographic diversification** with >25% exposures in non domestic markets

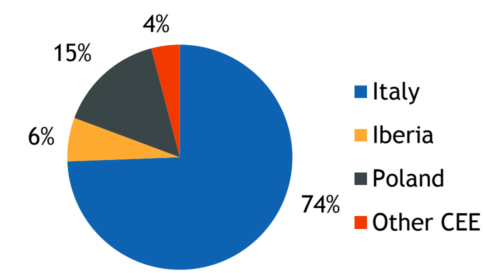
Customer Loans Evolution (€m)







1Q17 Customer Loans by geography

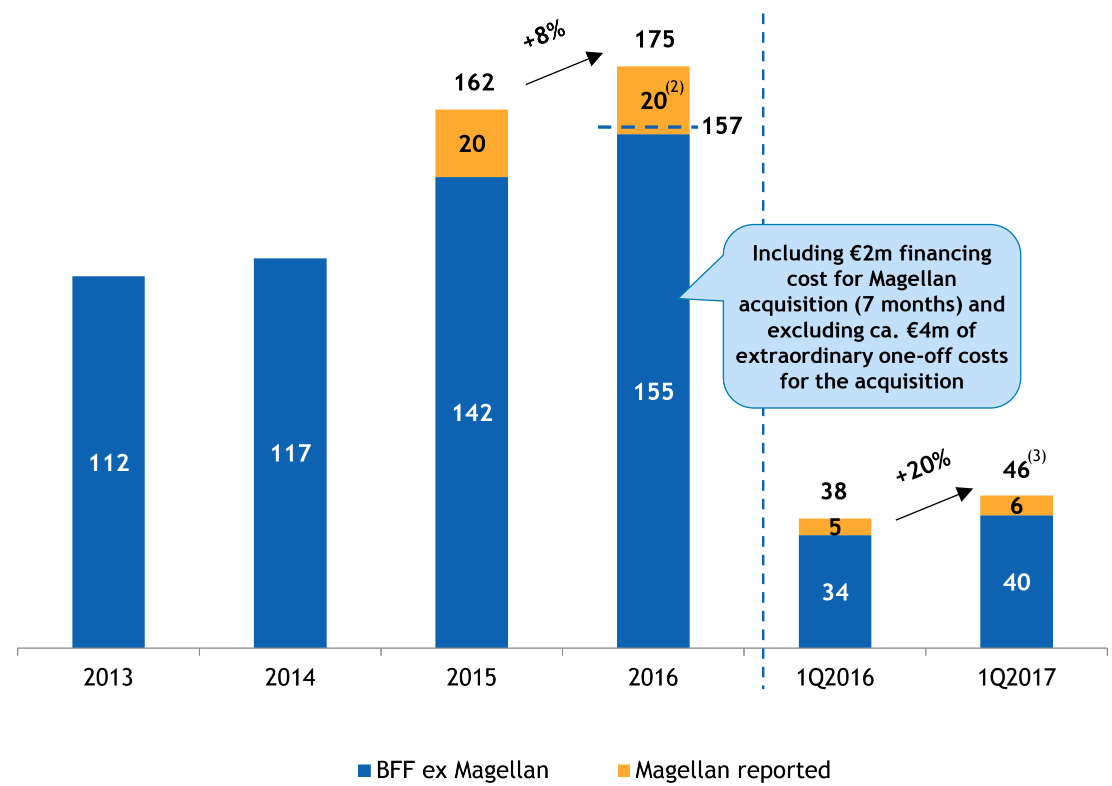


…And with Positive Trend in Revenues…

Key Considerations

- **Net banking income adjusted increased by 8% in 2016 to €175m (including Magellan and €2m financing costs):**
  - **C.11% increase of net banking income for BFF only** (net of one-off and financing costs of Magellan) thanks to higher average outstanding and to lower interest expense driven by a diversified funding base
- **+ 20% growth in 1Q2017/1Q2016**

Adjusted Net Banking Income(1) (€m)



Notes: (1) Including 12 months of Magellan for 2015 and 2016 data and adjusted for extraordinary items; (2) €20 Magellan NBI (i) includes €12m relative to the 7 months post BFF's acquisition (as in BFF reported consolidated accounts) and (ii) pro-forma for €8m relative to the 5 months before the acquisition; (3) Does not include €25m one-off impact of change in LPI accounting from 40% to 45% on 1/1/2017, and includes €0.9m interest expenses related to the financing for Magellan, which are not present in 1Q16 numbers.

