

## BFF Banking Group announces record 1H23 adjusted consolidated net profit and EUR 0.438 of dividend per share

- 1H23 Reported Profit at €76.1m, +34% YoY, Adjusted Net Profit at €81.9m, +20% YoY, best 1H ever.
- Strong growth in Loan Portfolio, at €5.3bn, +16% YoY, a new historical 1H high.
- Robust Balance Sheet with stable and diversified funding and no recourse to ECB lending facilities. Loan/Deposit ratio at 71%, with net positive inflow of retail deposits in 1H23.
- Improved Leverage Ratio, with reduction in Total Assets and increase in loan book YoY.
- Strong asset quality with 0.1% Net NPLs/Loans ratio excluding Italian municipalities in conservatorship.
- Very solid capital position: CET1 ratio at 15.6% and TCR at 20.8%. €106m of excess capital vs. 12% CET1 ratio target.
- Distribution of a dividend equal to €81.9m (€0.438 p.s.), +18% YoY, with payment day on 13<sup>th</sup> September 2023, to be paid following GSM of 7<sup>th</sup> September 2023.
- New 2028 strategy and 2026 medium-term targets presented on 29<sup>th</sup> June during Investor Day.

*Milan, 3<sup>rd</sup> August 2023* – Today the Board of Directors of BFF Bank S.p.A. (“**BFF**” or the “**Bank**”) approved BFF’s first half 2023 consolidated financial accounts.

## CONSOLIDATED PROFIT AND LOSS<sup>1</sup>

1H23 **Adjusted Total Revenues** were €352.8m (+72% YoY), of which €186.1m coming from *Factoring, Lending & Credit Management* business unit, €29.2m from *Payments*, €12.4m from *Securities Services* and €125.1m from *Other Revenues*, of which €78.6m from the **Government bond portfolio**. 1H23 **Cost of Funding** was at €150.9m, with liabilities repricing faster than assets, and **Adjusted Total Net Revenues** were €201.9m (+11% YoY). Total Adjusted operating expenditures, including D&A, were €88.0m (€82.4m in 1H22), and Adjusted LLPs and provisions for risks and charges were €1.9m.

This resulted in an **Adjusted Profit before taxes** of €112.0m, and an **Adjusted Net Profit** of €81.9m, +20% YoY. 1H23 **Reported Net Profit** was €76.1m, +34% YoY (for details, see footnote n° 1).

With regard to the business units' KPIs and adjusted Profit & Loss data, please refer to the "1H 2023 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, Payments* and *Securities Services*).

## CONSOLIDATED BALANCE SHEET

As of 30<sup>th</sup> June 2023, the **consolidated Balance Sheet** amounted to €12.0bn down by €0.4bn (-4%) vs. the end of June 2022, despite the increase in **Loan Book** YoY.

The **Loan Book** was at €5,252m<sup>2</sup>, at a new 1H historical high, up by €724m YoY (+16%), with strong performance of Greece up by 49% YoY and Portugal, up by 34% YoY.

At the end of June 2023, the **Government bond portfolio** was classified entirely as *Held to Collect* or "HTC". The bond portfolio was equal to €5.2bn at the end 1H23, vs. €6.0bn at the end of June 2022, with a strong reduction of fixed bonds – 21% of the total portfolio in 1H23 vs. 47% in 1H22. The fixed bond portfolio residual average life was 47 months, with a yield of 0.70%; the floater bond residual portfolio average life was 68 months, with a spread +0.89% vs. 6-month Euribor

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<sup>1</sup> Reported Net Profit includes:

- the negative impact of adjustments accounted on the following items:
  - -€0.5m post tax, -€0.7m pre tax, related to Stock Options & Stock Grant plans;
  - -€2.6m post tax, -€3.6m pre tax, of Transaction/Restructuring and M&A Costs;
  - -€1.8m post tax, -€2.5m pre tax, related to Group CEO settlement agreement;
  - -€0.9m post tax, -€1.3m pre tax, related to Customer contract amortizations.

