BFF BANKING GROUP

A Credit Opportunity Like No Other

July 2019

BFF Banking Group: A Bank Like No Other®

We Are	▪ The leading provider of credit management and receivables factoring for the Healthcare ("HC") and Public Administration ("PA") suppliers in the European Union ("EU")
We Offer	▪ Financial services to tackle the payment delays to the Public Sector suppliers in Europe
We Have	▪ A unique credit profile: exposure to ST public sector receivables, diversified funding with ample liquidity, a strong capital position (TC > 15%) with a protective dividend policy ▪ Positively geared to worsening public sector macro
We Deliver	▪ Return on average Tangible Equity > 30% ▪ Loans growth > 10% ▪ Cost of Risk < 20bps

Agenda

1. Leading provider of non-recourse factoring for HC and PA suppliers in EU

2. Financial services to tackle the payment delays

3. A unique credit profile

4. Superior financial performance

30+ years of Serving HC and PA Suppliers

BFF BANKING GROUP

1985: Established by a group of pharmaceutical companies

FARMAFACTORING SPA

2013: Turning point, becomes a bank

BANCA FARMAFACTORING

2016: Acquisition of Magellan

Expansion in CEE

magellan WE CREATE SOLUTIONS

2017: becomes BFF Banking Group and lists on the Italian Stock Exchange

BFF BANKING GROUP

2019: Acquisition of IOS Finance, leading PA factoring player in Spain (pending)

IOS FINANCE

Growth in Italy 1985 - 2010

Resilient during crisis 2011 - 2013

Growing and diversified funding base to support further growth opportunities and geographical diversification 2014 - 2019

1990: Launch the non-recourse factoring activity for Italian HC suppliers

2010: Replicate business in Spain

2014: Extend offer to Portugal

Launch of online deposits in Italy (*Conto Facto*)

FACTO I miei interessi

2015: Launch of online deposits in Spain (*Cuenta Facto*) **and Germany**

FACTO I miei interessi

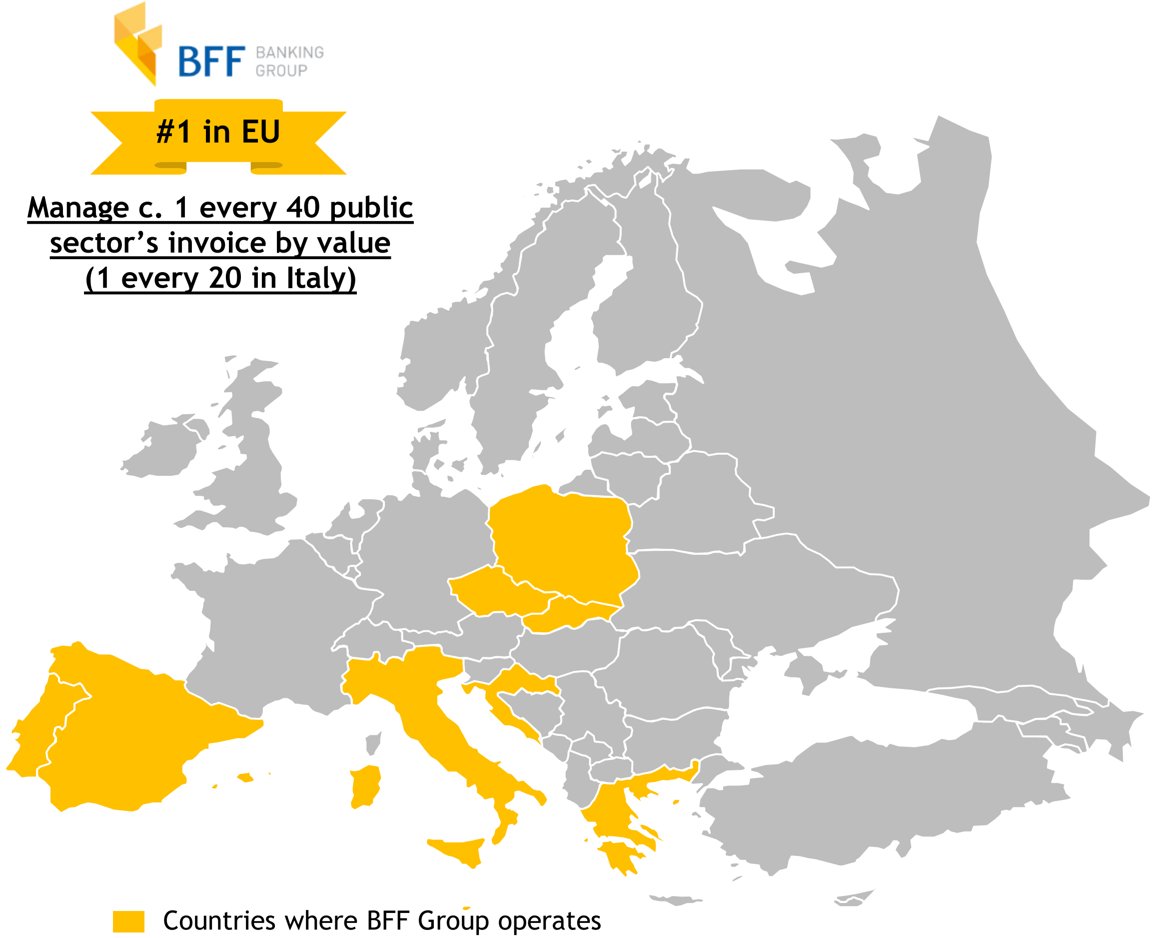
2017-18: Extend offer to Greece and Croatia

Open branch in Lisbon

The Largest Purchaser of Government Receivables in the EU...

Leadership position with presence in 8 countries

- **Focus in servicing multinational clients across markets**
- **#1 in Italy** for factoring toward PA & HC
  - Market share of 28.0%[1]
  - Undisputed leadership across all segments
- **Leader in CEE**
- **Among top 5 factoring companies in Spain[2] and only PA specialised player**
- **Sole specialised player in Portugal, Croatia and Greece**



Source: Assifact for Italy, AEF for Spain (public sector only in 2018), company estimates for other markets.
Notes: (1) Assifact, on total non-recourse factoring outstanding. (2) By turnover

…Supporting Suppliers to Tackle Endemic Payment Delays in the Public Sector…

Source of PA payments delays

1. **Mismatch between centralised tax collection and decentralised public spending**

