BFF Banking Group announces consolidated financial results for the first half 2024

- **Submitted on 11-Jul-24 the response to Bank of Italy on credit classification, governance and remuneration.**
- **Applied reclassification for prudential purposes to credit portfolio, generating incremental Past Due of €1,429m, incremental RWAs of €1,801m and IFRS 9 incremental provisions of €0.7m.**
- **Increase in the accrual rate of Late Payment Interests and Recovery Cost Rights to 65%, remaining well below the 77.5% historical level of collection.**
- **1H24 Reported Net Profit at €161.8m, +112% YoY. Adjusted Net Profit at €71.0m.**
- **Stable Balance Sheet at €12.2bn, with higher loan book at €5.6bn (+7% YoY).**
- **High liquidity with strong YoY growth in deposits at €8.1bn (+10%) and lower Repos YoY. Improved Loan/Deposit ratio at 69%.**
- **Net NPLs/Loans ratio at 0.1% excluding Italian municipalities in conservatorship.**
- **Capital ratios well above regulatory targets: CET1 ratio at 11.9% and TCR at 14.8% and close to the level required for dividends payment.**

Milan, 5th August 2024 – Today the Board of Directors of BFF Bank S.p.A. ("**BFF**", the "**Bank**" or the "**Group**") approved BFF's first half 2024 Consolidated Financial Report.

CONSOLIDATED PROFIT AND LOSS[1]

1H24 **Adjusted Total Revenues** were **€398.4m** (**+13%** YoY), of which **€218.0m** coming from *Factoring, Lending & Credit Management* business unit, **€32.5m** from *Payments*, **€11.8m** from *Securities Services* and **€136.1m** from *Other Revenues*, of which **€102.2m** from the **Government bond portfolio**. 1H24 **Cost of Funding** was **€201.1m** and **Adjusted Total Net Revenues** were **€197.3m**.

Total Adjusted operating expenditures, including D&A, were **€91.3m** (€88.0m in 1H23), and Adjusted LLPs and provisions for risks and charges were **€6.3m** (€1.4m in 1H23), due to IFRS 9 methodology applied to additional Past Due exposures (€0.7m), VAT credit in Italy and longer collection time related to a public hospital exposure in Poland.

This resulted in an **Adjusted Profit before taxes** of **€99.7m**, and an **Adjusted Net Profit** of **€71.0m**, **+5%** YoY excluding €19.8m of 1Q23 capital gain due to the sale of some Italian Government bonds, **-13%** YoY including 1Q23 capital gain. 1H24 **Reported Net Profit** was **€161.8m** (for details, see footnote n° 1).

With regard to the business units' KPIs and adjusted Profit & Loss data, please refer to the "1H 2024 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*).

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Accrual rate increase of Late Payment Interests and Recovery Cost Rights

As announced with the press release on 11-Jul-24, BFF's Board of Directors resolved to increase the accrual rate of Late Payment Interests ("LPI") and Recovery Cost Rights to 65%, from 50%, generating additional capital for €109m as of 30-Jun-24. The new accrual rate is still significantly lower than the historic weighted average collection rate of 77.5%[2].

[1] Reported Net Profit includes:
- the negative impact of adjustments accounted on the following items:
  - -€2.5m post tax, -€3.4m pre tax, related to Stock Options & Stock Grant plans;
  - -€0.7m post tax, -€1.1m pre tax,of other non-recurring activities;
  - -€0.9m post tax, -€1.3m pre tax, related to Customer contract amortizations.
- the positive impact of adjustments accounted on the following items:
  - +€0.6m post tax, +€0.8m pre tax, related to Group CEO settlement agreement;
  - +€94.3m post tax, +€132.5m pre tax, related to change in asset value, including LPIs, "Recovery costs" and the impact of longer amortization of fiscal credits (art. 4-bis of Law Decree n.39 of 29th March 2024).

[2] In the period 2015-2023.

The change in the accrual rate, which is applied to the Bank's financial statements as of and for the six months ended 30-Jun-24, allows a more accurate representation of the Bank's underlying profitability.

CONSOLIDATED BALANCE SHEET

As of 30th June 2024, the **consolidated Balance Sheet** amounted to **€12.2bn** up by **€0.2bn** (**+1%**) vs. the end of June 2023.

The **Loan Book** was **€5,612m**[3], up by **€360m** YoY (**+7%**), with volumes up by **5%** YoY at **€3,810m**.

At the end of June 2024, the **Government bond portfolio** was classified entirely as *Held to Collect* or "HTC". The bond portfolio was equal to **€5.0bn** at the end 1H24, vs. €5.2bn at the end of June 2023, with fixed bonds at **19%** of the total portfolio in 1H24 vs. 21% in 1H23. The fixed bond portfolio residual average life was **40** months, with a yield of **0.60%**; the floater bond residual portfolio average life was **62** months, with a spread **+0.90%** vs. 6-month Euribor and a current yield of **4.90%** as of 30th June 2024. Gross mark to market of fixed bond portfolio amounted to **-€80.7m** at the end of June 2024, and to **€4.7m** for floaters. **Cash and Cash Balances** were **€146m** as of end of June 2024, down by **€51m**, **-26%** YoY.