<sup>2</sup> Loan book portfolio includes fiscal receivables "Ecobonus" for €238m, which are accounted in "Other Asset" in the 1H23 Consolidated Financial Accounts and the stock of on-balance sheet LPIs and "recovery cost" rights at €508m.

and a running yield of **4.51%** as of 30<sup>th</sup> June 2023. **Cash and Cash Balances** were **€197m** as of end of June 2023, down by **€190m (-49%)** YoY.

On the **Liabilities** side, the main changes vs. end of June 2022 are the following:

- deposits from *Transaction Services* were **€5.6bn** at the end of June 2023, down by **€2.2bn** YoY (**€0.7bn** YoY excluding Arca), primarily due to Arca's exit;
- on-line retail deposits at end of June 2023 amounted to **€1,744m** vs. **€307m** at the end of June 2022, up by **€1,437m (>100%)** YoY, primarily raised in Spain and Poland;
- Passive Repos (refinancing operations related to Italian Government Portfolio) amounted to **€3.2bn** at the end of June 2023, vs. **€2.9bn** at end of June 2022, up by 10% YoY;
- BFF did not have any outstanding Senior unsecured bonds at the end of June 2023 (vs. **€39m** at end of June 2022), due to the repayment at maturity of the residual amount of **€39m** referred to the Bond issued in October 2019 with maturity May 23<sup>rd</sup> 2023.

Cost of funding in 1H23 was 2.75%, lower than the average market reference rates.

BFF does not have European Central Bank "ECB" funding to be refinanced (PELTRO, TLTRO, etc.).

The Group maintained a strong liquidity position, with **Liquidity Coverage Ratio (LCR)** at **312.3%** as of 30<sup>th</sup> June 2023. At the same date, the **Net Stable Funding Ratio (NSFR)** was **159.1%** and **Leverage Ratio 5.0%**, improved vs. 4.6% at YE22.

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### Asset quality

The Group continues to benefit from a very low exposure towards the private sector. **Net non-performing loans ("NPLs")**, excluding **Italian Municipalities in conservatorship ("in dissesto")**, were **€6.6m**, at **0.1%** of net loans, with a 76% **Coverage ratio**, improved vs. YE22 and vs. 1H22 when it was 74% and 68%, respectively. 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.

Negligible annualized **Cost of Risk** at **7.3** basis points at end of June 2023.

At the end of June 2023 **net Past Due** amounted to **€200.0m**, increased vs. **€185.3m** as of YE22 and vs. **€33.9m** as of end of June 2022. In September 2022 Bank of Italy issued more stringent interpretation criteria on the DoD (Guidelines on the application of the definition of default under Art. 178 of Regulation (EU) no. 575/2013), determining a step up in Past Due exposure, with no impact on the Group underlying credit risk: **91%** of NPE exposure is towards Public Administration in 1H23.

Total **Net impaired assets** (non-performing, unlikely to pay, and past due) were **€303.0m** as of 30<sup>th</sup> June 2023, vs. €283.8m as of YE22, and **€128.7m** as of end of June 2022, primarily as a consequence of higher Past Due.

### Capital ratios

The Group maintains a strong capital position with a **Common Equity Tier 1 (“CET1”) ratio** of **15.6%** vs. a SREP of 9.0%. The **Total Capital ratio (“TCR”)** is at **20.8%**, vs. a SREP of 12.5%. **Both ratios exclude €81.9m of accrued dividends**, which, if included, would bring CET1 ratio and TCR at **18.5%** and **23.7%** respectively. BFF has **€106m** of excess capital vs. 12% CET1 ratio target. The target capital ratio, as announced on 29-Jun-23 during BFF Capital Market Day<sup>3</sup>, has been moved from 15% TCR to 12% of CET1 ratio<sup>4</sup>, to align it with other banks main capital target. Distribution of dividends remains, as before, subject to the fulfillment of all the regulatory capital requirements, with dividend confirmed twice a year, in August and April, based on 1H and full year Adjusted Net Income.

**Risk Weighted Assets (“RWAs”)** calculation is based on the Basel Standard Model. As of end of June 2023 RWAs were **€2.9bn**, increased vs. €2.7bn at YE22 and vs. €2.5bn at end of June 2022 due to a higher Loan Portfolio YoY, with a **density**<sup>5</sup> of **44%**, vs. 42% at YE22<sup>6</sup> and 41% at end of June 2022.