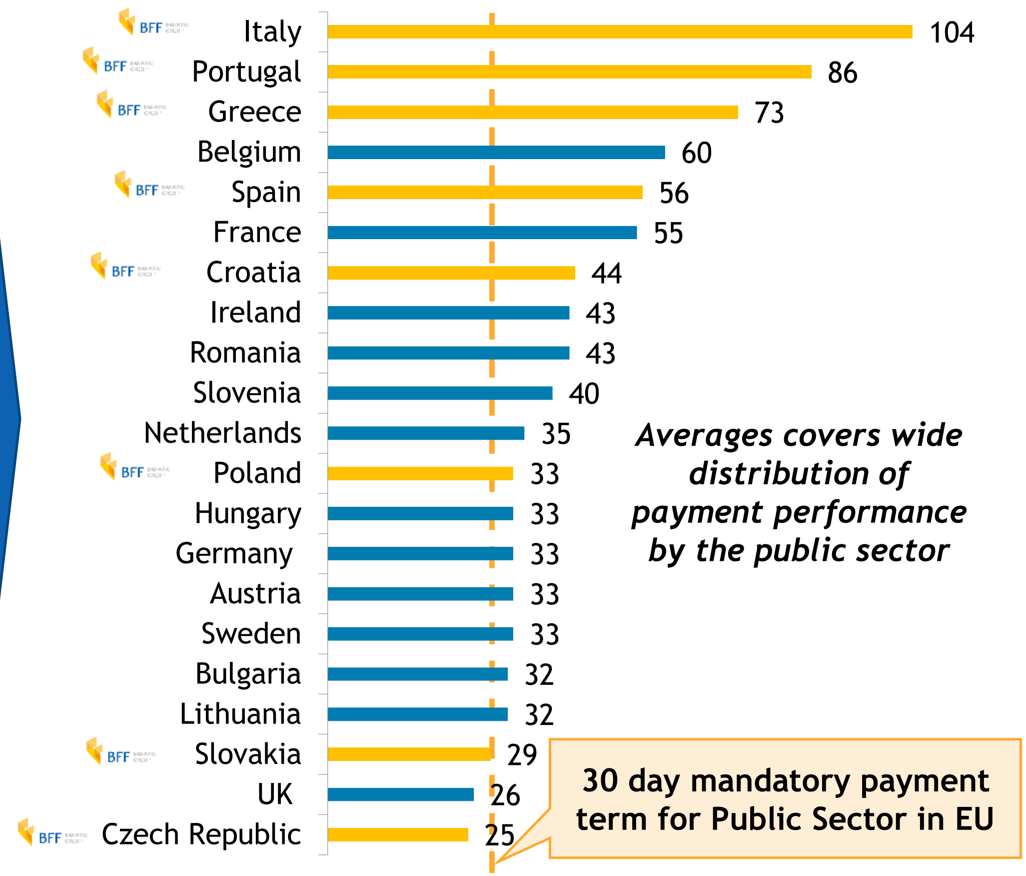
   – In Italy, only 17.5% of total public expenditure for goods and services is controlled by the Central Government

2. **Administrative complexity and inefficiency:**

   – PA consists of many entities (i.e. 22,807 in Italy, 17,042 in Spain and 4,636 in Portugal)

3. **Commercial debt not classified as public debt**

Average payment time of the Public Sector in the EU(1)



(1) Average days taken by customer to pay. Source: European Payment Report 2018, Intrum (report published by Intrum which gathered data from 9,607 companies across Europe to gain insight into the payment behavior of European businesses).

...With Strong Barriers to Entry in Our Market

BFF BANKING GROUP

A Trusted Partner for Our Customers. A Sound Track Record in Dealing with Public Debtors for > 30 Years

Large and Stable Customer Base

- Strong customer loyalty from large and multinational companies
- Opportunity to leverage customer relationships across geographies
- Constantly present and able to serve clients also in times of stress (i.e 2011-12)
- Credit collection process protects our clients' relationships with their own customers (BFF's debtors)

Top 10 clients with BFF on average for **>17 years**

Deep Knowledge of Debtors

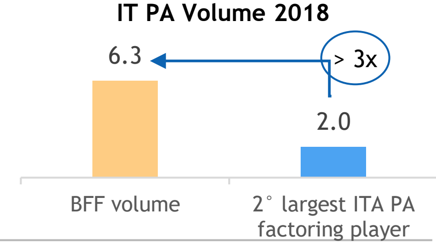
- >30 years in dealing with PA entities → Better pricing
- Deep understanding of PA structure → Accurate classification of debtor risk
- Largest commercial creditor of the PA → Better collection
- Long-term track-record in LPIs collection → Robust accounting model

c. 5% total PA's receivables are **factored or managed by BFF in Italy**

Highly Efficient Operating Platform

- Excellent operational effectiveness in a complex business
- Significantly bigger scale vs. competitors
- Scalable IT platform by volume and geographies with minimal incremental investment
- Access to a lower cost base in Poland for back-office activities since 2018

IT PA Volume 2018



Self Funded Business

- Almost unlimited ability to self fund loan growth → >30% loan growth potential in one single year fully funded organically

>30% RoTE

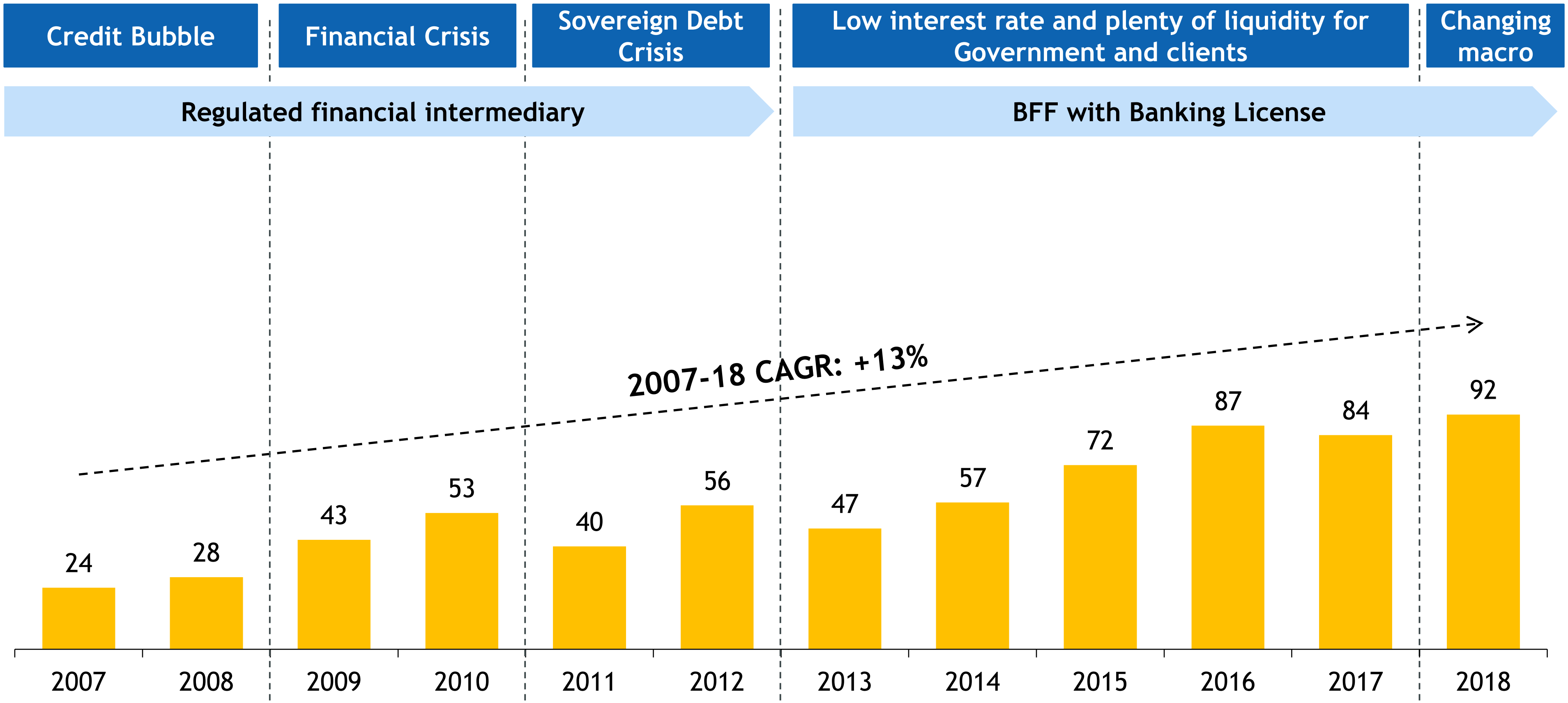
>10% net income growth p.a. since 2013

> €600m dividend-out

Profitable and Growing in Every Season

Adjusted Net Income 2007-2018 (€m)[(1)]

Unparalleled Capital Returns: IT Lira 500m (€260k) invested in 1985 vs. > €620m cumulated dividends



Source: Annual Reports.
Note: (1) Net Income normalised and adjusted as reported in IPO prospectus and annual accounts.

