A Bank Like No Other®

Jefferies Healthcare Conference

June 4th, 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 deliver	▪ Return on average Tangible Equity > 30% ▪ Loans growth > 10% ▪ Cost of Risk < 20bps

30+ years of Serving HC and PA Suppliers

BFF BANKING GROUP

1985: Established by a group of pharmaceutical companies

FARMAFACTORING SPA

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

Growth in Italy 1985 - 2010

2010: Replicate business in Spain

Resilient during crisis 2011 - 2013

2013: Turning point, becomes a bank

BANCA FARMAFACTORING

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

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

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

2017-18: Extend offer to Greece and Croatia

Open branch in Lisbon

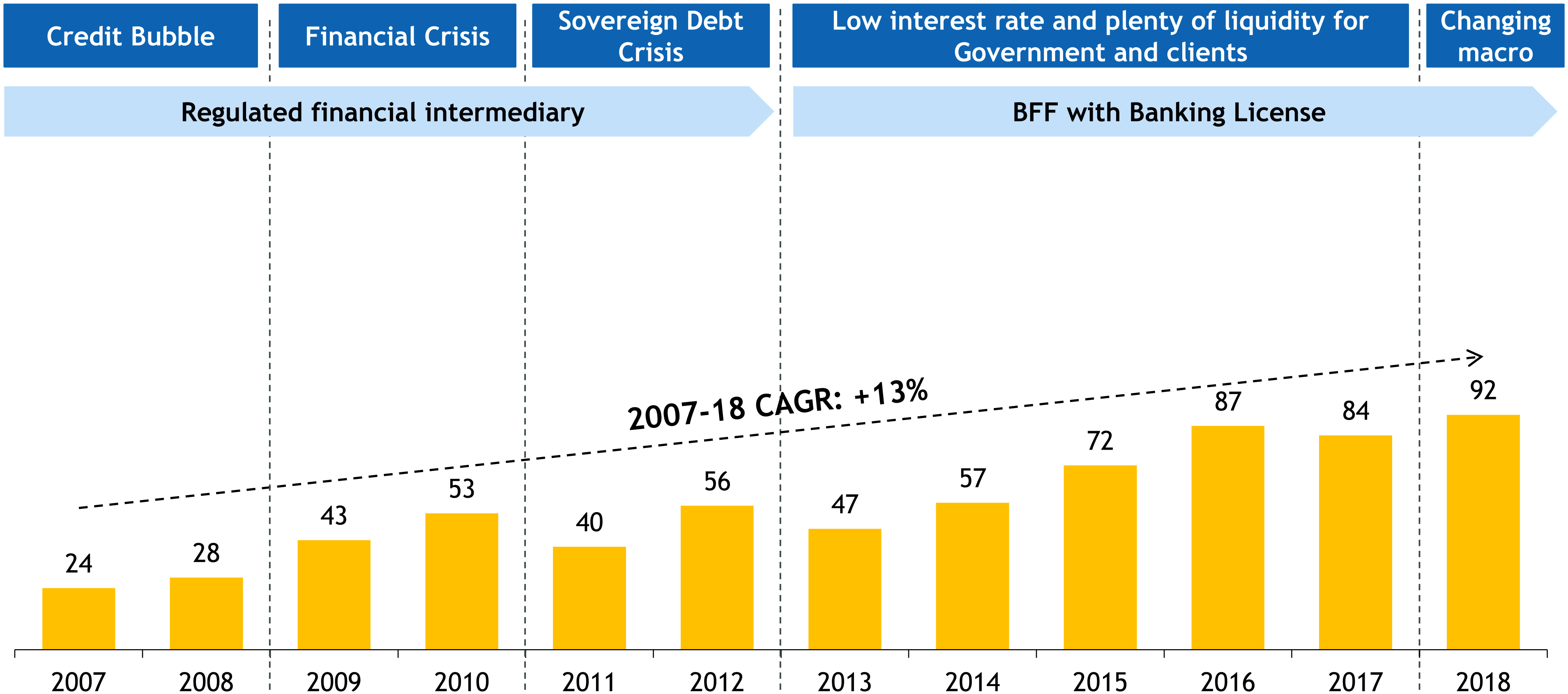
2019: Acquisition of IOS Finance, leading PA factoring player in Spain (pending)

IOS FINANCE

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.
Notes: (1) Net Income normalised and adjusted as reported in IPO prospectus and annual accounts.