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### Dividend per share of €0.438

Today, BFF Board of Directors resolved:

- i) to distribute an interim dividend before taxes based on the results as of 30<sup>th</sup> June 2023, equal to **€0.291** per share, for a maximum total amount of **€54,451,024.78**, for each of BFF outstanding ordinary shares, net of the treasury shares held by the Bank at the record date;
- ii) to convene the Shareholders' Meeting (the "**Shareholders' Meeting**"), in ordinary session on 7<sup>th</sup> September 2023, in a single call to approve the proposal to distribute part of the retained earnings reserve of BFF Bank S.p.A. as of 31<sup>st</sup> December 2022, equal to **€0.147** per share, for a maximum total amount of **€27,487,349.74**, for each

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<sup>3</sup> Please see also the presentation "[BFF ever ore a bank like no other](#)" slide 54.

<sup>4</sup> In addition to TCR >15%, as long as requested by the ECB.

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

<sup>6</sup> Increase in RWA mainly due to transitory accounts related to Transaction Services activity, which have been closed in Jul-23.

of BFF outstanding ordinary shares, net of treasury shares held by the Bank at the record date.

Following the approval of the Shareholders' Meeting, BFF will distribute a total of **€0.438** per share (for a maximum total amount of **€81,938,374.52**, the consolidated Adjusted Net Profit of the Group).

The payment, in agreement with Borsa Italiana S.p.A., pursuant to art. 2.6.2 of the Regulations of Markets organized and managed by Borsa Italiana S.p.A., as well as art. IA.2.1.2 of the related Instructions, will take place on Wednesday 13<sup>th</sup> September 2023, with ex-dividend date of coupons n° 8 and n° 9 on Monday 11<sup>th</sup> September 2023, and record date (i.e., date of entitlement to the dividend payment itself) on Tuesday 12<sup>th</sup> September 2023. The resolution is taken in accordance with BFF dividend distribution policy, and after a positive assessment on the possibility of distributing interim dividends during the year pursuant to Article 2433-bis of the Civil Code.

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### **Significant events after the end 1H23 reporting period**

#### *Increase in Late Payment Interest rate*

From 1-Jul-23, Eurozone Late Payment Interest ("LPI") statutory rate increased by 1.5%, to 12.0% from previous 10.5%.

#### *DBRS Morningstar Rating*

As announced with the [press release dated 19<sup>th</sup> July 2023](#), DBRS Morningstar ("DBRS") has for the first time assigned its ratings to the Group, with Long-Term Deposits classified as Investment Grade at BBB (low) with stable outlook. This rating reflects BFF's sound liquidity position and the improvement of its funding profile since the acquisition of DEPObank. The rating further strengthens the Banks's operations in the Italian market of Securities Services and Banking Payments.

#### *Board of Directors slate process*

BFF Board of Directors started the process to present its own slate, in full alignment with best corporate governance market practice. The appointment of the new Board of Directors will take place at the Annual General Meeting in April 2024 approving the Financial Statements as of 31 December 2023, coinciding with the maturity of the term of office of the current Board of Directors. To allow maximum flexibility to the Board and the shareholders, the CEO Golden

Parachute provision, triggered in the event of non-renewal of the office of CEO at the expiration of the term of office, has been removed. Therefore, no compensation will be paid to him in the event of actual non-renewal in the office. These changes in the contractual provisions were based on a settlement with the CEO, subject to all the Group Remuneration Policy provisions on variable remuneration<sup>7</sup>.

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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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### **Earnings call**

1H 2023 consolidated results will be presented today, 3<sup>rd</sup> August, at 15:00 CET (14:00 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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<sup>7</sup> 60% deferral, 5y deferral period, 51% paid in financial instruments in each instalment.

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 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 2022 it reported a consolidated Adjusted Net Profit of €146.0 million, with a 15.6% Group CET1 ratio at the end of June 2023.

