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PRESS RELEASE

BFF Banking Group announces a strong set of consolidated financial results for the first nine months 2022

The Board of Directors of BFF Bank S.p.A. approved today the consolidated financial accounts for the first nine months 2022

- **€105.4m Adjusted Net Profit +33% YoY, with strong performance of *Factoring & Lending* and positive contribution of *Securities Services.* Full impact of synergies in *Corporate Center*. €93.0m Reported Net Profit**
- **Strong growth in the loan portfolio at €4.8bn[1], +37% YoY at a new historical high**
- **BFF won confirmation from EU Court of Justice on the right to recover at least €40 per each overdue invoice towards the Public Administration, resulting with an additional off-balance sheet reserve of €237m and ~€50m of yearly accruals**
- **Good asset quality with 0.2% Net NPLs/Loans ratio excluding Italian municipalities in conservatorship. Public Sector's Past Due increases due to more stringent "New DoD"[2] interpretation criteria from Bank of Italy issued in Sept-22, despite no change in underlying Group risk**
- **Strong capital position: CET1 ratio at 13.8% and TCR at 19.3% excluding 3Q22 net profit, 15.1% and 20.7% including 3Q22 net profit**
- **€36.8m of accrued dividend in 3Q22, next semi-annual payment after AGM of Apr-23**
- **No ECB funding to be refinanced (ie. PELTRO, TLTRO, etc...)**

Milan, 10th November 2022 – Today, the Board of Directors of BFF Bank S.p.A. ("**BFF**" or the "**Bank**") approved the first nine months 2022 consolidated financial accounts[3].

[1] Loan book portfolio includes fiscal receivables "Ecobonus" for €221m, which are accounted in "Other Asset" in the 9M 2022 Consolidated Financial Accounts.

[2] New DoD: "Guidelines on the application of the definition of default under Art. 178 of Regulation (EU) n. 575/2013".

[3] 9M22 consolidated reported P&L includes DEPObank for the whole period, unlike 9M21 reported P&L, which includes DEPObank from March to September 21. 9M22 and 9M21 adjusted P&Ls include DEPObank for the whole period.

CONSOLIDATED PROFIT AND LOSS DATA[4]

9M22 **Adjusted Net Revenues** were €275.0m, of which €124.0m coming from *Factoring, Lending & Credit Management*, €41.1m from *Securities Services*, €45.7m from *Payments*, and €64.2m from *Corporate Center* (including synergies). Total Adjusted operating expenditures, including D&A, were -€121.0m, and Adjusted LLPs and provisions for risks and charges were -€3.8m[5].

The resulting **Adjusted Profit before Tax** was €150.2m and **Adjusted Net Profit** was €105.4m (+33% YoY), while 9M22 **Reported Net Profit** was €93.0m (for details on adjustments see footnote n° 4).

Regarding the business units' KPIs and adjusted Profit & Loss data, as of 30th September 2022, please refer to the "9M 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, including the synergies from the acquisition of DEPObank (*Factoring, Lending & Credit Management*, *Securities Services* and *Payments*).

CONSOLIDATED BALANCE SHEET DATA

As of 30th September 2022, the consolidated **Balance Sheet** amounted to **€13.0bn** up by €2.0bn, +18% vs. 30th September 2021. With respect to **Total Assets**, at the end of September 2022 the **Loan Book** was at €4,760m (please refer also to footnote n° 1), at historical hights, up by €1.3bn YoY (+37% YoY, at €3,467m as of 30th September 2021), with strong performance of Italy, up by +56% YoY.

At the end of September 2022, the **Government bond portfolio** was classified entirely as *Held*

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[4] Reported Net Profit includes:

- the **negative impact** of adjustments accounted on the following items:
  - -€2.6m post tax, -€3.5m pre tax, related to Stock Options & Stock Grant plans
  - -€5.2m post tax, -€7.6m pre tax ,of M&A Costs
  - -€4.9m which includes taxes on: one-off dividend distribution from subsidiaries (c.-€2.7m) and the write off of a DTA il Poland (c. -€2.2m)
  - -€1.4m post tax, -€2.1m pre tax, related to Customer contract amortizations.
- the **positive impact** of the adjustment accounted on the following items:
  - +€1.6m post tax, +€2.4m pre tax related to Gains on Trading
  - +€0.2m post tax, +€0.3m pre tax, related to the capital gain on the sale of a building owned by BFF Bank located in Rome.