Positively Geared to a Worsening of the European Macro / Public Finances Outlook

Outlook	Impact for BFF	
1 Increase perception of political / country risk	▪ Higher demand from customers ▪ Lower price sensitivity ▪ Traditional banks less interested in the sector	↑ Volume ↑ Pricing
2 Worsening public finances	▪ Pressure on preserving cash leads to higher payment times by PA ▪ Therefore, larger loan book for the same amount of volumes, with BFF costs mostly fixed or geared to volumes	↑ Loan book growth ↑ Profitability ↑ RoTE
3 Rising interest rates	▪ Double geared to interest rates ▪ LPI charged to debtors are at variable rate ▪ Faster repricing of loans vs. liabilities (short term vs. long term duration) ▪ High portion of loan book funded by equity (Equity / Loans ratio ~ 10%) and liabilities at fixed rate	↑ Net interest margin

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1. Leading provider of non-recourse factoring for HC and PA suppliers in EU

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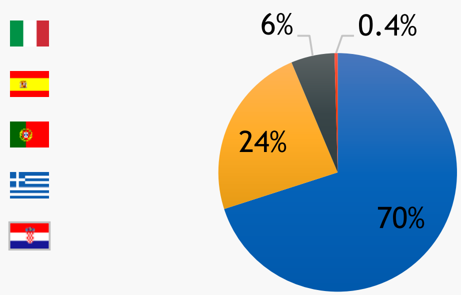
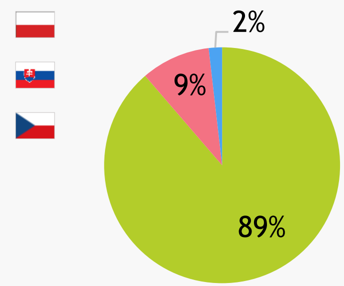
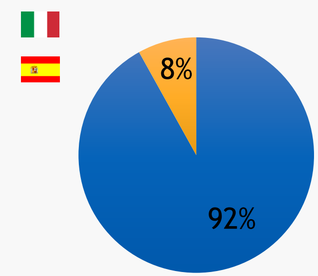
We Offer Our Clients Three Services…

	1 Non-recourse Factoring in Southern Europe	2 Financing and Non-Recourse Factoring in CEE	3 Credit Collection Management (i.e. Servicing)
% on total revenues(1)	76%	21%	3%
Volumes by geography	 Italy, Spain (incl. IOS Finance), Portugal, Greece + Croatia	 Poland, Slovakia, Czech Republic	 Italy, Spain (IOS Finance)
Volumes	€4,514m, 53% of total (Pro-forma for IOS Finance acquisition)	€548m, 6% of total	€3,381m, 40% of total (Pro-forma for IOS Finance acquisition)
Loans	€2,920m, 79% of total (Pro-forma for IOS Finance acquisition)	€760m, 21% of total	-
Activity	▪ Non-recourse purchase of receivables towards PA ▪ Invoices purchased mainly already overdue ▪ Full derecognition US GAAP / IAS	▪ Short and long term financing ▪ Factoring and sub-participation	▪ Managing of the whole credit management and collection process for the entire HC/PA supply chain
Income sources	▪ Clients pay discount to face value ▪ Debtors pay Late Payments Interests ("LPI")	▪ Interest on loans / financing ▪ Discount to face value ▪ LPI paid by the debtors	▪ Clients pay management fees

Source: FY 2018 consolidated data of BFF Banking Group and FY 2018 pro-forma data for IOS Finance.
Note: (1) 2018 gross revenues calculated as the sum of interest income on loan to costumers and commission income.

…With Revenues Coming from both Suppliers and Debtors

Public Sector Suppliers (BFF's Clients)

Source of revenues

Discount to face value on receivables purchased

(Yield)

- Leading multinational and national suppliers of the public sector

For illustrative purpose only

Public Sector Entities (BFF's Debtors)

Source of revenues

Late payments interests ("LPI") on receivables outstanding

(Yield)

- Debtors are PA in the EU
  - Central government entities (i.e ministries)
  - Regions
  - Provinces and Municipalities
  - Other local government entities
  - Public and public owned hospitals
  - Other HC entities and other public entities

Source of revenues for non-recourse factoring

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A Unique Credit Profile

BFF BANKING GROUP

1 High Credit Quality Asset Base

- Exposure to public sector with BFF's receivables having a lower credit risk than government bonds
- Low dilution risk towards clients, mostly multinational and large corporates

2 Fortress Balance sheet with Low Leverage

- Conservative ALM approach, with funding duration higher than that of receivables and no currency risk exposure
- Strong liquidity position (235% LCR) and positively geared to higher interest rates

3 Ample and Diversified Funding Base

- Flexible funding base with access to multiple funding sources
- Successfully proven access to capital markets despite lack of rating
- €0.3bn of available committed lines undrawn