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

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

Assets items	31-Dec-22	30-Jun-23
Cash and cash equivalents	634,879,242	197,385,378
Financial assets measured at fair value through profit or loss	90,540,554	130,583,877
<i>a) financial assets held for trading</i>	210,963	1,621,974
<i>b) financial assets designated at fair value</i>	-	-
<i>c) other financial assets mandatorily measured at fair value</i>	90,329,591	128,961,903
Financial assets measured at fair value through Other Comprehensive Income	128,097,995	130,671,729
Financial assets measured at amortized cost	11,895,850,418	10,828,474,942
<i>a) due from banks</i>	478,203,260	525,441,858
<i>b) due from customers</i>	11,417,647,158	10,303,033,084
Hedging instruments	-	-
Equity investments	13,655,906	13,128,233
Property, plant, and equipment	54,349,168	61,690,208
Intangible assets	70,154,575	69,448,231
<i>of which: goodwill</i>	30,956,911	30,956,911
Tax assets	60,707,458	60,955,598
<i>a) current</i>	513,588	2,450,872
<i>b) deferred</i>	60,193,870	58,504,726
Other assets	394,181,565	516,141,384
<b>Total consolidated assets</b>	<b>13,342,416,883</b>	<b>12,008,479,580</b>



Liabilities and Equity items	31-Dec-22	30-Jun-23
Financial liabilities measured at amortized cost	11,994,762,826	10,648,138,359
<i>a) deposits from banks</i>	1,166,365,115	1,023,316,808
<i>b) deposits from customers</i>	10,789,421,645	9,624,821,551
<i>c) securities issued</i>	38,976,066	-
Financial Liabilities Held for Trading	949,790	1,012,384
Hedging derivatives	14,313,592	65,773
Tax liabilities	136,002,627	156,118,777
<i>a) current</i>	30,997,504	41,612,462
<i>b) deferred</i>	105,005,123	114,506,315
Other liabilities	401,369,354	417,556,036
Employee severance indemnities	3,238,366	3,073,668
Provisions for risks and charges:	33,012,775	31,649,037
<i>a) guarantees provided and commitments</i>	251,282	357,200
<i>b) pension funds and similar obligations</i>	7,861,441	6,879,016
<i>c) other provisions</i>	24,900,052	24,412,821
Valuation reserves	6,852,891	6,615,016
Additional Tier1	150,000,000	150,000,000
Reserves	233,153,339	312,614,078
Interim dividend	(68,549,894)	-
Share premium	66,277,204	66,277,204
Share capital	142,870,383	143,604,966
Treasury shares	(3,883,976)	(4,392,046)
Profit (Loss) for the period	232,047,606	76,146,328
<b>Total consolidated liabilities and equity</b>	<b>13,342,416,883</b>	<b>12,008,479,580</b>