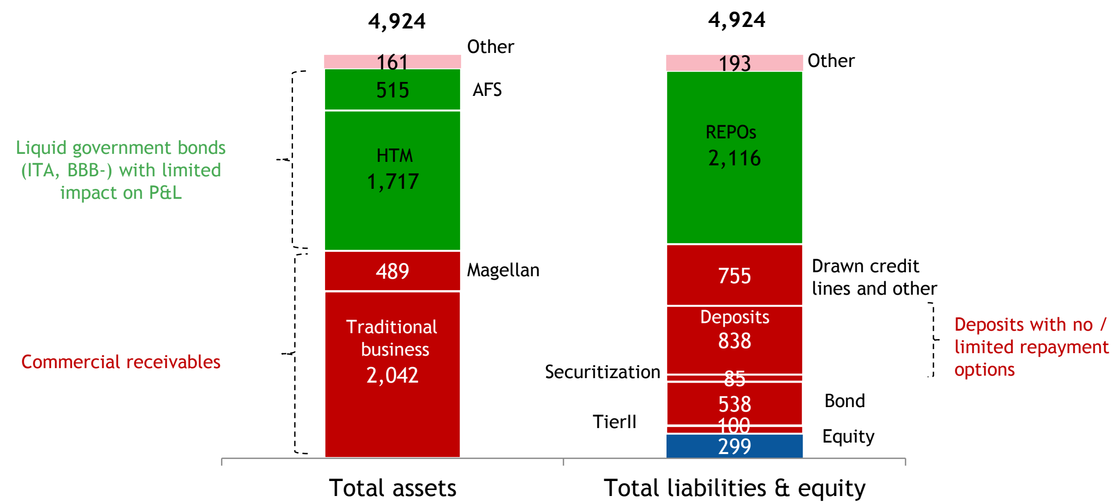
...With a Fortress Balance Sheet and Low Risk Profile...

Key Considerations

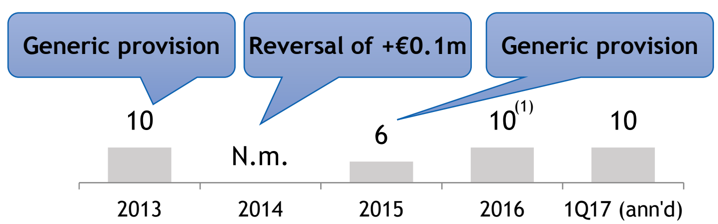
- **A fortress balance sheet**
  - Conservative asset / liability management approach: loan book funding duration higher than that of receivables
  - Commercial receivables funded through a well diversified funding base with a short maturity of the asset side allowing for fast repricing
  - Strong liquidity position with a LCR of 360% as of March 2017

  Low risk profile
  - Negligible credit risk profile: **CoR at c.10 bps**
  - Historically recovery of the credit exposure also in default situations
- **High creditworthiness of the counterparties:**
  - Mostly multinational and large corporates

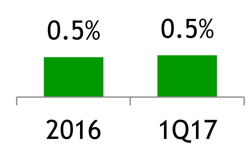
Breakdown of Balance Sheet 1Q17 (€m)



Cost of Risk (bps)



NPL ratio



Source: Annual report and press release

Notes: (1) Based on 2016 numbers including Magellan for 12 months (i.e. -€2.7m of total provisions).