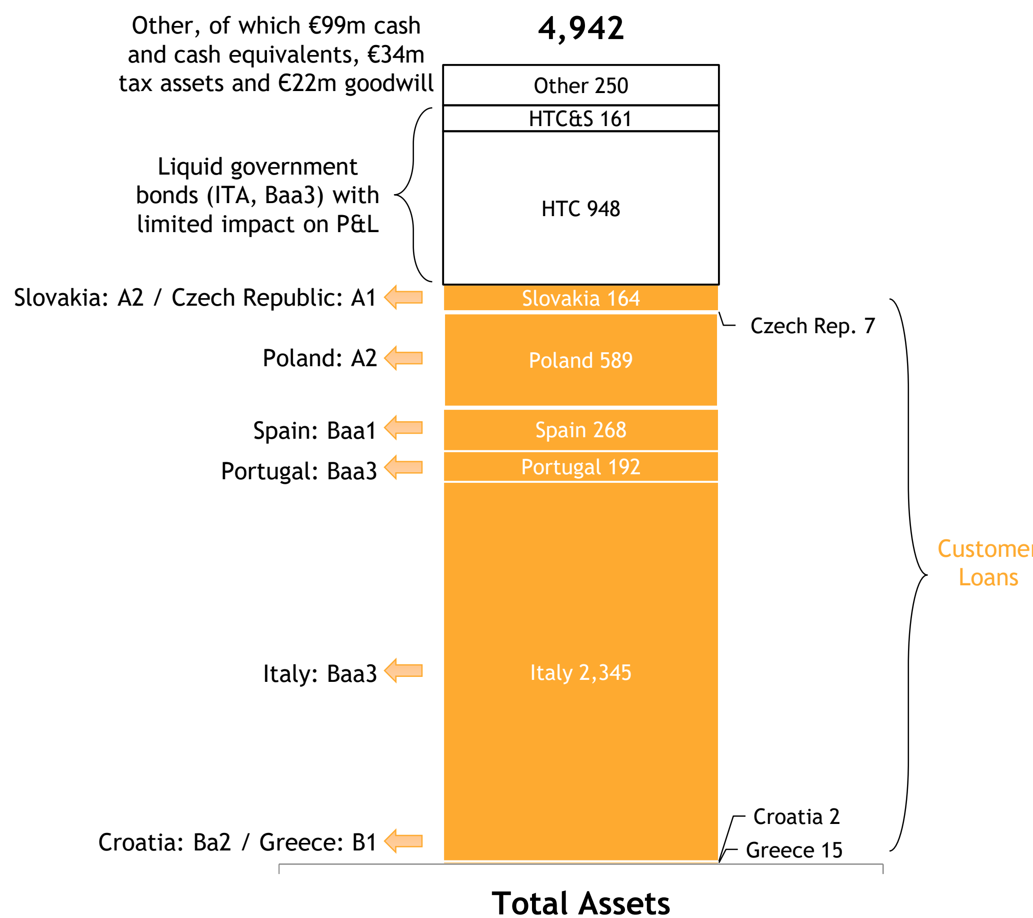
4 Strong Capital Position

- TC ratio of 15.2% and CET1 ratio of 10.9% at YE 2018
- Dividend policy to protect capital level at 15%, well above SREP + CCB
- €378m of unrecognized LPI stock represent a further capital buffer

High Credit Quality Asset Base..

- **92%(1) of total assets consist of exposure to the public sector** with assets composed of commercial receivables and loans towards public administrations and government bonds
- **High creditworthiness of the counterparties:**
  - Negligible credit risk (entities of the public administration in Europe)
  - Low dilution risk towards clients (mostly multinational and large corporates)
- High **gross yield on customer loans** (7.3% in 2018)
- **Short duration of the receivables** (below 9 months on average for the factoring business)

Total Assets breakdown as of December 31st, 2018 (€m)



Source: Annual report, press release and company's disclosure.
Notes: Rating showed for the assets side is the Moody's current sovereign rating. (1) Based on total assets excluding cash and intangibles.

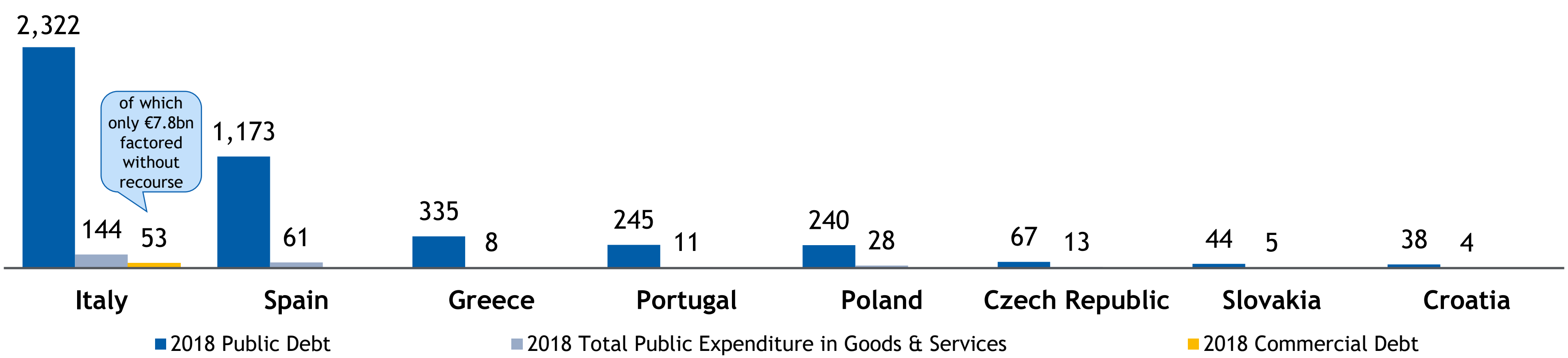
1 …With BFF's Receivables Having a Lower Credit Risk Than Government Bonds…

BFF BANKING GROUP

Key Considerations

- **Commercial debt of the Public Sector is not subject to sovereign privilege, unlike sovereign debt:**
  - Public sector's commercial debt is governed by the local commercial law
  - **No history of haircut on commercial receivables in the EU even in case of the Greek sovereign default and restructuring**
- **Size of the Public sector's commercial debt is immaterial vs. the dimension of sovereign debt** in the countries where BFF operates, limiting the impact of an intervention
- **Factoring represents only a small part of the commercial receivables** therefore a potential restructuring would mainly damage real economy and the supply of public services rather than banks active in factoring

Public Debt vs. Total Public Expenditure in Goods & Services and Commercial Debt (€bn)



Source: Eurostat for Public Debt; Bank of Italy and Assifact for Commercial Debt in Italy (2017). Total Public Expenditure in Goods and Services Eurostat and MEF (Italy), Ministerio de Hacienda y Administraciones Públicas and Actualización del Programa de Estabilidad 2018-2021 (Spain), Instituto Nacional de Estatistica—Portugal (Portugal), Hellenic Statistical Authority (Greece), Eurostat (Poland, Czech Republic, Slovakia and Croatia).

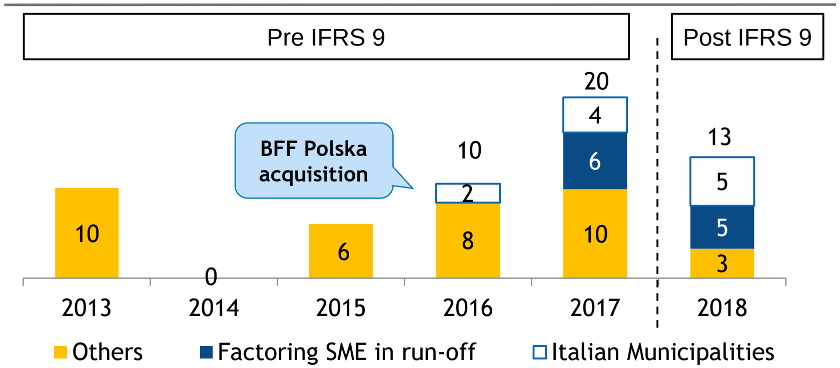
1 ...Translating in Negligible Credit Risk

BFF BANKING GROUP

Key Considerations

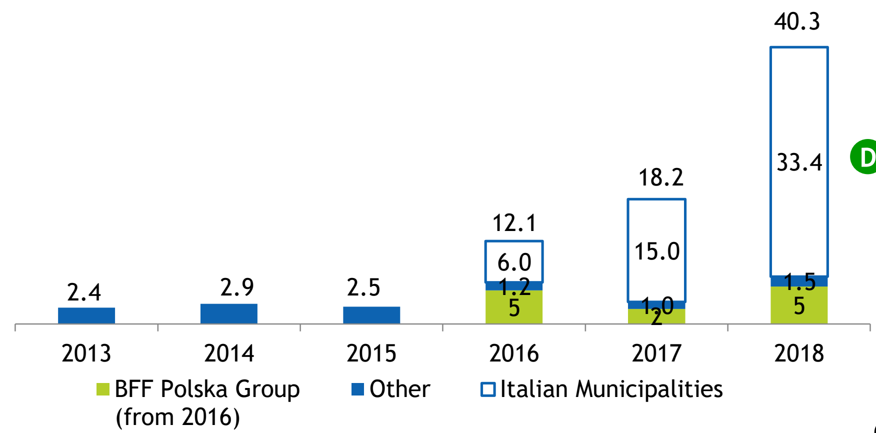
- **A Negligible Cost of Risk, in the low single bps p.a.**
- **B Impaired loans are essentially towards public sector**
- **C Net NPLs excluding Italian municipalities have been flat**
- D Increase in NPLs is driven almost entirely by the growing activities towards municipalities in conservatorship
  - Exposures are currently classified NPLs by regulation despite BFF being legally entitled to receive 100% of the capital and LPIs at the end of the process

