

## BFF Banking Group announces the consolidated financial results for 1Q 2022 – ERRATA CORRIGE: amendment of paragraph “Increase in interest rates in Poland” (page 5)

*The Board of Directors of BFF Bank S.p.A. today approved the consolidated financial statements for the first quarter 2022*

- €38.1m Adjusted Net Profit, +37% YoY, with €13.4m of pre tax synergies in *Corporate Center*, steady growth in *Securities Services* and *Payments*, and recovery in *Factoring & Lending*. €31.3m Reported Net Profit
- Strong capital position: CET1 ratio at 16.7% and TCR at 23.2%, increased capital flexibility with €150m AT1 issued in Jan-22
- Excellent asset quality with annualized Cost of Risk at 1.1bps on loans
- Half-year dividend distribution after 1H22 results in Aug-22, €38.1m already accrued in 1Q22
- Well positioned in a raising interest rate environment
- No exposure to Ukrainian and Russian markets
- Signed an agreement for the acquisition of MC3 Informatica S.r.l., an IT consulting company based in Brescia, with closing subject to the expiry of the of 90-day period required for the prior notification to Bank of Italy.

*Milan, 12<sup>th</sup> May 2022* – Today the Board of Directors of BFF Bank S.p.A. (“BFF” or the “Bank”) approved the first quarter 2022 consolidated financial accounts, one year after the acquisition and merger by incorporation of DEPObank – Banca Depositaria Italiana S.p.A. (“DEPObank”) into BFF, with accounting and fiscal effect from 1<sup>st</sup> March 2021<sup>1</sup>.

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<sup>1</sup> 1Q22 consolidated reported P&L includes DEPObank for the whole quarter, unlike 1Q21 reported P&L, which includes DEPObank for the month of March 21 only. 1Q22 and 1Q21 adjusted P&Ls include DEPObank for the whole quarter.

## CONSOLIDATED PROFIT AND LOSS DATA<sup>2</sup>

1Q22 **Adjusted Net Revenues** were €92.0m, of which €38.3m coming from *Factoring, Lending & Credit Management*, €14.6m from *Securities Services*, €14.9m from *Payments*, and €24.2m from *Corporate Center* (including synergies). Total Adjusted operating expenditures, including D&A, were €(36.8)m, and Adjusted LLPs and provisions for risks and charges were €(1.4)m<sup>3</sup>.

The resulting **Adjusted Profit before Tax** was €53.8m and **Adjusted Net Profit** was €38.1m (+37% YoY), despite €(5.7)m of mark-to-market (M2M) impact related to the ex-DEPObank *Held to Collect* ("HTC") bond portfolio, accounted in the *Corporate Center* business unit, while 1Q22 **Reported Net Profit** was €31.3m (for details see footnote n°2).

With regard to business units' KPIs and adjusted Profit & Loss data, as of 31<sup>st</sup> March 2022, please refer to the "1Q 2022 Results" presentation published in the [Investors > Results > Financial results](#) section of BFF Group's website. Please note that the *Corporate Center* comprises all the revenues and costs not directly allocated to the three core business units (*Factoring, Lending & Credit Management, Securities Services* and *Payments*), as well as the M2M accounting effect on ex-DEPObank HTC bond portfolio.

## CONSOLIDATED BALANCE SHEET DATA

As of 31/03/2022, the consolidated **Balance Sheet** amounted to **€12.1bn**, up by €0.9bn compared to 31/12/2021 (+8% QoQ).

With respect to **Total Assets**, 1Q22 loan book was at €3,712m, almost at the same level of YE21 (at €3,745m as of 31/12/2021), with Italy up by 4%. It is important to notice that, due to a seasonality effect, the first quarter loan book is usually lower than the year end one. On a YoY comparison, 1Q22 loan book was up by 11%, with growth across all markets but Spain (still negatively impacted by high liquidity). Main increases in **Total Assets** are related to active Repos up by +0.2bn (+52% QoQ), to the HTC Portfolio up by +€0.1bn (+2.4% QoQ) and to the liquidity reported in Cash and Cash Balances up by €0.4bn, (+69% QoQ). At the end of March 22, the **Government bond portfolio** was classified entirely as HTC and amounted to €5.9bn vs. €5.8bn as of YE21 (+€0.1bn), out of which €2.9bn was fixed rate, with a duration of 28

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<sup>2</sup> Reported Net Profit includes the negative impact of adjustments accounted on the following items:

- €(3.7) post tax, €(5.2)m pre tax of Administrative and Personnel Expenses of which:
  - €(1.4) post tax, €(1.8)m pre tax related to Stock Options & Stock Grant plans
  - €(2.3) post tax, €(3.3)m pre tax of M&A Costs
- €(0.5) post tax, €(0.7)m pre tax related to Customer contract amortizations
- €(2.7)m Tax on Adjustments and Taxes on one-off dividend distribution from subsidiaries.