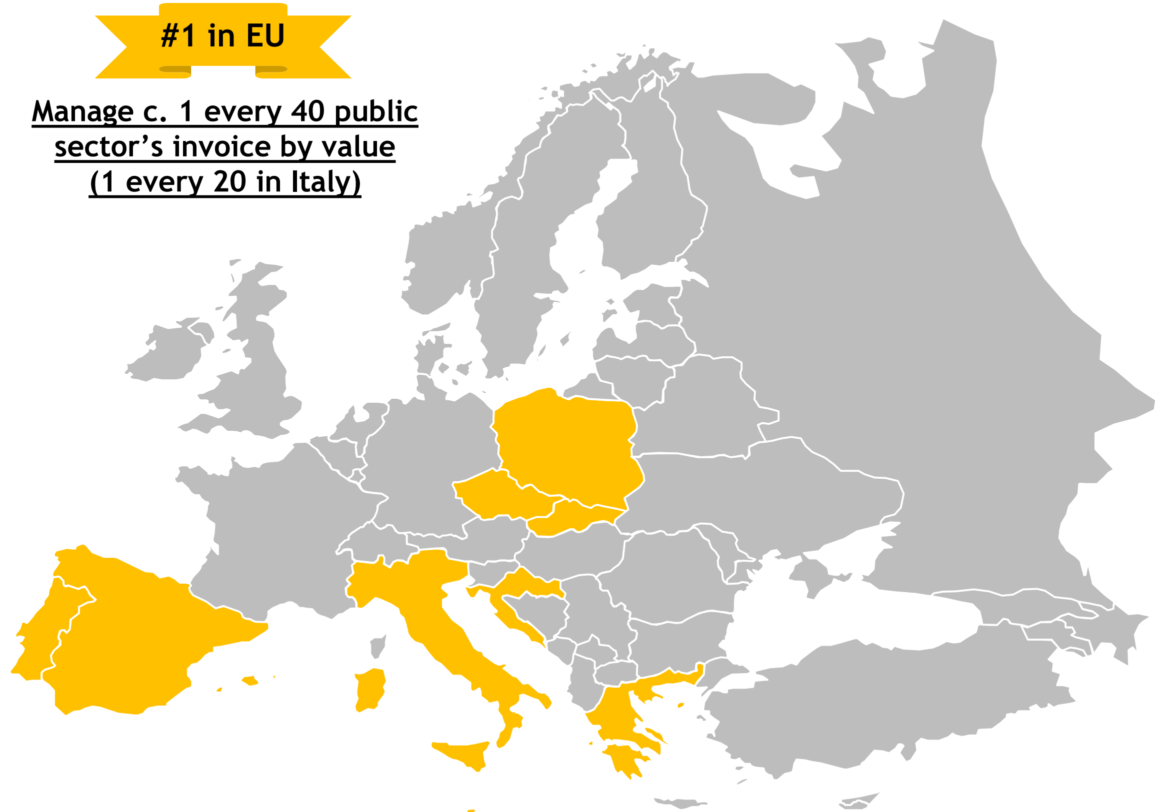
The Largest Purchaser of Government Receivables in the EU

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**

#1 in EU

<u>**Manage c. 1 every 40 public sector's invoice by value (1 every 20 in Italy)**</u>



Countries where BFF Group operates

Source: Assifact for Italy, AEF for Spain (public sector only in 2018), company estimates for other markets.
Note: (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**

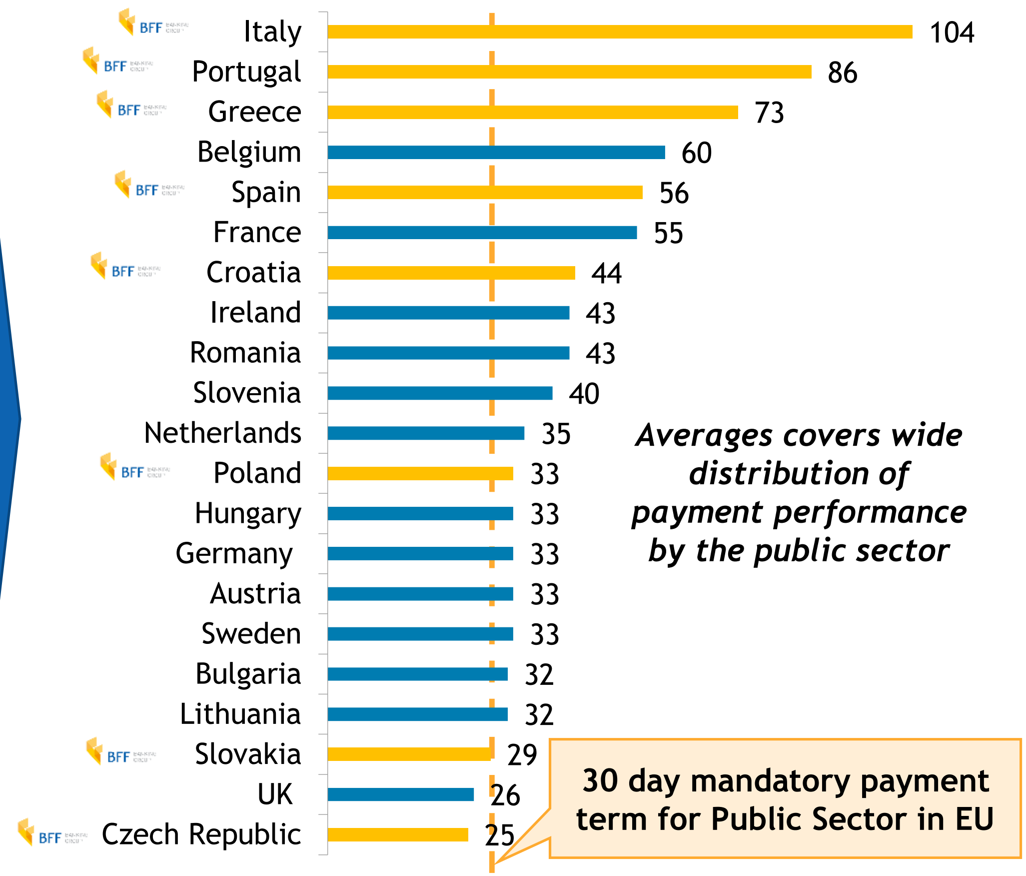
   – In Italy, only 17.5% of total public expenditure for goods and services is controlled by the Central Government