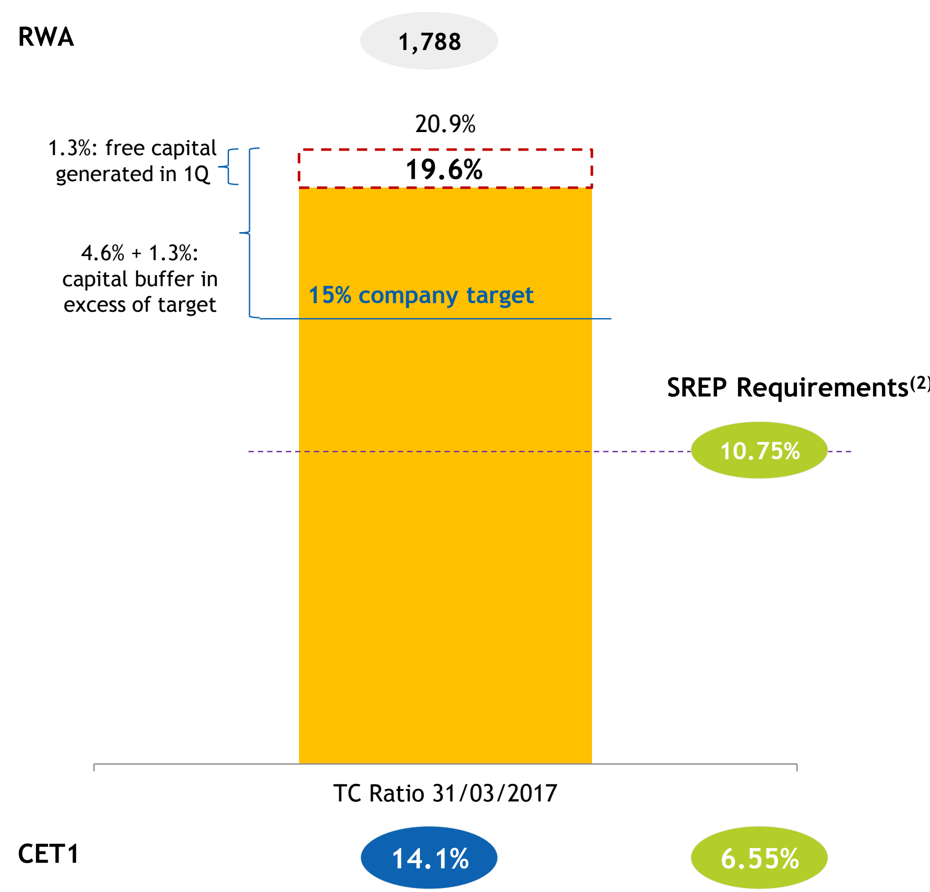
…Backed by a Strong Capital Position…

Key Considerations

- Robust capital position maintained also after the cash acquisition of Magellan and the full 2016 net income pay-out
- **Banking Group CET1 ratio equal to 14.1% vs SREP target of 6.55%**
- **Banking Group Total Capital ratio equal to 19.6%**

  \- 460bps buffer in excess of 15% Total Capital target
- €22m adjusted net income for 1Q17 not included in capital ratios (equal to 130 bps of additional capital) available for dividend distribution
- Conservative RWA calculation based on standard model and with Italian exposure to NHS and other PA risk weighted at 100%[1]
- **The Group's dividend policy is to distribute up to 100% of consolidated earnings in excess of 15% Total Capital ratio target**