[5] For representation purposes, 9M22 «Personnel Expenses » include €3.3m of costs related to deferred employees' benefits, accounted in 1Q22 and 1H22 in «Net provision for risks and LLP». In 9M22 Consolidated accounts these costs are included in "net provision for risks and charges".

to Collect or "HTC". The bond portfolio amounts to €6.7bn at the end of Sept-22, vs. €5.6bn at the end of 9M21, with €4.0bn floating rate bonds, and €2.8bn fixed rate bonds, following a rebalancing portfolio strategy, aimed at increasing floaters to benefit from raising interest rates. Fixed bond duration was 24 months, with a yield of 0.22%; floater bond duration was 55 months, with a spread +0.83% and a projected yield of 2.64% vs. 6-month Euribor as of 30-Sept-22. In mid-October about 80% of the floater portfolio has refixed, and about 17% will refix by the year end. Approx. €1.2bn of securities expire in 4Q22, out of which €0.7bn have already expired on 1-Nov-22.

Cash and Cash Balances were €0.2bn as of 30th September 2022, down by €0.1bn (-31.5%) YoY.

On the **Liabilities** side, deposits from *Transaction Services* were €6.5bn at the end of September 2022, down by €1.3bn (-16.6%) YoY, with €0.5bn lower YoY deposit from Arca Fondi SGR S.p.A. ("**Arca**"). Arca migration to another depositary bank was completed in November 2022, and BFF has consequently put in place a program of operating costs' reduction.

Other main changes of BFF's funding sources vs. 9M21 are the following:

- BFF bonds outstanding decreased to €39m, vs. €182m at 9M21 (-79% YoY), due to the maturity of €42m Senior Bonds in June 2022 and to the repayment of the Tier II in March 2022, following the exercise of the call option;
- a €150m perpetual NC 5 AT1 Bond was issued in January 2022, with a fixed rate annual coupon of 5.875% to be paid on a semi-annual basis, allowing for higher capital flexibility, large exposure limit and leverage ratio;
- on-line retail deposits at the end of 9M22 amounted to €585m vs. €368m at the 9M21, up by €218m (+59%) YoY, increasing in Poland and Spain;
- Passive Repos (refinancing operations related to Italian Government Portfolio) increased to €4.8bn at the end of September 2022, from €1.3bn at the end of 9M21, due to higher Loan Book and Government bond portfolio, and lower deposits from transaction services, partially offset by the increase in on-line retail deposits.

The Euro cost of funding was -17bps over 1-month Euribor in 3Q22, vs. +13bps over 1-month Euribor in 2Q22.

BFF does not have European Central Bank "ECB" funding to be refinanced, nor ordinary (OMO) neither extraordinary (ie. PELTRO, TLTRO, etc…).

The Group maintained a strong liquidity position, with **Liquidity Coverage Ratio (LCR)** at 182.6% as of 30th September 2022. The **Net Stable Funding Ratio (NSFR)** and the **Leverage Ratio**, at the same date, were equal to 146.8% and 4.0% respectively.

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Asset quality

The Group continues to benefit from a very low exposures towards the private sector. **Net non-performing loans ("NPLs"), excluding Italian Municipalities in conservatorship** ("*in dissesto*"), were €7.6m, at 0.2% of net loans (1.8% including Italian Municipalities in conservatorship), with a 69% **Coverage ratio**, down by €0.9m vs. 9M21 when they were at €8.5m, 0.2% of net loans (2.2% including Italian Municipalities in conservatorship).

Annualized **Cost of Risk** on loans was 10.6 basis points in 9M22, with an increase vs. the previous periods mostly due to specific provisions on private exposures. Cost of risk was equal to zero at YE21 and in 9M21 due to a release of provisions.

Total **net NPLs amounted** to €86.0m in 9M22, increased by €13.7m vs. YE21 at €72.2m, and by €6.6m vs. 9M21 at €79.4m, driven mainly by new exposure of Italian Municipalities in conservatorship (which increased to €78.3m in 9M22 from €64.5m at YE21, and from €70.9m in 9M21). It is important noticing that Italian Municipalities in conservatorship are classified as NPLs by regulation, despite BFF is entitled to receive 100% of the principal and late payment interests at the end of the conservatorship process.