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)

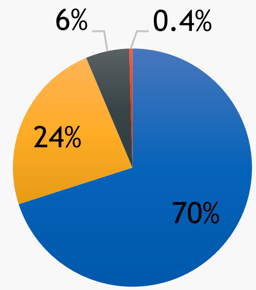
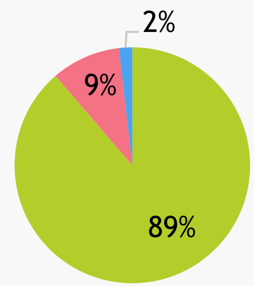
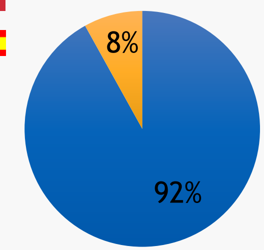
3. **Commercial debt not classified as public debt**

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 Three Business Lines

	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			
Volumes	€4,514m, 53% of total	€548m, 6% of total	€3,381m, 40% of total
Loans	€2,920m, 79% of total Pro-forma for IOS Finance acquisition	€760m, 21% of total	- Pro-forma for IOS Finance acquisition
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.

A Key Solution in the Complex Interaction Between PA and its Suppliers…

Public Sector Suppliers (BFF's clients)

- **<u>Long-standing relationship</u>** with top suppliers → top 10 clients have been BFF clients for > 17 years
- Leading multinational and national suppliers of the public sector → **<u>low dilution risk</u>**

For illustrative purpose only

GE Healthcare, Air Liquide, eni, TIM, Pfizer, Bristol-Myers Squibb, gsk, Baxter, BD, Edison, Merck, Abbott, Olympus, enel

High barriers to entry: scale & reach are critical to success

Highly complex operations. In Italy alone, BFF manages p.a.[1]:

- > 3m accounting documents
- > 3,900 legal actions
- c. 1,000 physical visits to debtors
- 438k payment records (>55% cashed-in automatically)

Public Sector Debtors

- Long track record in dealing with PA/HC entities → **<u>better pricing</u>**
- Largest commercial creditor of PA/HC → **<u>better collection</u>**
- Debtors are PA in the EU → **<u>negligible Cost of Risk</u>**
  - 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

(1) 2018 data.

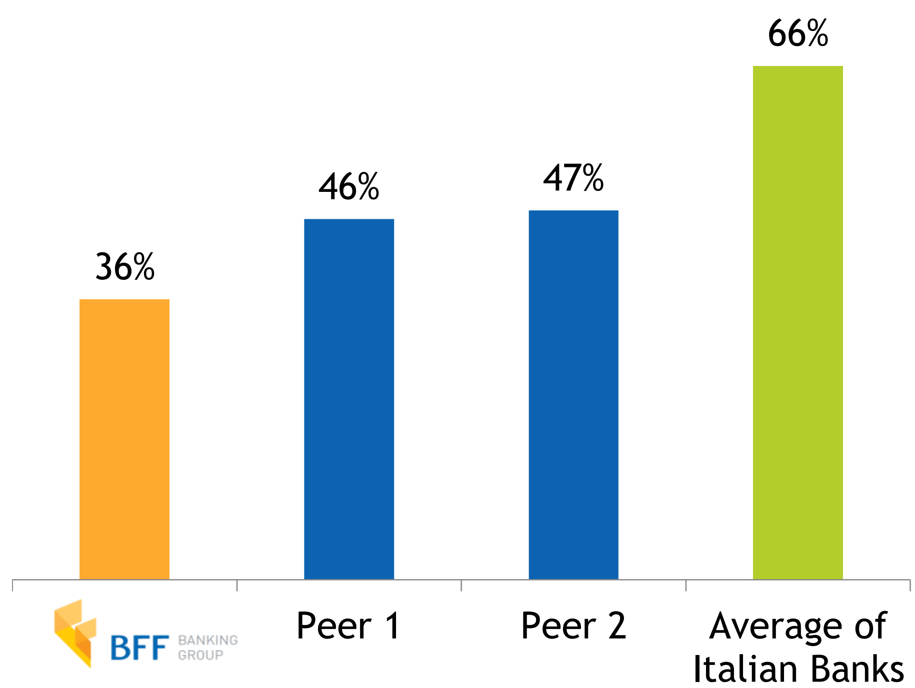
…Managed Efficiently thanks to an Advanced and Scalable IT Platform