Total Capital Ratio - Banking Group ex TUB Capital Ratio



Source: Company data

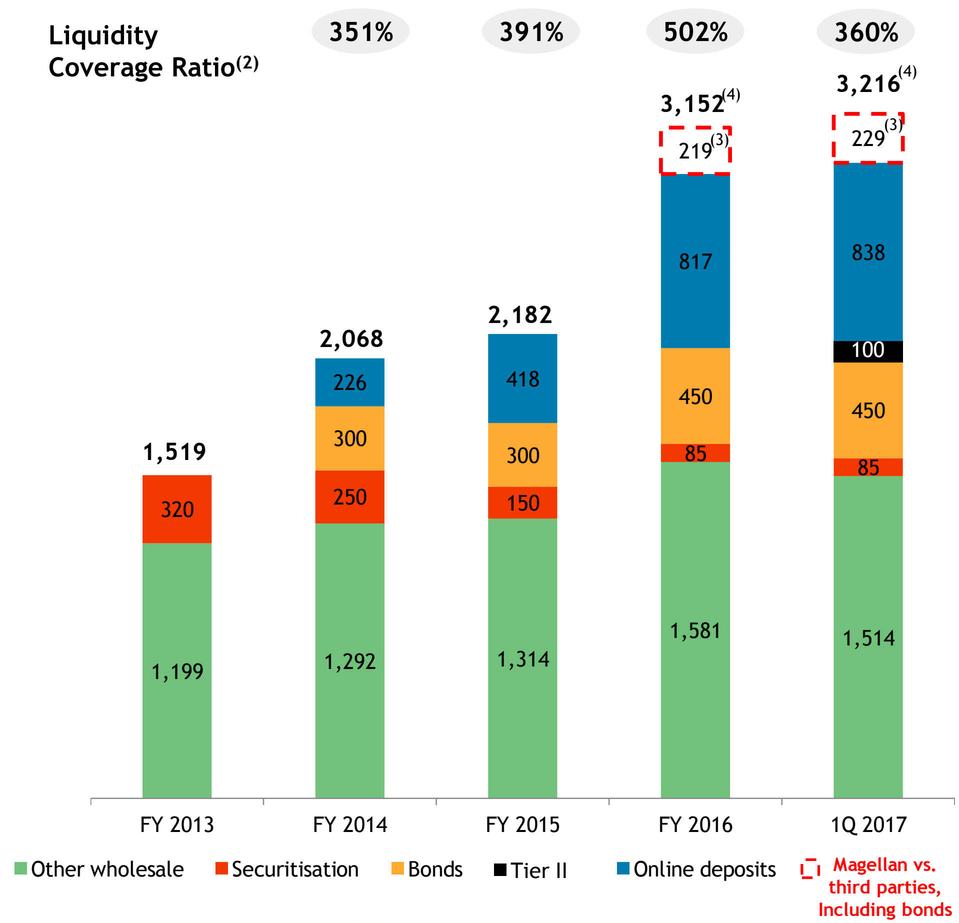
Notes: (1) Following the DBRS downgrade, starting from March 2017, capital ratios are calculated based on a higher risk weighting factor (from 50% to 100%) for the Italian exposure to NHS and other PA different from local and central government (2) Applying from June 2017.

…With a Diversified Funding Base

Key Considerations

- **A diversified and flexible funding base mainly driven by deposit gathering and wholesale financing:**
  - **€838m deposits** gathered as of March 2017, c. 2x versus FY2015
  - Additional **€150m 5 years Senior Unsecured bond** issued in June '16 (coupon 1.25% - yield 1.41%)
  - **Group undrawn funding remains stable (vs. YE 2016) at more than €1 bn**
  - **Additional €100m Tier II bond** issued on 2nd March 2017 at 5.875% interest rate
- Repaid €300m bond at a fixed rate of 2.75% with expiry in June 2017

Available Funding[1] (€m)



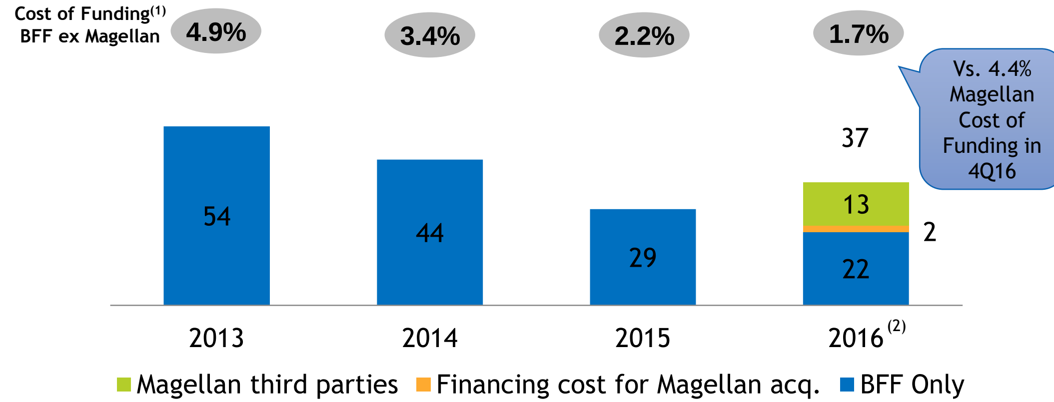
Notes: (1) Excluding ECB funds and REPOs. (2) Based on utilized credit lines; 2013, 2014 and 2015 excluding Magellan, December 2016 and 1Q17 including Magellan; (3) Funding almost all utilized, includes also bonds; (4) Not considering financing for Magellan acquisition 355 m PLN.