On the **Liabilities** side, the main changes vs. end of June 2023 are the following:

- **deposits from *Transaction Services*** were **€5.5bn** at the end of June 2024, down by **€0.1bn** YoY;
- **on-line retail deposits** at end of June 2024 amounted to **€2,652m** vs. €1,744m at the end of June 2023, up by **€908m**, +**52%** YoY, raised primarily in Spain and Poland;
- **passive Repos** (refinancing operations related to Italian Government Portfolio) decreased significantly to **€2.2bn** at the end of June 2024, vs. €3.2bn at end of June 2023, down by **31%** YoY;
- **social unsecured senior preferred bond** issued in April 2024 for a nominal amount of €300m with duration of 5 years, at a fixed rate of 4.750% per annum. At the end of June 2024, outstanding amount was equal to **€302m**.

Cost of funding in 1H24 was **3.75%**, 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 **208.5%** as of 30th June 2024. At the same date, the **Net Stable Funding Ratio (NSFR)** was **134.4%.**

[3] Loan book portfolio includes fiscal receivables "Ecobonus" for €347m, which are accounted in "Other Asset" in the 1H24 Consolidated Financial Accounts and the stock of on-balance sheet LPIs and "recovery cost" rights at €702m.

Leverage ratio as of 30th June 2024 was at **6.2%**, significantly higher vs. 1H23 and YE23, reflecting higher capital level following accrual rate step up (see paragraph above "*Accrual rate increase of Late Payment Interests and Recovery Cost Rights*" for further details).

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Loan portfolio reclassification for prudential purposes

As announced in the press release on 11-Jul-24, the Bank has applied the reclassification for prudential purposes of the entire loan portfolio to the Bank's financial statements as of and for the six months ended 30-Jun-24. This follows BFF's response to Bank of Italy (the "**Regulator**" or the "**Supervisory Authority**") on the compliance findings of their inspection report (see also paragraph "*Significant events after the end 1H24 reporting period*"). Consequently, the additional amount of Past Due exposure as of 30-Jun-24 is equal to **€1,429m**. The increase in Past Due exposure generates additional RWA of **€1,801m** and IFRS 9 provisions of **€0.7m**, resulting in a higher capitalization with unchanged risk profile.

€746m out of the **€1,429m** of the increase in Past Due are generated by **€183m** of Italian NHS back book exposure, originated prior to 1-Jan-21, which creates **€563m** contagion effect on the front book exposure towards the same debtors.

The Bank continues to focus on RWAs optimisation, strengthening the collection process and evaluating the application of other mitigants. At this stage no disposal of receivables has been made.

The prudential backstop application will start at the end of the second year from the date of classification of the exposures in Past Due, i.e. Sep-26[4].

As the Bank does not expect any significant credit risk on these exposures, any possible calendar provisioning will be released over time with the collection of the principal amount relating to such exposures.

Following the reclassification for prudential purposes of the Past Due exposures, the 30-Jun-24 CET1 ratio stands at **11.9%** and the TCR at **14.8%**, well above the 9% CET1 SREP ratio and 12.5% TCR SREP ratio. These ratios include 1H24 Reported Net Profit.

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[4] On the basis of the reclassification in Past Due with effect from 30-Jun-24.

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 **€5.6m**, at **0.1%** of net loans, with a **80% Coverage ratio**, improved vs. YE23 and vs. 1H23 when it was 75% and 76%, 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.

At end of June 2024, the annualized **Cost of Risk** was **12.5 basis points**.

At the end of June 2024, **net Past Due** amounted to **€1,692.4m**, increased vs. €219.9m as of YE23 and vs. €200.0m at the end of June 2023, mainly due to the reclassification as explained in the previous paragraph. NPE exposure towards Public Administration in 1H24 was **98%**.

Total **Net impaired assets** (non-performing, unlikely to pay, and past due) were **€1,814.2m** as of 30th June 2024, increased vs. €333.4m as of YE23 and €303.0m as of end of June 2023, primarily as a consequence of the abovementioned reclassification as explained in the previous paragraph.

Capital ratios

The Bank **Common Equity Tier 1 ("CET1") ratio** is **11.9%** vs. a SREP of 9.0%. The **Total Capital ratio ("TCR")** is **14.8%**, vs. a SREP of 12.5%. Both ratios include 1H24 Net Profit.

Distribution of dividends remains subject to the Bank's dividend capital threshold of 12% of CET1[5] (**€7m** necessary to reach the threshold)**, to all the regulatory capital requirements and to temporary suspension requested by Bank of Italy to profits distribution following the Inspection Report (see paragraph in the section "Significant events after the end 1Q24 reporting period" for further details).**

Risk Weighted Assets ("RWAs") calculation is based on the Basel Standard Model. As of end of June 2024, RWAs were **€5.0bn**, increased vs. €3.1bn at YE23 and vs. €2.9bn at end of June 2023 mainly due to the reclassification as explained in the previous paragraph, with a **density**[6] of **71%**, vs. 43% at YE23 and 44% at end of June 2023.