A proprietary IT platform developed in-house…

- Specialised platform incorporating know-how and experience developed over >30 years of activity
- 49 proprietary system applications
- c. 9% of Group's FTEs in IT department
- ~ €3m investments in IT per annum
- Scalable across geographies with minimal investment
- Interfaced with suppliers and PA entities

… Giving us best-in-class operating efficiency

Cost/Income ratio



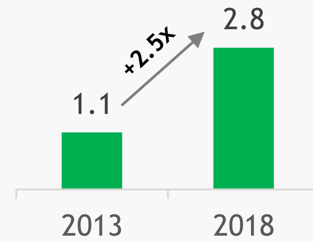
Source: consolidated annual reports (data as of Dec-2018)
Note: (1) Adjusted to exclude extraordinary costs; C/I computed as operating expenses excluding extraordinary costs (administrative expenses + staff expenses + amortization on tangible and intangible assets) divided by Adjusted Net Banking Income.

Proven Ability to Execute Organic Growth and M&A…

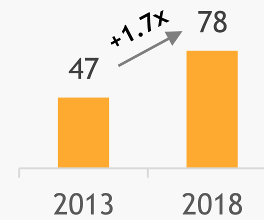
Customer Loans (€bn) **Net Income (€m)**

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



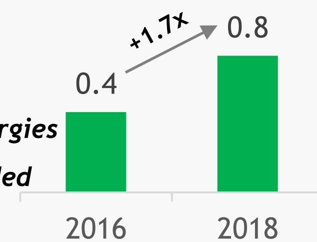
Countries covered (#): 2 | 5



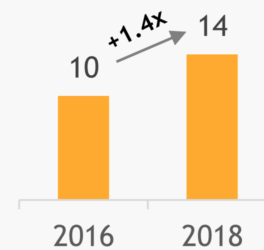
Disciplined bolt-on acquisitions

- **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*



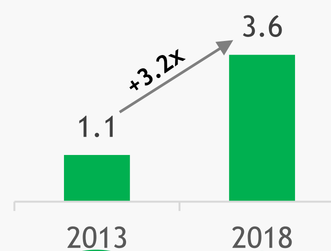
BFF Polska Group only



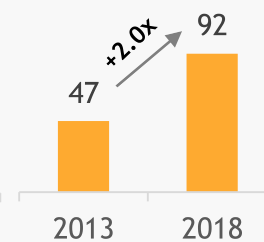
BFF Polska Group only

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)**



Countries covered (#): 2 | 8



… While Delivering Superior Financial Performance

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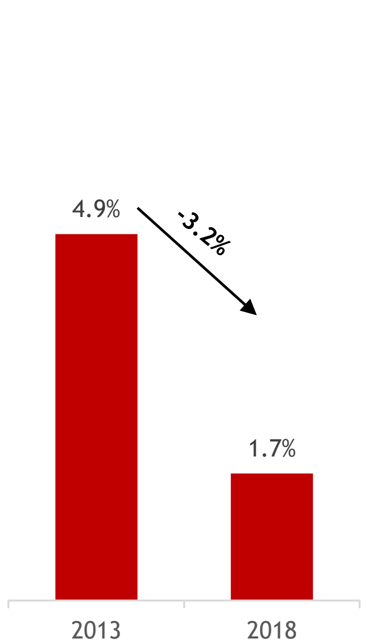
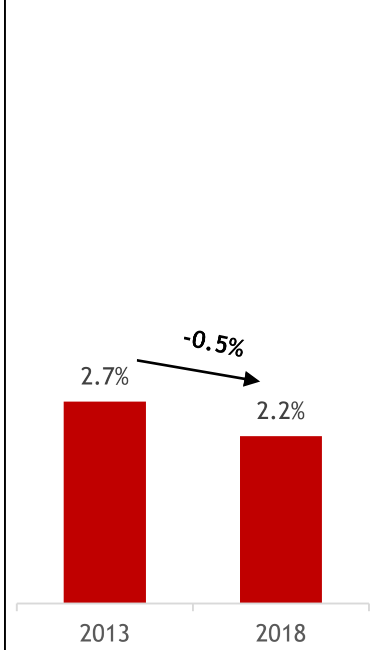
Generated High and Stable Yield on RWA	Improved Funding Cost by Accessing Multiple Funding Sources	Invested in the Business while Improving Operating Leverage	Maintained a High Quality Portfolio, with Negligible Credit Risk	Generated High Returns and Free Capital