Potential for Further Funding Cost Optimization

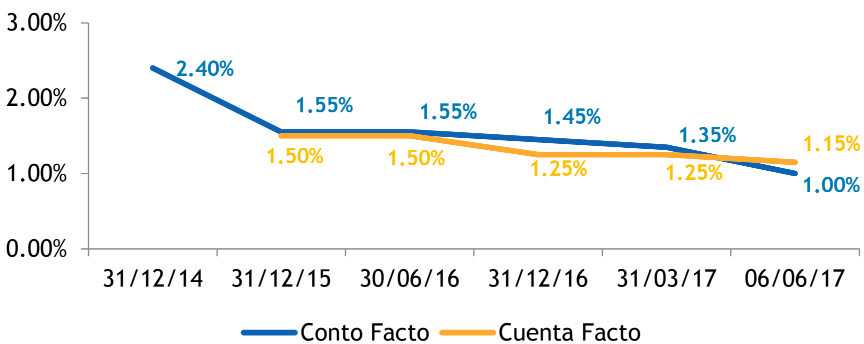
Key Considerations

- **Reduction in cost of funding continued** with an average cost of funding of 2.0% in 1Q17
- From 6th June 2017, 12m interest on online deposits offered dropped to 1.00% in Italy (from previous 1.35%) and 1.15% in Spain (from previous 1.25%)
- Further funding synergies at Magellan level thanks to renegotiation of terms and conditions of local funding

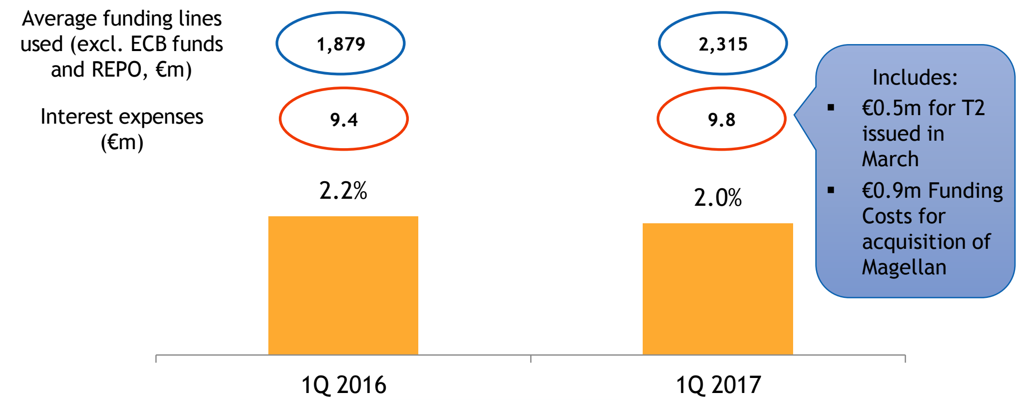
Interest Expenses (€m)



12-months Online Deposits Interest Offered to New Money and Deposit Renewals



Cost of funding (BFF + Magellan - %)