At the end of 9M22 **net Past Due** amounted to €187.1m, compared to €19.4m and €1.3m respectively at YE21 and 9M21, because of more stringent interpretation criteria on the New DoD (please refer also to footnote n° 2) issued by Bank of Italy on 23rd September 2022. BFF Group's underlying credit risk remains unchanged thanks to almost entire exposure towards Public Administration (91% of Non Performing Exposure). In the context of this new regulatory framework, BFF is studying the development of an internal model for credit risk calculation (AIRB) which could allow lower impacts on past due vs current standard model.

Total **Net impaired assets** (non-performing, unlikely to pay, and past due) were €286.2m as of 9M22 (€104.1m at YE21, €93.2m at 9M21), 91% of which are towards public sector (80% at YE21 and 79% at 9M21). Net impaired assets net of "*dissesti*" were €207.9m at the end of 9M22 (vs. €39.6m at YE21 and €22.3m at 9M21).

Capital Ratios

The Group maintains a strong capital position with a **Common Equity Tier 1 (CET1) ratio** of 13.8% vs. a SREP of 9.00% (increased from the previous requisite of 7.85% as communicated to the market with the press release of 8th August 2022). **Total Capital ratio (TCR)** is at 19.3%, well above both the Bank's TCR target of 15.00%, and the new 12.50% SREP (prior to 8th August 2022, the SREP was 12.05%), with **€117m of capital in excess of 15.0% TCR target. Both ratios exclude 3Q22 net profit**. Including 3Q22 net profit, CET1 ratio and TCR would be

15.1% and 20.7% respectively. €36.8m of dividends have accrued in 3Q22 (€68.5m of interim dividends already paid in Aug-22).

On 19th October 2022, Bank of Italy, following the conclusion of the administrative process to determine the consolidated minimum requirements for own funds and eligible liabilities ("**MREL**"), informed that, starting from 1st January 2025, BFF shall comply with a Total Risk Exposure Amount ("TREA") equal to 21.73% (included the CBR Combined Buffer Requirement of 2.50%) and a Leverage Ratio Exposure ("LRE") equal to 5.33% (see also the press release of 19th October 2022). Since there is no subordination requirement, senior preferred instruments may be used in case of future needs. The pro forma shortfall in terms of TREA is €64.7m and in terms of LRE is €176.5m based on 9M22 results.

Risk Weighted Assets (RWAs) calculation is based on the Basel Standard Model. 9M22 RWAs were €2.7bn (vs. €2.2bn at YE21 and €2.2bn at 9M21), with a **density**[6] of 44.5%, vs. 45.0% at YE21 and 43.8% at 9M21. **RWAs** increased due to higher loan book and higher past due.

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

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Significant events after the end of the 9M22 reporting period

Closing of MC3 S.r.l. and launch of BFF TechLab

On 4th October 2022 BFF announced the launch of ***BFF TechLab***, the Group's technological innovation hub (see also the press release of 4th October 2022). ***BFF TechLab*** follows BFF's acquisition, on 3rd October 2022, of 100% of the share capital of **MC3 Informatica S.r.l.** (**"MC3"**), the consulting company which has been supporting BFF in implementing the current core-factoring system and defining many other modern application architectures. Consistent with the growth path outlined by BFF in its 2023 Business Plan, this transaction allows the vertical integration of all MC3's development activities connected with the management and evolution of the information system of the Group.

[6] Calculated as RWAs/Total assets excluding HTC bond portfolio and Cash and Cash Balances.

Statutory increase in late payment interests from 1/1/2023

Late Payment Interest ("**LPI**") are equal to 8%+ spread, plus Central Banks' refinancing rate, by European Directive (Late Payment Directive n° 2011/7/EU – please for additional details refer also to page 6 of BFF 9M22 Results Presentation). LPI rate refixes every 1°-Jan and 1°-Jul, on the basis of the then level of the Central Banks' refinancing rate, and is expected to reach 10.5% in Jan-23 (10% is already locked in with the rate increase of 27-Oct-22). From Jan-23, BFF is expected to benefit, on overdue invoices towards the Public Administration (€2.2bn as of 30-Sept-22), from a 2.5% increase in LPI rate (45% of which, 1.1%, will be accounted on an accrual basis).