Gross Yield on avg. RWA

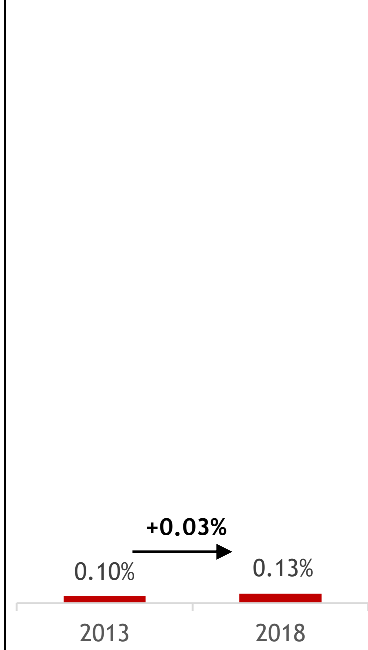
Cost of Funding



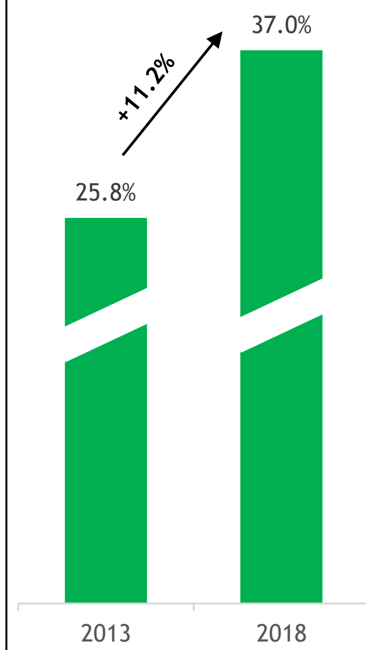
Adj. Costs / avg. loans



Cost of Risk



RoTE



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

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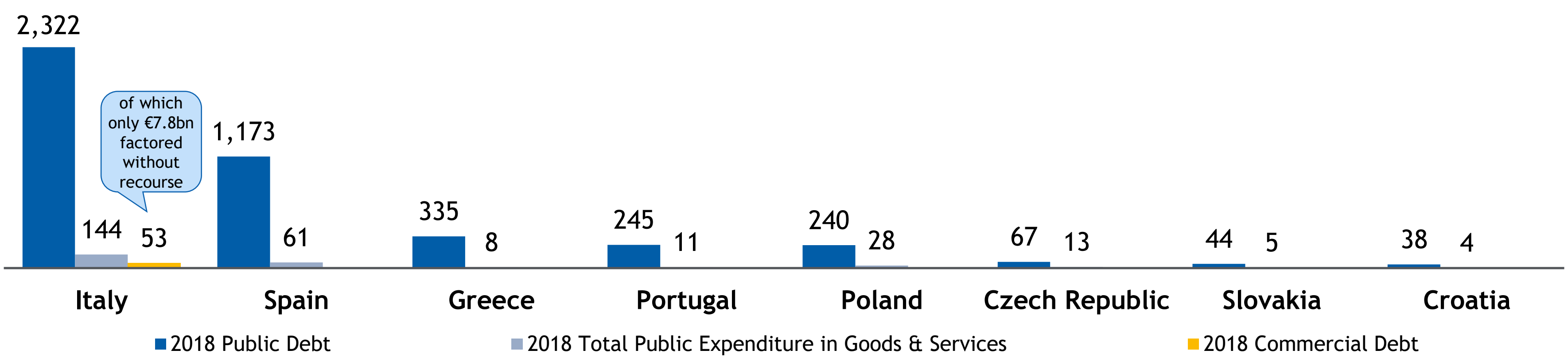
Outlook	Impact for BFF	
1 Increase perception of political / country risk	▪ Higher demand from customers ▪ Lower price sensitivity ▪ Traditional banks less interested in the sector	↑ Volume ↑ Pricing
2 Worsening public finances	▪ Pressure on preserving cash leads to higher payment times by PA ▪ Therefore, 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

… with BFF's Receivables Having a Lower Credit Risk Than Short Term Government Bonds

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).

Excellent Growth Opportunities Ahead

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Organic growth opportunity

> 10% p.a. volume and loans growth

Long-Term Public Expenditure Growth

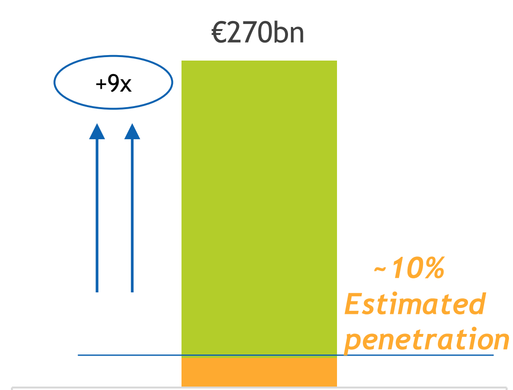
Growth on the back of HC and public expenditure growth