<sup>3</sup> Mainly due to the deferred part of MBOs.

months and a yield of 0.22%, and the remaining €3.0bn floating, with a duration of 37 months and a spread +0.62% based on Euribor 6M as of 31<sup>st</sup> March at (0.37)%.

The M2M after taxes (not recognized neither in the P&L nor in the balance sheet due to the HTC classification) is positive at €5.5m, with a reduction QoQ (€30.8m at 31/12/2021), due market volatility, especially at the end of 1Q22.

On **Total Liabilities** side, passive Repos were up by +€1.7bn (+148% QoQ), while deposits from *Transaction Services* decreased by €(0.84)bn, down (11)% QoQ, to maintain liquidity in ECB below the tiering level.

The main changes of BFF's funding sources vs YE21 are the following:

- on-line retail deposits increased to €245m, (+6% vs. YE21), due to the campaign launched in Poland to benefit from the positive spread between funding cost, lagging behind the increase in WIBOR, and assets' yield,
- Tier II Bond (€100m nominal value) was fully repaid on the call option date (2<sup>nd</sup> March), following the authorization received from Bank of Italy,
- a €150m perpetual NC 5 AT1 Bond was issued, with a fixed rate coupon of 5,875% per annum to be paid on a semi-annual basis, allowing for higher capital flexibility, large exposure limit and leverage ratio,
- BFF bonds outstanding marginally decreased to €81m, vs. €82m at YE21, after additional buy-backs during the 1Q22,
- refinancing operations related to Italian Government Portfolio increased at €2.8bn, (up by 1.7bn QoQ).

The Group maintained a strong liquidity position, with **Liquidity Coverage Ratio (LCR)** at 252.3% as of 31/03/2022. The **Net Stable Funding Ratio (NSFR)** and the **leverage ratio**, at the same date, were equal to 161.9% and to 4.7% respectively. Since 2Q21, the NSFR is positively impacted by the new regulation, which establishes more favorable weighting factors for the assets and liabilities related to factoring activities. The leverage ratio was positively impacted by the issuance of the AT1.

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An illustrative analysis of the sensitivity to interest rates has been performed, considering an instantaneous parallel shift in interest base rate curves. For additional details on the please refer to page 12 of the presentation "1Q 2022 Results".

### Asset quality

The Group continues to benefit from a very low exposures towards the private sector, with a negligible credit risk. **Net non-performing loans ("NPLs"), excluding Italian Municipalities**

in conservatorship (“*in dissesto*”), were €7.4m, at 0.2% of net loans (2% including Italian Municipalities in conservatorship), with a 68% **Coverage ratio**. CET1 was not materially impacted by calendar provisioning.

The excellent asset quality is confirmed, with an annualized **Cost of Risk** of 1.1 basis points in 1Q22 (while it was slightly negative at YE21 and 1Q21 due to a release of provisions).

The increase in total **net NPLs** to €77.1m in 1Q22, from €72.2m at YE21 was driven by new exposure of Italian Municipalities in conservatorship (which increased to €69.7m in 1Q22 from €64.5m at YE21). It is important noticing that Italian Municipalities in conservatorship are classified as NPLs by regulation, despite BFF is legally entitled to receive 100% of the principal and late payment interests at the end of the conservatorship process.

At the end of 1Q22 **net Past Due** amounted to €33.6m, compared to €19.4m and €5.8m at the end of Dec-21 and 1Q21 respectively, due to some specific enforcements which negatively impact the Past Due, but help to maximize recovery.

Total **Net impaired assets** (non-performing, unlikely to pay and past due) were €124.2m as of 1Q22 (€104.1m at YE21 and €91.7m as of 1Q21), 82% of which were towards public sector. Net impaired assets net of “*dissesti*” were €54.5m at the end of 1Q22 (vs. €39.6m of BFF at YE21 and €23.8m at 1Q21).

At the end of 1Q22 *moratoria* loans were €1.9m (net value).