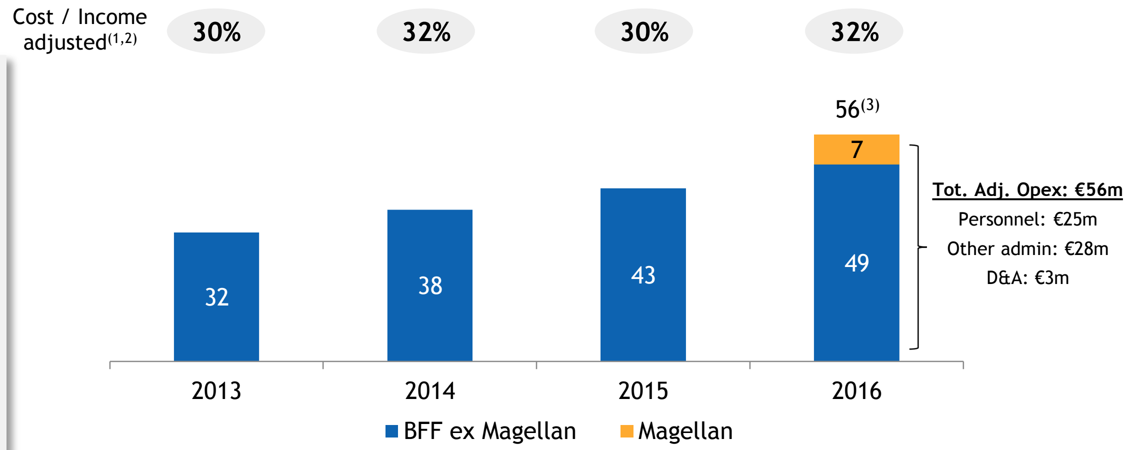
Notes: (1) Excluding ECB funds and REPOs; (2) Including 12 month Magellan and excluding funding synergies.

Invested in the Business while Maintained Strong Efficiency

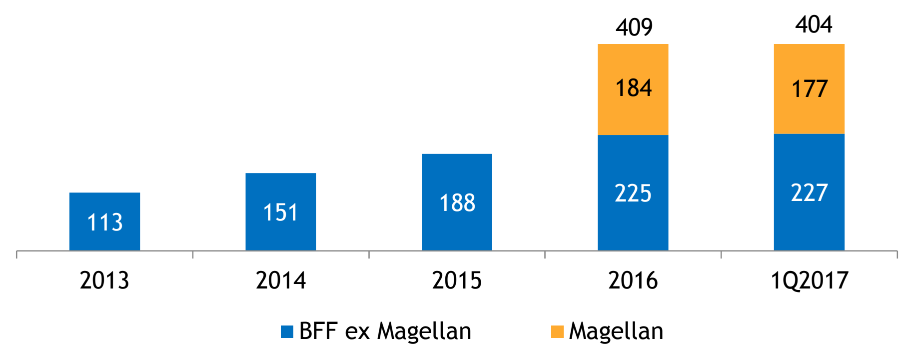
Key Considerations

- BFF heavily invested over the last three years in infrastructure and people **to support growth**
- Managed to maintain an efficient cost structure with **best in class Cost / Income ratio around 30%, also post Magellan acquisition (34% in 1Q17)**
- Investments in personnel now made: stable employee base in 1Q17 versus YE2016 figures

Operating Costs Adjusted for Extraordinary Items (€m)



Number of employee and Cost / Income ratio



Notes: (1) Adjusted to exclude extraordinary costs; (2) C/I computed as operating expenses (administrative expenses + staff expenses + amortization on tangible and intangible assets) divided by net banking income; (3) Adjusted to exclude extraordinary costs. For 2015 adjusted net income includes ca. €0.3m ordinary contribution to Fondo Interbancario and Resolution Fund and excludes €0.7m of extraordinary contribution to Resolution Fund.
Source: Company data

High Visibility of Future Revenues from LPI

Key Considerations

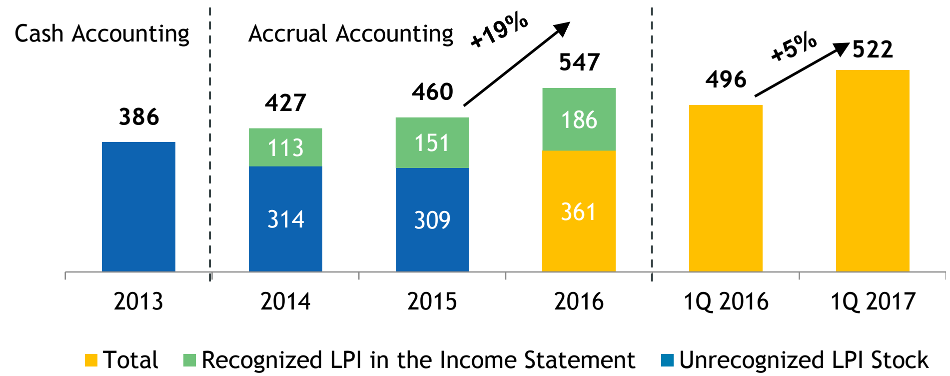
- **The full impacts on BFF's P&L originated by the LPIs and related to the significant growth of purchased receivables over the last years will be fully visible only in the coming years:**