> +2 / 3% CAGR

Low to mid single digit in mature markets, higher in Central Eastern Europe

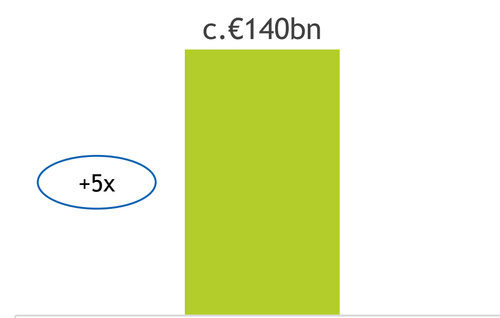
Increase Market Penetration

Only c. 10% of €270bn PA invoices are factored



New Markets

Potential new PA markets account for additional c. €140bn of receivables



With Further Growth Opportunities Through M&A

M&A aimed at consolidating existing businesses and expanding into other underserved markets

Existing business	Adjacent sectors	New niche markets
✓ IOS FINANCE	✓ magellan WE CREATE SOLUTIONS	

Existing business / Adjacent sectors

__Targets profile:__

- Operating in the same businesses of BFF or in adjacent sectors
- Attractive asset yield with a low risk profile
- Operating in the same countries covered by BFF or opening new markets

__Main benefits:__

- Consolidation of BFF's market shares for existing business and/or expansion into new segments leveraging upon existing BFF expertise
- Operational synergies
- Funding synergies

New niche markets

__Targets profile:__

- Operating in niche business not covered by traditional banks
- Operating only in countries already covered by BFF

__Main benefits:__

- Funding synergies
- Diversification

Key Drivers of the 2021 Business Plan

	Key drivers	2018	2021 Target	Key considerations
A	**Volumes growth (YoY)**	17%	>10% p.a.	▪ Delay in payments in the Public Sector ("DSO"[1]) stable ▪ Pricing on RoRWA, without LPI over-recovery
B	**Loans growth (YoY)**	19%	>10% p.a.	▪ Volumes and product mix (factoring vs. financing) stable ▪ DSO and duration
B	**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)
C	**Loans yield**	7%	↓ (Yield on RWA =/↑)	▪ Pricing ▪ LPI collections
C	**Cost of Funding / Loans**	2%	↓	▪ Funding mix ▪ Duration ▪ Possible rating
C	**Operating costs / Loans**	2%	↓	▪ HR and IT investments ▪ New business initiatives
C	**Cost of risk / Loans**	13bps	↓	▪ Quality and mix of the products ▪ Duration of the assets
C	**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.

A Organic Growth Volume > 10% per Year in a Large Underpenetrated Market

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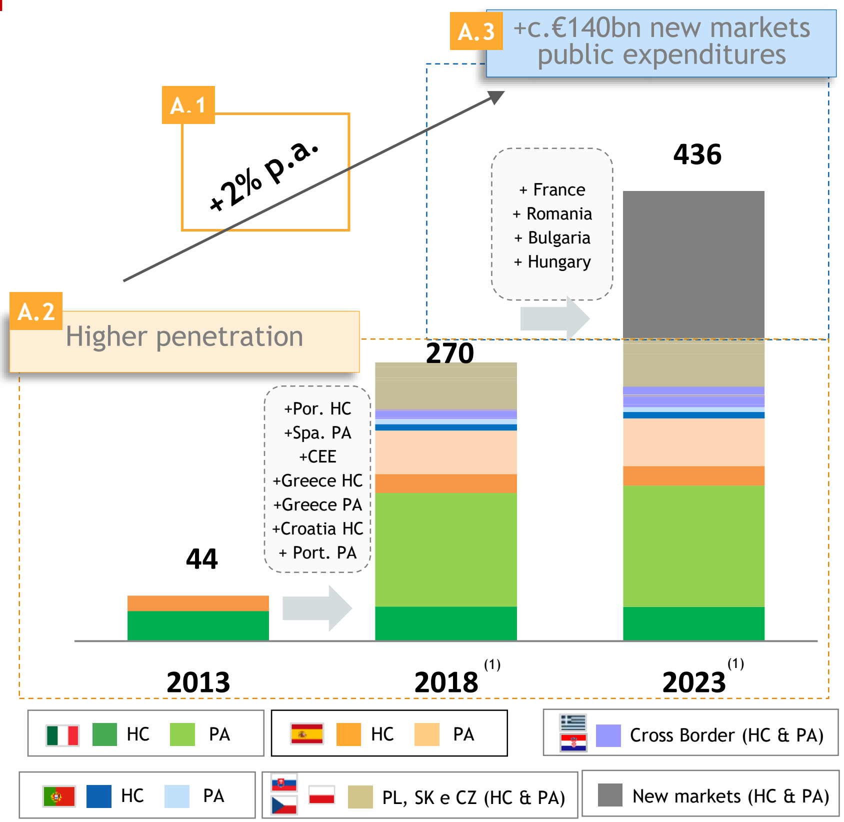
Opportunities

- BFF's addressable market is the public expenditure in goods and service (€270bn in 2018)
- Since 2013, BFF has expanded its addressable market by 6x, adding new countries and expanding from HC only to the whole PA
- BFF volume have expanded by "only" 2.6x over the same period