The European Union Court of Justice Sentence on the right to collect recovery-costs: off-balance sheet reserve of €237m and ~€50m of yearly accruals for BFF

On 20th October 2022, BFF **won confirmation from European Union Court of Justice**[7] **that the late Payment Directive n° 2011/7/EU** allows creditors to charge at least €40 per overdue invoice towards the Public Administration, irrespective of the time of delay and amount of the invoice.

Since 2018, BFF did in fact routinely ask to be paid €40 per overdue invoice and has recovered €23.5m so far, mostly through courts, or out-the-court settlements, at a similar rate of recovery of LPIs. These amounts are currently accounted on BFF's P&L only upon collection and therefore on a cash basis, differently from LPIs (accrued at 45%, which is a level significantly lower than actual collection). In the last 12 months, BFF has accrued c. **€50m of rights to recovery-costs** on c. 1.2m invoices, **while collecting, in the first nine months of 2022, €5.4m.** BFF has an **off-balance sheet cumulated recovery-costs rights of c. €237m**.

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Statement of the Financial Reporting Officer

The Financial Reporting Officer Giuseppe Manno, 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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[7] Link to URL EU Court of Justice Sentence

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Earnings call

The 9M22 consolidated results will be presented today, 10th November 2022, at 3pm CET (2pm 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 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 in 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 13.8% Group CET1 ratio at the end of September 2022.

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Consolidated Balance Sheet *(Values in €)*

Assets items	31-Dec-21	30-Sep-22
Cash and cash equivalents	554,467,803	248,753,188
Financial assets measured at fair value through profit or loss	36,598,343	31,476,362
a) financial assets held for trading	*4,094,816*	*964,813*
b) financial assets designated at fair value	-	-
c) other financial assets mandatorily measured at fair value	*32,503,527*	*30,511,549*
Financial assets measured at fair value through Other Comprehensive Income	83,505,780	127,299,436
Financial assets measured at amortized cost	10,069,496,866	11,998,276,105
a) due from banks	*404,099,101*	*618,584,225*
b) due from customers	*9,665,397,765*	*11,379,691,880*
Hedging derivatives	13,098	5,332,480
Equity investments	13,483,781	13,641,987
Property, plant, and equipment	36,451,859	54,849,784
Intangible assets	67,547,298	66,145,780
- of which: goodwill	*30,874,236*	*30,874,236*
Tax assets	100,518,550	69,472,290
a) current	*41,389,440*	*14,056,833*
b) deferred	*59,129,110*	*55,415,458*
Other assets	214,613,950	425,046,208
Total consolidated assets	**11,176,697,328**	**13,040,293,620**

Liabilities and Equity items	31-Dec-21	30-Sep-22
Financial liabilities measured at amortized cost	10,010,352,805	11,928,229,123
a) due from banks	*795,053,359*	*765,785,364*
b) due from customers	*9,029,014,284*	*11,123,637,781*
c) securities issued	*186,285,162*	*38,805,979*
Financial Liabilities Held for Trading	2,724,511	2,114,980
Hedging derivatives	4,814,350	987,701
Tax liabilities	100,684,173	101,363,091
a) current	*5,027,559*	*1,193,313*
b) deferred	*95,656,614*	*100,169,778*
Other liabilities	460,855,826	362,508,319
Employee severance indemnities	3,709,582	3,164,841
Provisions for risks and charges	21,959,653	22,839,519
a) guarantees provided and commitments	*293,721*	*82,793*
b) pension funds and similar obligations	*6,132,998*	*8,141,868*
c) other provisions	*15,532,934*	*14,614,859*
Valuation reserves	5,268,845	4,715,189
Additional Tier1	-	150,000,000
Reserves	166,903,826	235,117,235
Interim dividend	-	(68,549,894)
Share premium	66,492,997	66,277,204
Share capital	142,690,771	142,851,592
Treasury shares	(7,132,434)	(4,350,052)
Profit (Loss) for the year/period	197,372,423	93,024,772
Total consolidated liabilities and equity	**11,176,697,328**	**13,040,293,620**