  - LPI on current outstandings and on already collected receivables generate revenues for 5 years (€33m deferred as of 31 Dec)

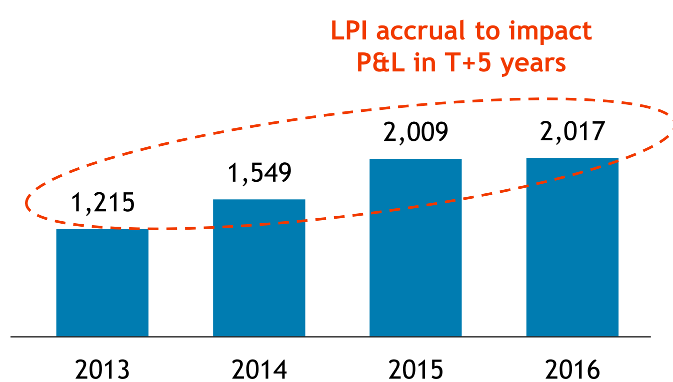
  - The full P&L impact related to a higher LPI recovery rate vs. the assumed 40% (45% since 2017) will become visible only at collection date of the LPI

- **Significant increase in LPI stock in 2016 (+19% vs. 2015)** is expected to be visible in the coming years: **€ 522m as of 1Q 2017 (+5% vs. 1Q 2016)**

LPI Stock Evolution (Excl. Magellan) (€m)



Outstanding Evolution (Excl. Magellan) (€m)



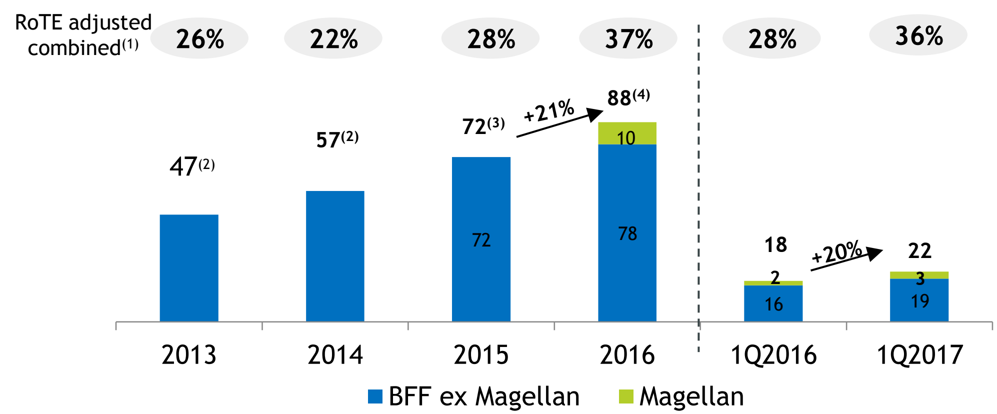
Notes: (1) Document Banca d'Italia/Consob/Ivass n. 7 of 9 November 2016.

High Profitability and Significant Dividend Capacity...