A.1 Public expenditure growth	▪ Addressable market is growing at c. 2% p.a. – <u>c. €5bn p.a., equivalent to ~1x current BFF volumes</u> ▪ BFF's clients have grown historically at <u>c. 3%-4% p.a.</u>
A.2 Increase market penetration	▪ Addressable market is underpenetrated, ~10% of available receivables is estimated to be factored non-recourse – <u>1% penetration → €2.7bn p.a., equivalent to ~0.6x BFF volumes</u> ▪ BFF factors < 2% of its addressable market vs. 4% in 2013 ▪ Just started to leverage relationship with multinational clients to drive cross border business
A.3 New markets	▪ France & other CEE countries under review – <u>1% penetration → €1.4bn p.a. , equivalent to ~0.3x BFF volumes</u>
Extend the coverage	▪ Extend the coverage to entire HC value chain in Italy ▪ New financial solutions and Fintech platform to offer PA factoring to SMEs

Evolution of BFF's Addressable Market (€bn)

€1.8bn	2.6x →	€4.7bn	BFF yearly volumes
4.1%	→	1.7%	As % of addressable Market



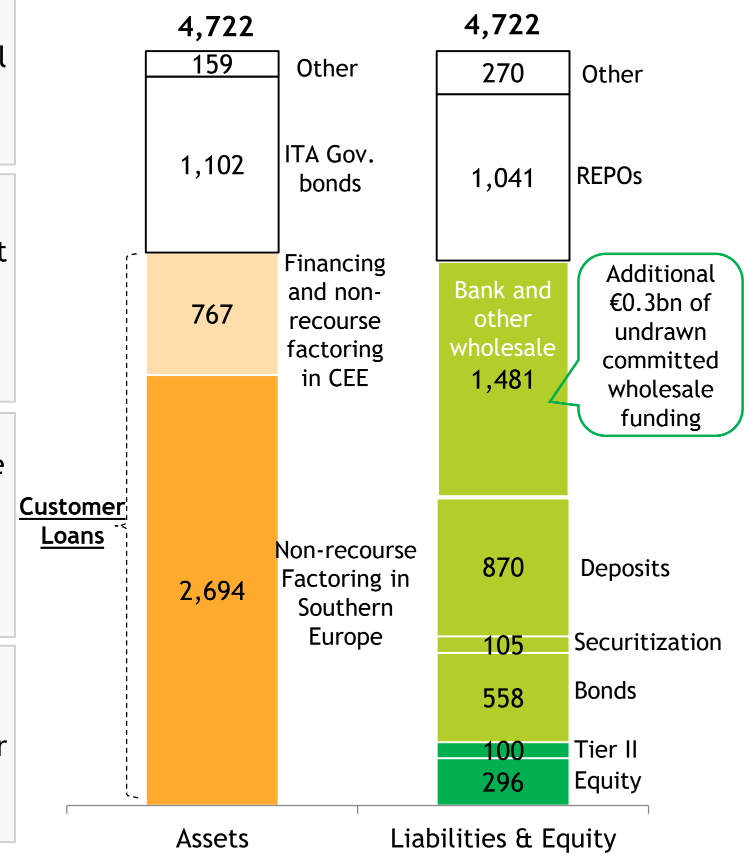
Source: DEF for Italy, Direção-Geral do Orçamento for Portugal, Actualización del Programa de Estabilidad for Spain, Eurostat for Poland, Slovakian Republic, Croatia and Czech Republic.
Note: (1) Italian total expenditure excludes the item "social transfer in kind" and is based on MEF forecast, for other countries expenditure is based on internal estimation. The split between HC and PA is based on internal estimation.

(B) Loan Growth >10% per Year

Key drivers / targets

Growing loans	▪ Costumer loan growth target >10% @ constant DSOs ▪ Increase in DSO would result in faster loan growth with no additional costs ▪ Bond portfolio less than 20% of total assets
Conservative ALM approach	▪ Duration assets < liabilities (including deposits) ▪ High liquidity buffer to face potential shock in DSO and surge in client demand ▪ Positively geared to higher interest rates ▪ Natural currency hedge → No currency risk
Diversified funding	▪ Bank and other wholesale lines used to meet seasonal peaks in volume ▪ EMTN bond program to swiftly benefit from market opportunities ▪ Deposits from Italy, Spain and Germany ▪ Launch of online deposits in Poland and in other geographies
Strong capital	▪ High capital generation business able to self-fund growth ▪ Flexibility to issue further TIER II instruments ▪ €378m (pre-tax) of off-balance sheet LPI stock represents a further capital buffer ▪ Dividend policy aimed at paying out free capital

Balance Sheet structure March-19 (€m)



P&L to Benefit From Better Funding, More Operating Leverage and Catching Up With Deferred Income