A Cost of Risk (bps)



Net NPLs evolution (€m)

	2013	2014	2015	2016	2017	2018
NPL Ratio	0.2%	0.2%	0.1%	0.5%	0.6%	1.1%
Coverage Ratio	49%	85%	86%	60%	54%	38%
NPL Ratio excl. Italian Municip.	0.2%	0.2%	0.1%	0.2%	0.1%	0.2% C
Coverage Ratio excl. Italian Municipalities	49%	85%	86%	74%	86%	75%



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(€m)	2013	2014	2015	2016	2017	2018	Public sector
Net NPLs	2,368	2,936	2,507	12,065	18,175	40,344	83%
Net UTP	196	62	0	3,614	6,760	6,774	
Net Past due	5,803	9,779	43,234	46,167	69,794	72,573	64%
Net impaired loans	**8,367**	**12,777**	**45,741**	**61,847**	**94,730**	**119,690**	67%

2 Fortress Balance Sheet with Low Leverage

- **Conservative asset / liability management approach**: funding duration higher than that of receivables
- **Strong liquidity position** with a LCR of 235% as of December 2018
- **Natural currency hedge**: forex assets and BFF Polska tangible equity funded with forex liabilities
- **Positively geared to higher interest rates** thanks to:

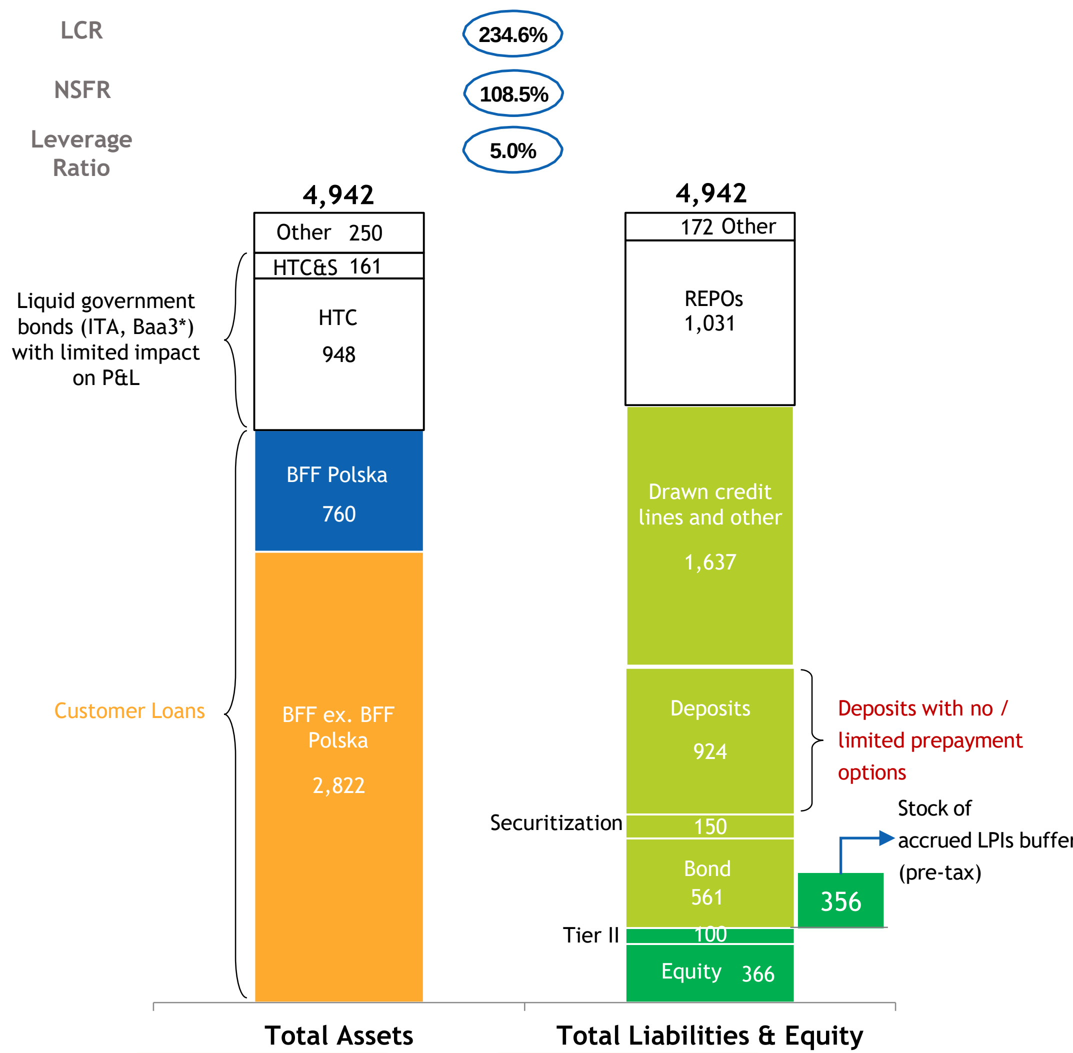
  (i) most of Polska asset at variable rate;

  (ii) non-recourse factoring portfolio with LPI at variable rate;

  (iii) liabilities mostly at fixed rate and

  (iv) longer duration of liabilities vs. assets

Breakdown of Balance Sheet FY 2018 (€m)



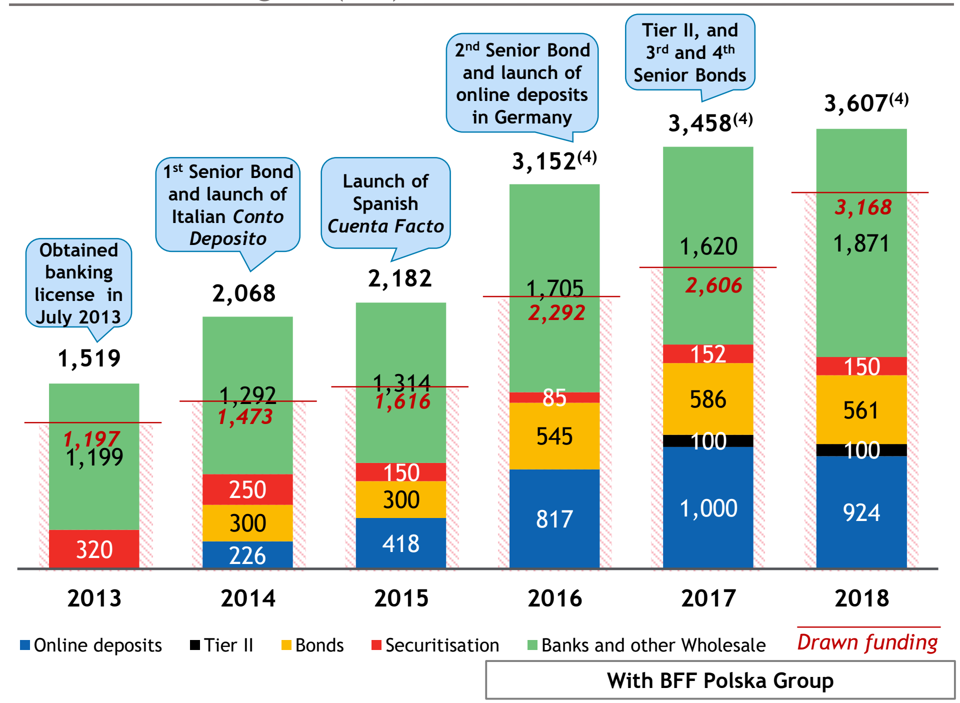
Source: Company data.
(*) Moody's current sovereign rating.