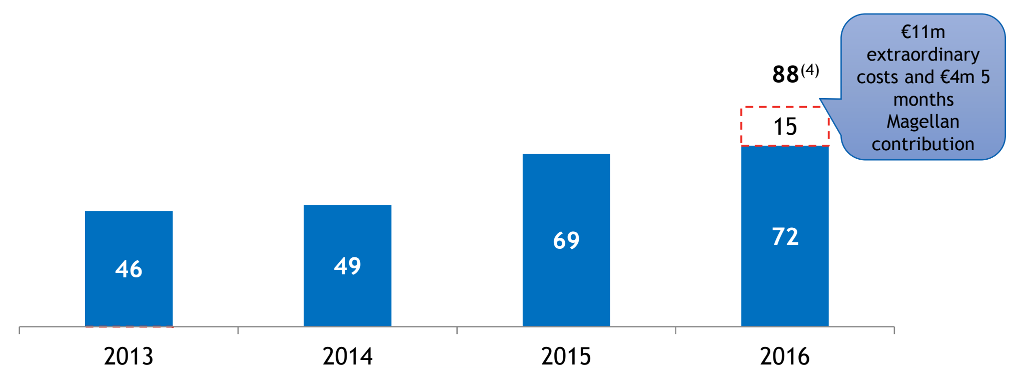
Key Considerations

- Almost doubled net income in the last 4 years to €88m (incl. Magellan)
- Significantly improved return on capital thanks to an efficient use of capital with **2016 RoTE adjusted combined at 37%**
- Historical attractive dividend flows despite strong RWA growth with **more than €240m dividend paid between 2013 - 2016 and with a pay-out ratio of over 95% on average and 16% CAGR**

Net Income adj(1) (€m)



Dividend (€m)



Notes: (1) Adjusted to exclude extraordinary items. RoTE = (net income adjusted)/tangible equity (capital and reserves – intangible assets); (2) 2013 and 2014 net income pro-forma for change in LPI accounting; (3) 2015 adjusted net income includes ca. €0.3m ordinary contribution to Fondo Interbancario and Resolution Fund and excludes €0.7m of extraodinary contribution to Resolution Fund; (4) Net income adjusted for €11m extraordinary costs and €4m for 5 months Magellan contribution.
Source: Company data

… Able to Support future Growth and Dividend

RoTE: 36%(1) **Total Capital ratio: 19.6%** **Target Total Capital ratio: 15%**

1. **Invested in the business for growth …**

   Significant investment in infrastructure and expanded employee base to support business expansion

2. **… with plenty of funding …**

   Ample liquidity (€1bn at year end) and access to multiple deposit and wholesale markets

3. **… and raised capital to grow**

   4.5% of excess capital after the Tier II issuance to self fund growth while maintaining 100% payout ratio

Highly capital generative model able to self fund superior growth and deliver attractive dividend as already proven over the last years:

- The 19.6% total capital ratio allows full net income distribution until RWA grow by 30%
- Given its high RoTE, BFF can maintain both high growth and high payout ratio after full deployment of the excess capital

Notes: (1) 1Q17 RoTE = (net income adjusted *4)/tangible equity (capital and reserves – intangible assets).

BFF 2020 "Strategic Target"

BFF BANKING GROUP

The leading provider of credit management and receivables purchasing for the NHS and the Public Administrations Suppliers in the EU

Further consolidate leadership in Italy

- Continue to develop tailor-made offering to serve specific customer needs
- High quality services for large clients covering the full healthcare value chain
- Increase penetration into adjacent segments of non-healthcare suppliers to the NHS and PA
- Invest in IT platform

Maintain a high quality portfolio thanks to a continuous focus on large clients and stringent underwriting standards

- Maintain disciplined underwriting approach
- Continue serving blue-chip customer base

Maintain a solid balance sheet with best-in-class capital position and attractive leverage profile

Further expand business outside Italy both in the NHS and PA, increasing geographical diversification

Appendix

Management Fully Aligned With Public Market Shareholders

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Management have been shareholders of the business since 2006
Senior executives have been in the bank for more than 12 years

Yearly management bonus	✓ Paid only if budget achieved, zero otherwise ✓ 50% in shares or stock options for risk takers ✓ Multiplied up to 140% if EBTDA risk adjusted is +10% or higher than budget
Large direct stock ownership	✓ Management owns 7.6% stake post IPO (31 shareholders) ✓ 1 year lock up ✓ All manager shareholders have non compete agreement
Stock options with 8% hurdle rate	✓ 3.75% pool allocated at IPO ✓ Strike price equal to IPO price + 8% compounded returns ✓ 3 years vesting ✓ Broad coverage throughout the organisation (60+ people)