C

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		Target 2021
High yield with significant deferred income	▪ Pricing for non-recourse factoring based on, among other, Cost of Funding, capital absorption and assuming no LPI over-recovery vs. the min. 45% ▪ Therefore, assuming constant return on capital absorbed, larger loan book couple with lower capital absorption will generate better yield on RWA ▪ Improvement of yield on RWA fully visible only in c. 5 years since LPI over-recovery does not depend on capital absorbed ▪ Reinforced collection team → better LPI collection performance	=/↑ **Yield on RWA** ↓ **Yield on loans**
Better funding costs	▪ Launch of online deposits collection in Poland ▪ Increase of drawn funding (different from Tier II and acquisition financing) ▪ Assignment of a credit rating	↓ **Cost of Funding**
More operating leverage	▪ Infrastructure not saturated yet ▪ Access to a lower cost base in Poland for back-office activities since 2018	↓ **Operating costs on loans**
Maintaining a low credit risk	▪ Essentially exposure to public debtors ▪ No significant impact from calendar provisioning over financial plan horizon	↓ **Cost of Risk**
High net return	▪ RoTE target > 30% on a solid capital base with a growing CET 1 ratio	**RoTE > 30%**

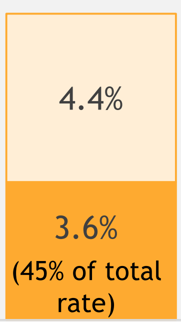
Significant Income Deferral due to a Prudent Accounting of Late Payment Interest

Accounting of Late Payment Interest ("LPI") and Income Deferral

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

c. €380m off-balance stock

Central Bank base rate + 8.0%



Eurozone LPI rate

Over-collection accounted on a <u>cash basis at collection</u> (c. 5y on average from purchase of receivables)

Accounted on <u>accrual basis over 5 years</u> from purchase of receivables

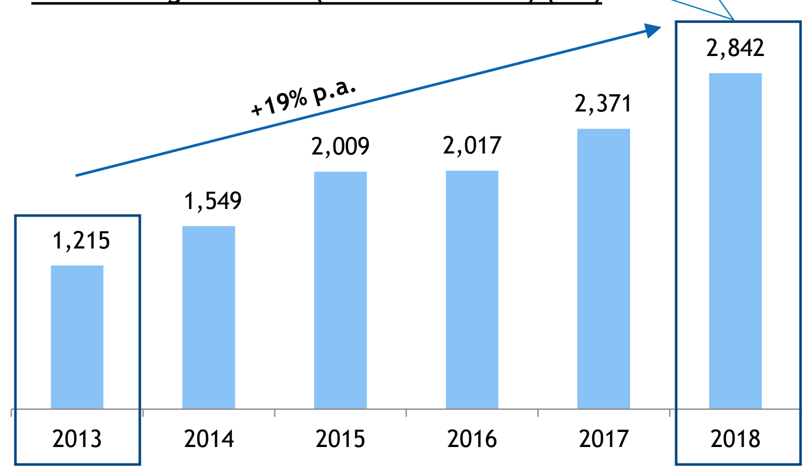
Deferred income

Therefore, <u>full impacts on P&L of the LPI generated by the growing outstanding over the last years will be visible only in the coming years</u> (i.e. LPI collection generated by the larger 2018 outstanding will be visible only in 5 years)

<u>ILLUSTRATIVE</u>

<u>At stable book</u>: c. €19m of 2018 net income deferred(1)
Pro-forma net income from €92m to €111m

<u>Outstanding Evolution (Excl. BFF Polska) (€m)</u>



Note: (1) Reported 2018 LPI net over-recovery of €19.5m (pre tax) normalized for stock (i.e. increased proportionally for the increase of outstanding between 2018 and 2013, c. 2.3x, and net of tax)

BFF Banking Group: A Bank Like No Other®

Market leader in large and underpenetrated markets	€436bn addressable market
Only Pan-European platform	8 EU countries
Compelling assets and earnings growth	14% net income CAGR 2013-18
High profitability	37% RoTE
Outstanding cost efficiency	36% Cost/Income ratio
Low risk profile	13bps Cost of Risk
Solid capital position	15.2% Total Capital ratio

Source: Annual Reports. Based on adjusted number as reported in annual accounts and IPO prospectus.

Disclaimer

This presentation may contain written and oral "forward-looking statements", which includes all statements that do not relate solely to historical or current facts and which are therefore inherently uncertain. All forward-looking statements rely on a number or assumptions, expectations, projections and provisional data concerning future events and are subject to a number of uncertainties and other factors, many of which are outside the control of Banca Farmafactoring S.p.A. ("the Company"). There are a variety of factors that may cause actual results and performance to be materially different from the explicit or implicit contents of any forward-looking statements and thus, such forward-looking statements are not a reliable indicator of futures performance. The Company undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise expect as may be required by applicable law. The information and opinions contained in this Presentation are provided as at the date hereof and are subject to change without notice. Neither this Presentation nor any part of it nor the fact of its distribution may form the basis of, or be relied on or in connection with, any contract or investment decision.

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Pursuant the consolidated law on financial intermediation of 24 February 1998 (article 154-bis, paragraph 2) Carlo Zanni, in his capacity as manager responsible for the preparation of the Company's financial reports declares that the accounting information contained in this Presentation reflects the BFF Banking Group documented results, financial accounts and accounting records.

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