3 Ample and Diversified Funding Base with Improved Funding Cost Since Becoming a Bank

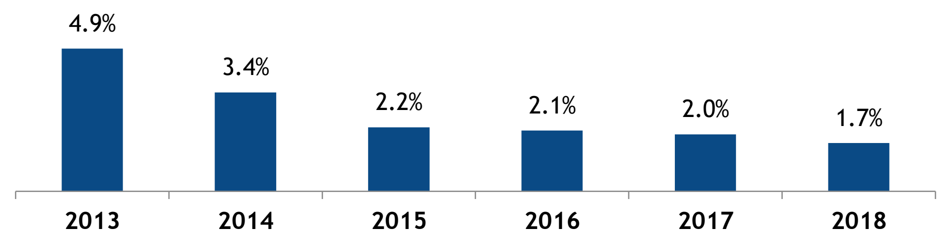
Key Considerations

- **No recourse to the ECB's TLTRO or other emergency liquidity measures**
- **Proven access to capital markets** with €0.95bn of total bonds issued since 2014, innovating the market:
  - First ever unrated Tier 2 institutional issuance by an unlisted Italian bank
  - First ever unrated floater Euro bond issuance by a bank
- **Successful ramp-up of online deposits base.** True term deposits, 70% collected outside Italy
- **Grew funding from banks at lower cost,** thanks to the strong relationships
  - Committed bilateral lines, no overnight interbank funding
  - Provided by >20 top Italian banks and European banking group, mostly investment grade rated
- **Cost of funding more than halved** since 2013 despite 2017 Tier II issuance, higher base rate of Zloty funding and 2016 Zloty acquisition financing

Available Funding[2;3] (€m)



Cost of Funding[1]

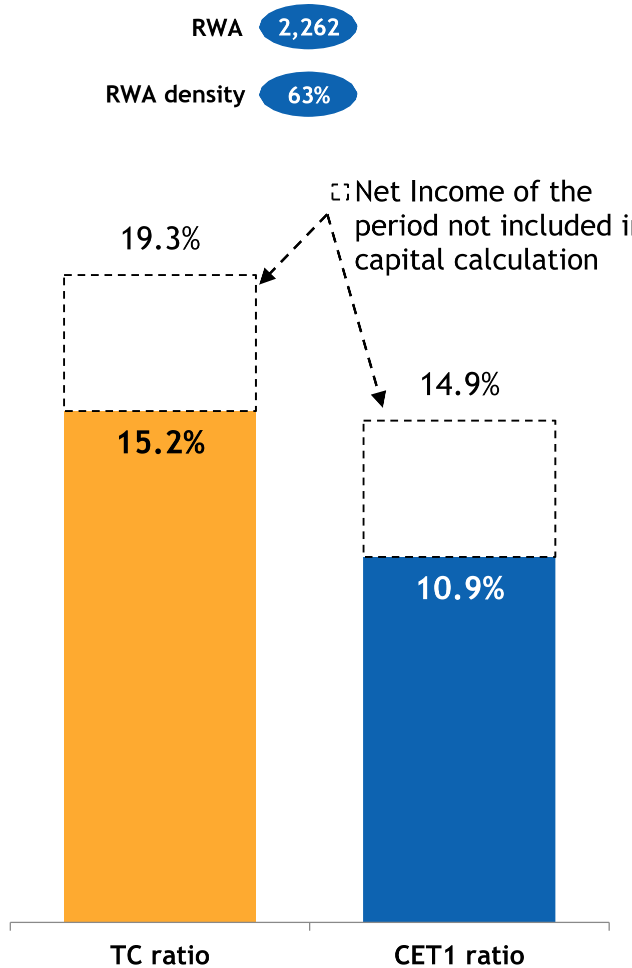


(1) Excluding REPO. The cost of funding for 2016, 2017 and 2018 includes BFF Polska and does not include the acquisition financing. (2) Excluding ECB funds and REPOs. (3) Based on utilized credit lines; 2013, 2014 and 2015 excluding BFF Polska, December 2016, 2017 and 2018 including BFF Polska. (4) Not considering financing for BFF Polska acquisition 355m PLN.

4 Strong Capital Position Despite High RWA Density due to Standard Model…

- **TC ratio of 15.2% and CET1 ratio of 10.9%:**
  - €91.8m of adj. net income not included (equal to 406 bps of additional CET1 and TC)
  - Both ratios are net of the negative exchange rate and HTC&S mark to market impact (respectively 13bps and 19bps)
- **RWA based on standard model resulting in high RWA density at 63%,** despite exposure is essentially towards public sector
- **No downside risk related to the Italian rating downgrade** by DBRS (BFF's EACAI):
  - **Need to be downgraded by 9 notches** (i.e. 3 notches below Greece) **in order to have a negative impact on BFF's RWA**
  - One notch upgrade would move the risk weighting to 50% with an impact of +3.1% on TC and +2.2% on CET1

Capital ratios as of December 31st, 2018 - Banking Group ex TUB(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		
	AA (High)		20%
	AA		
	AA (Low)		
	A (High)		
	A		50%
	A (Low)		
	BBB (High)		
	BBB		
	BBB (Low)		
Non-Investment Grade	BB (High)		
	BB	Not rated by DBRS	100%
	BB (Low)		
	B (High)		
	B		
	B (Low)		
	CCC (High)		
	CCC		
	CCC (Low)		150%
	CC		
	C		
	D		