**Consolidated Income Statement<sup>8</sup> (Values in €)**

Profit & Loss items	30-Jun-22	30-Jun-23
Interest and similar income	136,111,969	271,311,299
Interest and similar expenses	(27,835,379)	(145,686,435)
<b>Net interest income</b>	<b>108,276,590</b>	<b>125,624,864</b>
Fee and commission income	64,319,920	55,035,629
Fee and commission expenses	(18,523,108)	(18,817,149)
<b>Net fees and commissions</b>	<b>45,796,812</b>	<b>36,218,480</b>
Dividend income and similar revenue	7,079,953	6,669,630
Gains/(Losses) on trading	6,278,724	(5,252,009)
Fair value adjustments in hedge accounting	-	-
Gains/(Losses) on disposals/repurchases of:	-	19,696,166
a) <i>financial assets measured at amortized cost</i>	-	19,841,699
b) <i>financial assets measured at fair value through Other Comprehensive Income</i>	-	(145,533)
c) <i>financial liabilities</i>	-	-
Net income from other financial assets & liabilities at FV	4,007,101	(404,932)
a) <i>financial assets and liabilities designated at fair value</i>	-	-
b) <i>other financial assets compulsorily valued at fair value</i>	4,007,101	(404,932)
<b>Net banking income</b>	<b>171,439,180</b>	<b>182,552,199</b>
Impairment (losses)/reversals on:	(2,442,503)	(1,855,803)
a) <i>financial assets measured at amortised cost</i>	(2,442,503)	(1,855,803)
b) <i>financial assets measured at fair value through Other Comprehensive Income</i>	-	-
<b>Net profit from financial and insurance activities</b>	<b>168,996,677</b>	<b>180,696,396</b>
Administrative expenses:	(87,919,562)	(89,839,170)
a) <i>personnel costs</i>	(38,535,233)	(40,594,665)
b) <i>other administrative expenses</i>	(49,384,329)	(49,244,505)
Net provisions for risks and charges:	(143,564)	415,434
a) <i>commitments and guarantees provided</i>	251,321	(104,946)
b) <i>other net provisions</i>	(394,885)	520,380
Net (adjustments to)/writebacks on property, plant, and equipment	(2,591,892)	(2,331,651)
Net (adjustments to)/writebacks on intangible assets	(3,062,976)	(3,927,535)
Other operating (expenses)/income	12,043,043	19,314,551
<b>Total operating expenses</b>	<b>(81,674,950)</b>	<b>(76,368,371)</b>
Gains (Losses) on equity investments	174,906	(424,871)
<b>Profit (Loss) before taxes from continuing operations</b>	<b>87,496,633</b>	<b>103,903,154</b>
Income taxes on profit from continuing operations	(30,846,825)	(27,756,826)
Profit (Loss) after taxes from continuing operations	56,649,808	76,146,328
Profit (Loss) after taxes from discontinued operations	-	-
<b>Profit (Loss) for the period</b>	<b>56,649,808</b>	<b>76,146,328</b>

<sup>8</sup> Costs related to deferred employees' benefits, previously accounted in «Net provision for risks and LLP» are reclassified in «Personnel Expenses». 1H22 restated also for the item «Fair value adjustments in hedge accounting» reclassified in «Gains / Losses on Trading» and in «Interest Expenses».

## Consolidated capital adequacy

	30-Jun-21	30-Jun-22	30-Jun-23
<i>Values in €m</i>			
Credit and Counterparty Risk	124.8	146.4	172.7
Market Risk	0.1	0.0	0.0
Operational Risk	51.9	50.2	58.9
<b>Total capital requirements</b>	<b>176.8</b>	<b>196.6</b>	<b>231.7</b>
<b>Risk Weighted Assets (RWA)</b>	<b>2,210.0</b>	<b>2,457.1</b>	<b>2,895.7</b>
<b>CET 1</b>	<b>410.4</b>	<b>370.3</b>	<b>453.1</b>
<b>Tier I</b>	<b>0.0</b>	<b>150.0</b>	<b>150.0</b>
<b>Tier II</b>	<b>98.2</b>	<b>0.0</b>	<b>0.0</b>
<b>Own Funds</b>	<b>508.7</b>	<b>520.3</b>	<b>603.1</b>
<i>CET 1 Capital ratio</i>	<i>18.6%</i>	<i>15.1%</i>	<i>15.6%</i>
<i>Tier I Capital ratio</i>	<i>18.6%</i>	<i>21.2%</i>	<i>20.8%</i>
<i>Total Capital ratio</i>	<i>23.0%</i>	<i>21.2%</i>	<i>20.8%</i>

## Asset quality

	30-Jun-2023		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	110,658	(20,768)	89,891
Unlikely to pay	17,913	(4,766)	13,147
Past due	201,340	(1,366)	199,974
<b>Total impaired assets</b>	<b>329,911</b>	<b>(26,900)</b>	<b>303,011</b>

	30-Jun-2022		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	96,164	(15,442)	80,722
Unlikely to pay	18,420	(4,346)	14,074
Past due	33,963	(98)	33,865
<b>Total impaired assets</b>	<b>148,547</b>	<b>(19,886)</b>	<b>128,661</b>

	30-Jun-2021		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	91,852	(17,385)	74,468
Unlikely to pay	18,750	(4,431)	14,319
Past due	2,149	(51)	2,097
<b>Total impaired assets</b>	<b>112,751</b>	<b>(21,867)</b>	<b>90,884</b>