Consolidated Income Statement *(Values in €)*

Profit & Loss items	30-Sep-21	30-Sep-22
Interest and similar income	157,095,866	212,945,929
Interest and similar expenses[8]	(33,120,836)	(45,540,116)
Net interest income	**123,975,030**	**167,405,812**
Fee and commission income	76,939,933	96,524,725
Fee and commission expenses	(19,953,383)	(27,877,202)
Net fees and commissions	**56,986,550**	**68,647,523**
Dividend income and similar revenue	3,671,407	8,163,044
Gains (Losses) on trading	6,681,366	9,560,546
Gains (Losses) on disposals/repurchases of:	(12,649,892)	-
a) financial assets measured at amortized cost	*(15)*	-
b) financial assets measured at fair value through OCI	-	-
c) financial liabilities	*(12,649,877)*	-
Net income from other financial assets & liabilities at FV	2,754,536	5,188,089
Net banking income	**181,418,997**	**258,965,015**
Impairment losses/reversals on:	179,307	(3,691,996)
a) financial assets measured at amortized cost	*325,896*	*(3,691,996)*
b) financial assets measured at fair value through OCI	*(146,589)*	-
Net profit from banking activities	**181,598,303**	**255,273,019**
Net profit from financial and insurance activities	**181,598,303**	**255,273,019**
Administrative expenses:	(122,674,763)	(122,381,085)
a) personnel costs	*(52,432,444)*	*(51,949,174)*
b) other administrative expenses	*(70,242,319)*	*(70,431,911)*
Net provisions for risks and charges:	1,189,774	(3,656,435)
a) guarantees provided and commitments	*324,373*	*248,266*
b) pension funds and similar obligations	*865,401*	*(3,904,701)*
Net adjustments to/writebacks on tangible assets	(3,753,206)	(3,833,045)
Net adjustments to/writebacks on intangible assets	(7,164,462)	(4,753,949)
Other operating income/(expenses)	181,344,375	18,737,152
Total operating expenses	**48,941,717**	**(115,887,363)**
Gains (Losses) on equity investments	164,713	256,258
Profit before tax from continuing operations	**230,704,733**	**139,641,914**
Income taxes on profit from continuing operations	9,295,234	(46,617,142)
Profit after taxes from continuing operations	239,999,967	93,024,772
Profit (loss) of the period	**239,999,967**[9]	**93,024,772**

[8] From 9M22, the item «Fair Value adjustments in hedge accounting» related to the costs of the currency swaps to finance PLN asset, has been reclassified in «Interest Expenses».

[9] Includes the positive impacts of the recognition of badwill from DEPObank transaction and the goodwill tax step-up held in 9M21.

Consolidated capital adequacy

Values in €m	30-Sep-21	31-Dec-21	30-Sep-22
Credit and Counterparty Risk	125.5	123.2	165.9
Market Risk	0.8	0.3	0.0
Operational Risk	51.9	50.2	50.2
Total capital requirements	**178.2**	**173.7**	**216.1**
Risk Weighted Assets (RWA)	**2,227.8**	**2,171.1**	**2,701.4**

CET 1	**411.9**	**382.8**	**372.3**
Tier I	**-**	**-**	**150.0**
Tier II	**98.2**	**98.2**	**-**
Own Funds	**510.2**	**481.1**	**522.3**

CET 1 Capital ratio	***18.5%***	***17.6%***	***13.8%***
Tier I Capital ratio	***18.5%***	***17.6%***	***19.3%***
Total Capital ratio	***22.9%***	***22.2%***	***19.3%***

Asset quality

€ 000	30-Set-2022 (BFF & DEPObank) Gross	Provisions	Net
Non-performing loans (NPLs)	102,912	(16,942)	85,970
Unlikely to pay	17,202	(4,081)	13,121
Past due	187,325	(209)	187,117
Total impaired assets	**307,439**	**(21,231)**	**286,208**

€ 000	31-Dec-2021 (BFF & DEPObank) 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
Total impaired assets	**125,727**	**(21,652)**	**104,075**

€ 000	30-Set-2021 (BFF & DEPObank) Gross	Provisions	Net
Non-performing loans (NPLs)	96,068	(16,651)	79,416
Unlikely to pay	17,355	(4,898)	12,457
Past due	1,307	(25)	1,282
Total impaired assets	**114,729**	**(21,574)**	**93,156**

€ 000	30-Set-2020[10] Gross	Provisions	Net
Non-performing loans (NPLs)	80,916	(14,106)	66,811
Unlikely to pay	17,984	(2,269)	15,715
Past due	46,531	(1,528)	45,003
Total impaired assets	**145,432**	**(17,903)**	**127,529**

[10] BFF Reported data as of 30th September 2020, before the application of the "New Definition of Default"