### Capital ratios<sup>4</sup>

The Group maintains a strong capital position with a **Common Equity Tier 1 (CET1) ratio** of 16.7%, and a **Total Capital ratio (TCR)** of 23.2% (well above both the Bank’s TCR target of 15.0%), with **€189m of capital in excess of 15.0% TCR target**. The Total Capital and Tier 1 ratios benefited also from the issuance of the AT1.

**Both ratios exclude €38.1m of accrued dividends**. Including the adjusted net profit already accrued, CET1 ratio and TCR would be 18.0% and 24.5% respectively.

BFF did not to apply any of the ECB / EBA emergency measure or the European Commission’s banking package for COVID-19.

**Risk-Weighted Assets (RWAs)** calculation is based on the Basel Standard Model. 1Q22 RWAs were €2.3bn (vs. €2.2bn at YE21 and €2.3bn at 1Q21), with a **density<sup>5</sup>** of 44%, vs. 45% at YE21

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<sup>4</sup>1Q22, YE21 and 1Q21 capital ratios benefit from the reduction of the RWAs from 31/12/2020, due to the application of the 20% risk-weight to *in bonis* receivables towards Public Administration with less than 3 months duration (ex art. 116 CRR).

<sup>5</sup> Calculated as RWAs/Total assets excluding HTC bond portfolio and Cash and Cash Balances.

and 41% at 1Q21.

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### **Significant events after the end of the 1Q 2022 reporting period**

*Dividend Payment 2021.* Following the resolution of the Shareholders' Meeting of BFF held on 31<sup>st</sup> March 2022, the final amount of the gross dividend per share, equal to €0.6795, was paid starting from 21<sup>st</sup> April 2022. The gross dividend per share was calculated taking into account the number of BFF outstanding ordinary shares (185,315,280), and the treasury shares (970,366) held by the Bank.

*Increase in interest rates in Poland.* In Poland, the central bank's reference rate increased from 0.10% to 0.50% in October 2021, to 3.50% as of 31<sup>st</sup> March 2022, and to 5.25% at the end of the first week of May 2022. In this scenario BFF increased its funding in Zloty on the retail market in Poland by resetting the rates of the *Lokata Facto* to levels corresponding to negative spreads compared to the reference WIBOR (Warsaw Interbank Offered Rate) and to central bank reference rate.

*Notice of Ordinary General Meeting of Shareholders.* Today, following the [press release](#) published on 6<sup>th</sup> May 2022, the Board of Directors of BFF resolved to call an Ordinary shareholders' meeting on a single call, on 22<sup>nd</sup> June 2022 at 9:00 am, to proceed with the integration of the Board of Statutory Auditors and the appointment of its Chairman.

*Signing of MC3.* Today, following the resolution of the Board of Directors of BFF, it was signed an agreement for the acquisition of MC3 Informatica Srl ("MC3"). MC3 is a company based in Brescia, which operates in the IT consulting sector with 7 employees and 4 external collaborators ([www.mc3info.com](http://www.mc3info.com)). BFF has been collaborating with MC3 for ten years, especially in the field of factoring systems: MC3, in fact, supported BFF in the initial implementation and subsequent evolution of the current core-factoring system of the Bank. The transaction is consistent with the growth path outlined by the Bank in its 2023 Business Plan, as it allows the vertical integration of all MC3's development activities connected with the management and evolution of the information system into the Factoring & Lending business unit. Closing is subject to the expiry of the of 90-day period required for the prior notification of the acquisition to Bank of Italy.

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### **Statement of the Financial Reporting Officer**

The Financial Reporting Officer, Claudio Rosi, declares, pursuant to paragraph 2 of article 154-bis of the Legislative Decree n° 58/1998 ("*Testo Unico della Finanza*"), that the accounting

information contained in this press release corresponds to the document results, accounting books, and records of the Bank.

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### **Earnings call**

The 1Q22 consolidated results will be presented today, 11<sup>th</sup> May 2022, at 2pm CET (1 pm WET) during a conference call, that can be followed after registering at this [link](#). The invitation is published in the [Investors > Results > Financial results](#) section of BFF Group's website.

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This press release is available on-line on BFF Group's website [www.bff.com](http://www.bff.com) within the [Investors > PR & Presentations section](#).

### **BFF Banking Group**

BFF Banking Group is the largest independent specialty finance in Italy and a leading player in Europe, specialized for the management and non-recourse factoring of trade receivables due from the Public Administrations, securities services, banking and corporate payments. The Group operates in Italy, Croatia, the Czech Republic, France, Greece, Poland, Portugal, Slovakia and Spain. BFF is listed on the Italian Stock Exchange. In 2021 it reported a consolidated Adjusted Net Profit of €125.3 million, with a 16,7% Group CET1 ratio at the end of March 2022.