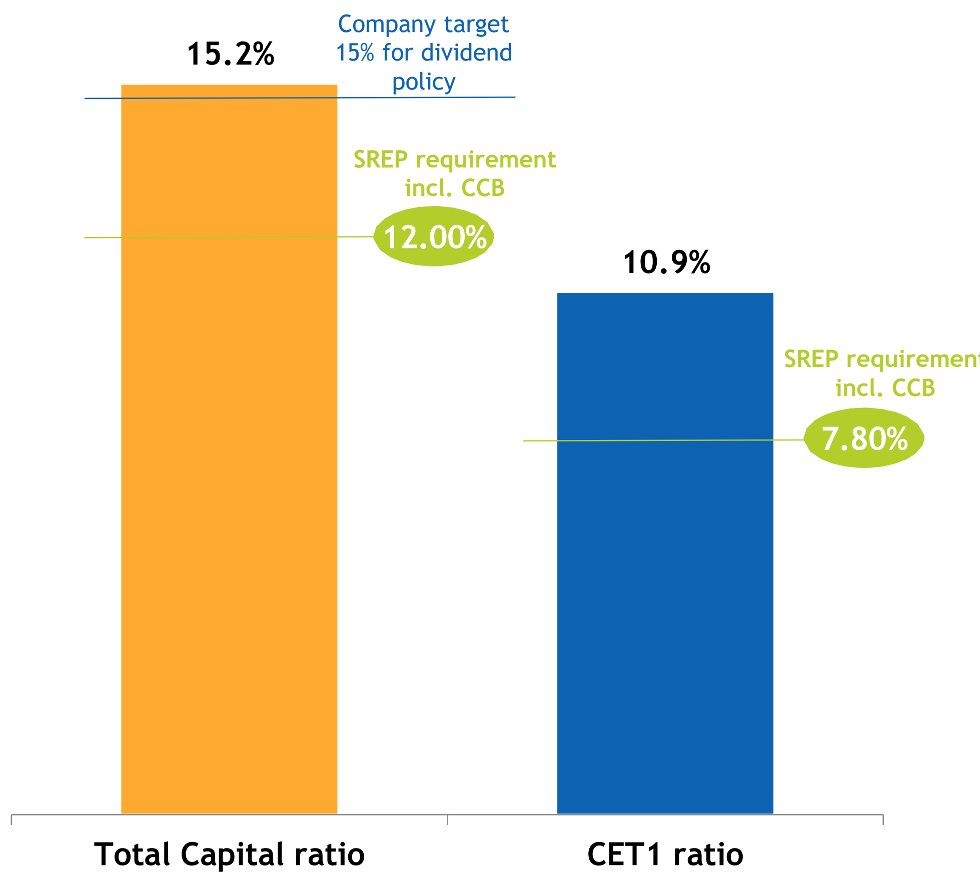
(1) FY2018 CRR Total Capital Ratio and CET1 Ratio: 15.0% and 10.8%. These ratios are subject to approval by BFF Luxembourg S.àr.l. (2) Following the DBRS downgrade, starting from March 2017, capital ratios are calculated based on a higher risk weighting factor (from 50% to 100%) for the Italian exposure to NHS and other PA different from local and central government.

4 …With a Dividend Policy Protecting Capital Position and Bondholders…

Key Considerations

- **Dividend policy aimed at protecting the capital position and bondholders and, at the same time, self funding growth**
- Target Total Capital level of 15%, **well above the SREP requirements**
- Earnings of the period are retained to maintain the 15% TC target, and pay-out the portion of the earnings in excess of the 15% TC threshold
- **No obligation to pay a min. DPS or pay-out ratio every year**
- Given the dividend policy and the high ROE of the business:
  - The growth will be funded organically through retained earnings (in 2018 the growth absorbed c. €37m of capital, equivalent to only 40% of the net income of the period)
  - **The CET1 ratio would increase because of the loan growth, assuming constant Tier 2 outstanding**

Capital ratios vs. SREP as of December 31st, 2018 (%)

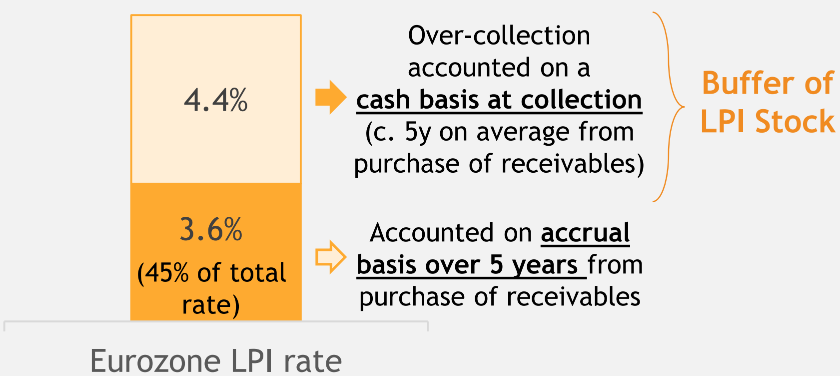


...And an Additional Buffer from Unrecognized LPI Stock

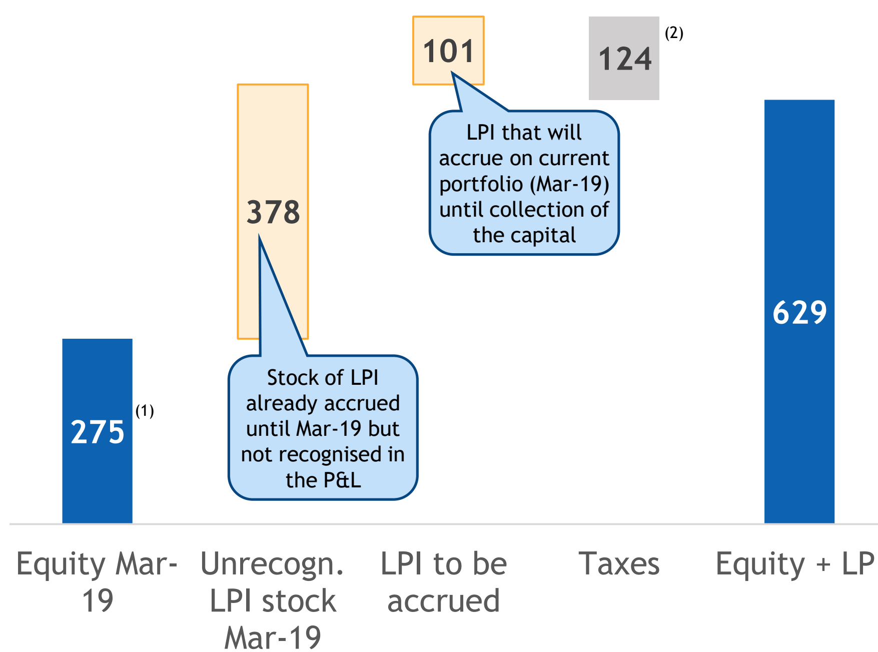
Prudent accounting of Late Payment Interest ("LPI") resulting in a Stock of unrecognised LPI

- Receivables against PA accrues LPIs (regulated by EU law) when not paid on time **@ Central Bank base rate + 8%**
- BFF prudently recognizes in P&L on an **accrual basis only 45% of LPI legally due**, and discounted over 5 years horizon
- **No settlement below 45%, so always over-collection** vs. 45% minimum recognized on **a cash basis at collection** (5 years on average from purchase of receivables)

Central Bank base rate + 8.0%



Therefore, **unrecognized LPI stock (back book income reserve) represents a further buffer to an already strong capital position as BFF is entitled to receive 100% of the amounts due**



Source: Company data as of March 31st, 2019.
Notes: (1) Excluding €21.4m of 1Q 2019 Net Income. (2) Based on FY 2018 marginal tax rate of 26%.