[www.bff.com](http://www.bff.com)

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**Consolidated Balance Sheet (Values in €)**

Assets items	31/03/2021	31/12/2021	31/03/2022
Cash and cash equivalents	3,262,740,505	554,467,803	937,393,185
Financial assets measured at fair value through profit or loss	39,667,831	36,598,343	38,296,483
<i>a) financial assets held for trading</i>	5,945,050	4,094,816	5,135,572
<i>b) financial assets designated at fair value</i>	0	-	0
<i>c) other financial assets mandatorily measured at fair value</i>	33,722,781	32,503,527	33,160,910
Financial assets measured at fair value through Other Comprehensive Income	83,344,053	83,505,780	128,630,107
Financial assets measured at amortized cost	9,599,053,444	10,069,496,866	10,451,075,999
<i>a) due from banks</i>	1,203,442,164	404,099,101	613,071,862
<i>b) due from customers</i>	8,395,611,280	9,665,397,765	9,838,004,137
Hedging instruments	0	13,098	22,795
Equity investments	10,193,777	13,483,781	13,620,097
Property, plant, and equipment	38,086,426	36,451,859	50,625,587
Intangible assets	137,743,086	67,547,298	66,397,216
<i>of which: goodwill</i>	111,891,261	30,874,236	30,874,236
Tax assets	90,529,763	100,518,550	86,929,632
<i>a) current</i>	43,752,777	41,389,440	28,834,604
<i>b) deferred</i>	46,776,987	59,129,110	58,095,028
Non-current assets and groups of assets held for disposal	246,042,237	214,613,950	343,579,347
<b>Total consolidated assets</b>	<b>13,507,401,121</b>	<b>11,176,697,328</b>	<b>12,116,570,448</b>

Liabilities and Equity items	31/03/2021	31/12/2021	31/03/2022
Financial liabilities measured at amortized cost	12,093,046,832	10,010,352,805	10,730,527,201
<i>a) deposits from banks</i>	1,422,199,789	795,053,359	683,095,715
<i>b) deposits from customers</i>	9,915,877,756	9,029,014,284	9,965,361,869
<i>c) securities issued</i>	754,969,288	186,285,162	82,069,617
Financial Liabilities Held for Trading	1,129,111	2,724,511	8,152,834
Hedging derivatives	0	4,814,350	19,032,734
Tax liabilities	108,919,818	100,684,173	100,159,891
<i>a) current</i>	7,398,415	5,027,559	2,437,477
<i>b) deferred</i>	101,521,403	95,656,614	97,722,414
Other liabilities	545,049,053	460,855,826	602,701,199
Employee severance indemnities	3,804,611	3,709,582	3,772,042
Provisions for risks and charges:	33,397,436	21,959,653	23,314,769
<i>a) guarantees provided and commitments</i>	406,782	293,721	504,978
<i>b) pension funds and similar obligations</i>	5,227,118	6,132,998	6,565,486
<i>c) other provisions</i>	27,763,536	15,532,934	16,244,305
Valuation reserves	1,086,498	5,268,845	6,454,748
Reserves	331,709,275	166,903,826	239,002,026
Share premium	66,277,204	66,492,997	66,492,997
Additional Tier1	0	0	150,000,000
Share capital	142,214,646	142,690,771	142,692,766
Treasury shares	(3,491,134)	(7,132,434)	(6,995,531)
Profit (Loss) for the year	184,257,770	197,372,423	31,262,773
<b>Total consolidated liabilities and equity</b>	<b>13,507,401,121</b>	<b>11,176,697,328</b>	<b>12,116,570,448</b>