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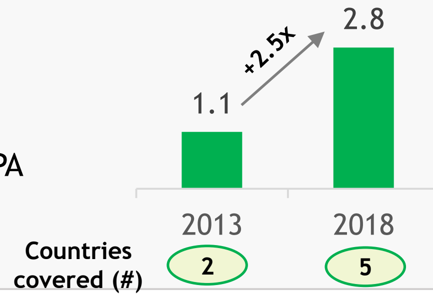
Proven Ability to Execute Organic Growth and M&A…

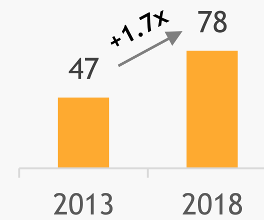
BFF BANKING GROUP

Customer Loans (€bn) | **Net Income (€m)**

Strong organic growth

- Grown factoring activity from HC only to entire PA in Italy
- Expanded greenfield from 2 to 5 countries across HC and PA

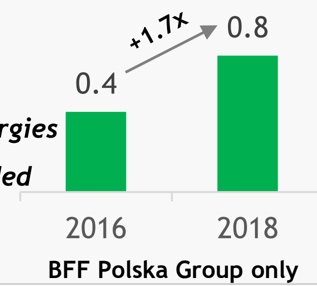


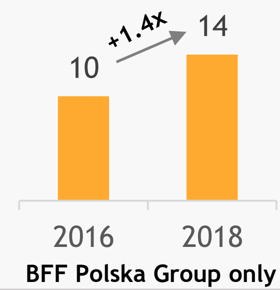


Disciplined bolt-on acquisitions

- **2016:** Magellan (now BFF Polska Group):
  - 3 new markets in CEE (Poland, Slovakia and Czech)
  - Broadened product offering (direct financing) to HC & PA in Central Eastern Europe
- **2019:** Tuck-in acquisition of IOS Finance (main competitor in Spain, pending)

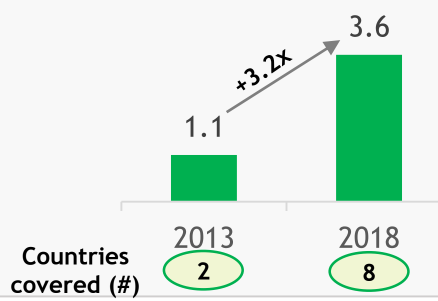
- *~9x P/E pre-synergies*
- *Self-funded*

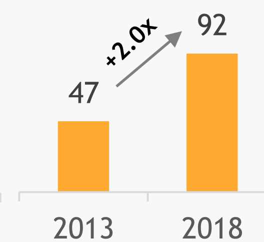




Total growth

- **+26% loans growth 2013-18 CAGR**
- **+14% net income growth 2013-18 CAGR**
- **35% of total loans outside Italy in 2018 (4% in 2013)**





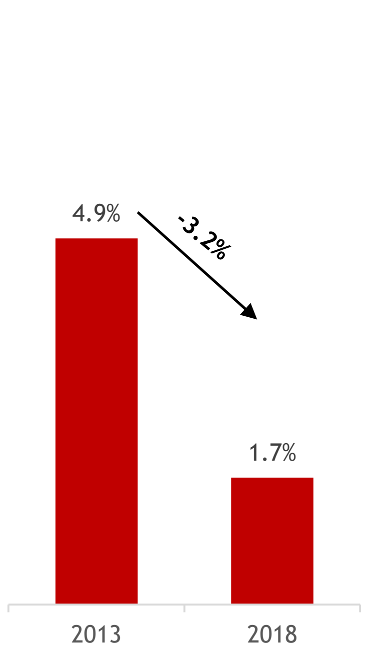
…Resulting in Superior Financial Performance

BFF BANKING GROUP

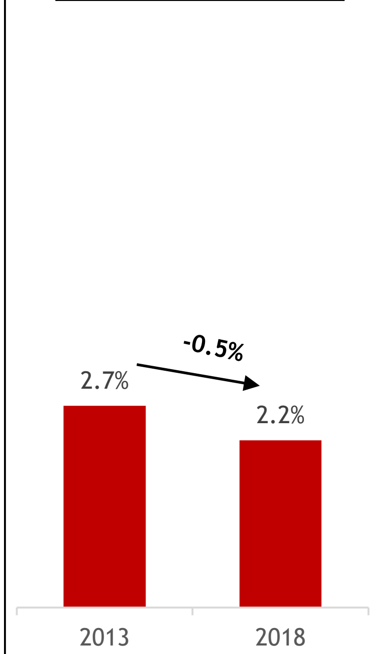
Generated High and Stable Yield on RWA	Improved Funding Cost by Accessing Multiple Funding Sources	Invested in the Business while Improving Operating Leverage	Maintained a High Quality Portfolio, with Negligible Credit Risk	Generated High Returns and Free Capital

Gross Yield on avg. RWA

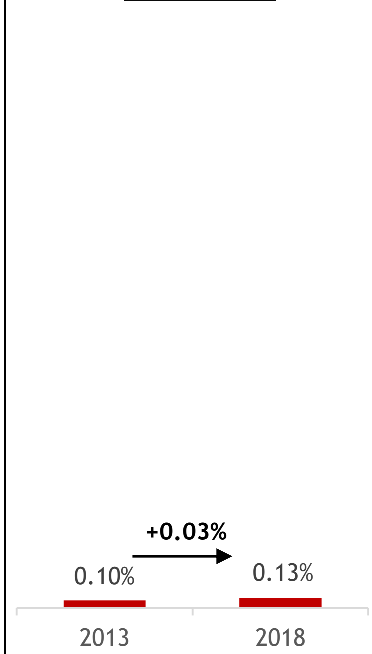
Cost of Funding



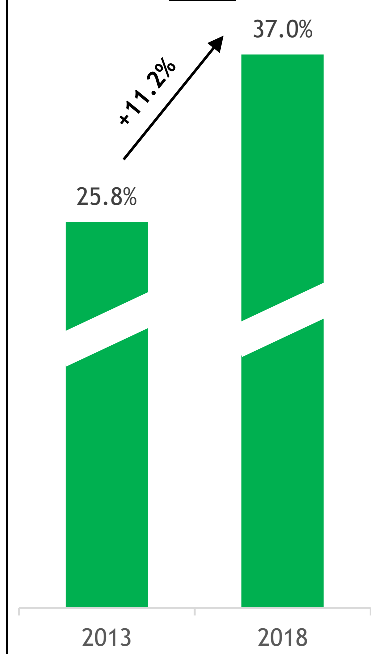
Adj. Costs / avg. loans



Cost of Risk



RoTE



Key Drivers of the 2021 Business Plan

BFF BANKING GROUP

Key drivers	2018	2021 Target	Key considerations
Volumes growth (YoY)	17%	>10% p.a.	▪ Delay in payments in the Public Sector ("DSO"(1)) stable ▪ Pricing on RoRWA, without LPI over-recovery
Loans growth (YoY)	19%	>10% p.a.	▪ Volumes and product mix (factoring vs. financing) stable ▪ DSO and duration
Capital	15.2% TC 10.9% CET1	15% TC ↑ CET 1	▪ Dividend policy to keep Total Capital ratio at 15% ▪ CET1 % would increase because of the loan growth (@ constant TIER 2) ▪ Possible issuance of other capital instruments (TIER 2)
Loans yield	7%	↓ (Yield on RWA =/↑)	▪ Pricing ▪ LPI collections
Cost of Funding / Loans	2%	↓	▪ Funding mix ▪ Duration ▪ Possible rating
Operating costs / Loans	2%	↓	▪ HR and IT investments ▪ New business initiatives
Cost of risk / Loans	13bps	↓	▪ Quality and mix of the products ▪ Duration of the assets
Net return on asset	2% *37% RoTE*	RoTE >30%	▪ Product and geographic mix (i.e. RWA density) ▪ Growing CET 1 ratio and as a % of the TC ratio (i.e. lower leverage)

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

BFF Banking Group: A Bank Like No Other®

We Are	▪ Leading provider of non-recourse factoring for HC and PA suppliers in EU
We Offer	▪ Financial services to tackle the payment delays
We Have	▪ **Exposure to ST public sector receivables** ▪ **Total Capital > 15% with a protective dividend policy** ▪ **Diversified funding base with ample liquidity** ▪ **Positively geared to worsening public sector macro**
We Deliver	▪ RoTE > 30% ▪ Customer Loans growth > 10% ▪ Cost of Risk < 20bps

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