**Consolidated Income Statement** (Values in €)

Profit & Loss items	1Q 2021 <sup>(*)</sup>	1Q 2022
Interest and similar income	48,429,560	60,268,420
Interest and similar expenses	(9,950,777)	(5,371,049)
<b>Net interest income</b>	<b>38,478,783</b>	<b>54,897,371</b>
Fee and commission income	11,991,774	32,140,029
Fee and commission expenses	(3,137,190)	(9,208,913)
<b>Net fees and commissions</b>	<b>8,854,585</b>	<b>22,931,116</b>
Dividend income and similar revenue	3,626,761	5,666,666
Gains (Losses) on trading	2,318,791	4,767,097
Fair value adjustments in hedge accounting	0	(4,874,808)
Gains (Losses) on disposals/repurchases of:	992,826	0
<i>a) financial assets measured at amortized cost</i>	992,826	0
<i>b) financial assets measured at fair value through OCI</i>	0	0
<i>c) financial liabilities</i>	0	0
Net income from other financial assets & liabilities at FV	0	3,422,228
<b>Net banking income</b>	<b>54,271,745</b>	<b>86,809,670</b>
Impairment losses/reversals on:	(127,488)	(109,264)
<i>a) financial assets measured at amortized cost</i>	19,101	(109,264)
<i>b) financial assets measured at fair value through OCI</i>	(146,589)	0
<b>Net profit from banking activities</b>	<b>54,144,257</b>	<b>86,700,406</b>
<b>Net profit from financial and insurance activities</b>	<b>54,144,257</b>	<b>86,700,406</b>
Administrative expenses:	(26,180,172)	(39,874,132)
<i>a) personnel costs</i>	(13,558,507)	(18,558,419)
<i>b) other administrative expenses</i>	(12,621,665)	(21,315,713)
Net provisions for risks and charges:	(318,033)	(1,431,595)
<i>a) guarantees provided and commitments</i>	120,113	(210,019)
<i>b) pension funds and similar obligations</i>	(438,146)	(1,221,576)
Net adjustments to/writebacks on tangible assets	(932,761)	(1,297,645)
Net adjustments to/writebacks on intangible assets	(1,379,493)	(1,444,624)
Other operating income/expenses	164,834,582	5,141,585
Operating costs	136,024,124	(38,906,412)
Gains (Losses) on equity investments	46,198	137,154
<b>Profit before tax from continuing operations</b>	<b>190,214,578</b>	<b>47,931,148</b>
Income taxes on profit from continuing operations	(5,956,808)	(16,668,374)
Profit after taxes from continuing operations	184,257,770	31,262,773
<b>Profit of the period</b>	<b>184,257,770</b>	<b>31,262,773</b>

(\*) The Income Statement as of March 31, 2021 does not include the balances of DEPObank of January and February prior to the merger.

## Consolidated capital adequacy

<i>Values in €m</i>	<b>31/03/2021</b>	<b>31/12/2021</b>	<b>31/03/2022</b>
Credit and Counterparty Risk	128.3	123.2	135.1
Market Risk	0.0	0.3	0.0
Operational Risk	51.9	50.2	50.2
<b>Total capital requirements</b>	<b>180.2</b>	<b>173.7</b>	<b>185.3</b>
<b>Risk Weighted Assets (RWAs)</b>	<b>2,252.9</b>	<b>2,171.1</b>	<b>2,315.7</b>

<b>CET 1</b>	<b>390.5</b>	<b>382.8</b>	<b>386.2</b>
<b>Tier I</b>	<b>-</b>	<b>-</b>	<b>150.0</b>
<b>Tier II</b>	<b>98.2</b>	<b>98.2</b>	<b>-</b>
<b>Own Funds</b>	<b>488.7</b>	<b>481.1</b>	<b>536.2</b>

<b><i>CET 1 Capital ratio</i></b>	<b>17.3%</b>	<b>17.6%</b>	<b>16.7%</b>
<b><i>Tier I Capital ratio</i></b>	<b>17.3%</b>	<b>17.6%</b>	<b>23.2%</b>
<b><i>Total Capital ratio</i></b>	<b>21.7%</b>	<b>22.2%</b>	<b>23.2%</b>

## Asset quality

	31/03/2022		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	91,638	(14,580)	77,058
Unlikely to pay	18,176	(4,568)	13,608
Past due	33,586	(80)	33,506
<b>Total impaired assets</b>	<b>143,400</b>	<b>(19,228)</b>	<b>124,171</b>

	31/12/2021		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	88,736	(16,503)	72,233
Unlikely to pay	17,505	(5,092)	12,413
Past due	19,486	(58)	19,428
<b>Total impaired assets</b>	<b>125,727</b>	<b>(21,652)</b>	<b>104,075</b>

	31/03/2021		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	91,088	(16,834)	74,254
Unlikely to pay	15,402	(3,727)	11,675
Past due	5,960	(195)	5,765
<b>Total impaired assets</b>	<b>112,451</b>	<b>(20,757)</b>	<b>91,694</b>

	31/03/2020 (BFF stand-alone)		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	78,010	(13,219)	64,792
Unlikely to pay	10,718	(1,925)	8,793
Past due	53,600	(160)	53,440
<b>Total impaired assets</b>	<b>142,328</b>	<b>(15,304)</b>	<b>127,024</b>