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[5] In addition to TCR >15%, as long as requested by the ECB.
[6] Calculated as RWAs/Total assets excluding HTC bond portfolio and Cash and Cash Balances.

Significant events after the end 1H24 reporting period

BFF submitted its response to Bank of Italy following compliance findings

With reference to the compliance findings set forth in the inspection report, as announced with the press release on 11-Jul-24, BFF submitted to the Regulator its determinations (please refer to press releases of 9-May-24 and 10-May-24).

BFF's response is geared towards the prompt resolution of the findings on the classification of **credit exposures, governance and corporate compensation practices**.

BFF believes that its response addresses the issues raised by Bank of Italy, while maintaining constructive interactions with the Supervisory Authority.

Late Payment Interest rate

Late Payment Interest statutory rate decreased by 0.25%, to 12.25% from previous 12.5% from 1-Jul-24.

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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 2024 consolidated results will be presented today, 5th August, at 18:30 CET (17:30 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 2023 it reported a consolidated Adjusted Net Profit of €183.2 million, with a 11.9% Group CET1 ratio at the end of June 2024.
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Consolidated Balance Sheet (Values in €)

Assets items	30-Jun-23	31-Dec-23	30-Jun-24
Cash and cash equivalents	197,385,378	257,208,240	146,376,198
Financial assets measured at fair value through profit or loss	130,583,877	166,023,303	167,424,233
a) financial assets held for trading	*1,621,974*	*1,166,851*	*830,801*
b) financial assets designated at fair value	-	-	-
c) other financial assets mandatorily measured at fair value	*128,961,903*	*164,856,452*	*166,593,432*
Financial assets measured at fair value through Other Comprehensive Income	130,671,729	137,519,601	140,510,322
Financial assets measured at amortized cost	10,828,474,942	10,805,825,610	10,856,465,665
a) due from banks	*525,441,858*	*593,560,790*	*582,648,404*
b) due from customers	*10,303,033,084*	*10,212,264,820*	*10,273,817,261*
Hedging instruments	-	-	-
Equity investments	13,128,233	13,160,322	14,411,216
Property, plant, and equipment	61,690,208	60,689,761	68,750,199
Intangible assets	69,448,231	74,742,079	71,347,191
of which: goodwill	*30,956,911*	*30,956,911*	*30,956,911*
Tax assets	60,955,598	113,658,100	98,172,437
a) current	*2,450,872*	*57,413,940*	*42,580,571*
b) deferred	*58,504,726*	*56,244,160*	*55,591,866*
Discontinued operations and non-current assets held for sale	-	8,046,041	8,046,017
Other assets	516,141,384	655,392,873	587,734,734
Total consolidated assets	**12,008,479,580**	**12,292,265,929**	**12,159,238,211**

Liabilities and Equity items	30-Jun-23	31-Dec-23	30-Jun-24
Financial liabilities measured at amortized cost	10,648,138,359	10,814,197,420	10,648,522,551
a) deposits from banks	*1,023,316,808*	*2,269,073,826*	*2,234,247,550*
b) deposits from customers	*9,624,821,551*	*8,545,109,938*	*8,112,593,788*
c) securities issued	-	*13,655*	*301,681,213*
Financial Liabilities Held for Trading	1,012,384	1,214,962	1,390,295
Hedging derivatives	65,773	-	308,347
Tax liabilities	156,118,777	123,790,151	165,470,535
a) current	*41,612,462*	*2,472,113*	*4,881,094*
b) deferred	*114,506,315*	*121,318,038*	*160,589,441*
Other liabilities	417,556,036	555,354,208	488,058,723
Employee severance indemnities	3,073,668	3,033,173	3,260,798
Provisions for risks and charges:	31,649,037	35,863,650	37,758,303
a) guarantees provided and commitments	*357,200*	*530,143*	*196,637*
b) pension funds and similar obligations	*6,879,016*	*7,008,959*	*6,355,943*
c) other provisions	*24,412,821*	*28,324,548*	*31,205,723*
Valuation reserves	6,615,016	7,993,073	9,238,229
Additional Tier1	150,000,000	150,000,000	150,000,000
Reserves	312,614,078	277,761,749	286,390,339
Interim dividend	-	(54,451,025)	-
Share premium	66,277,204	66,277,204	66,277,204
Share capital	143,604,966	143,946,902	144,433,656
Treasury shares	(4,392,046)	(4,377,295)	(3,652,115)
Equity attributable to third parties	-	-	-
Profit (Loss) for the period	76,146,328	171,661,757	161,781,345
Total consolidated liabilities and equity	**12,008,479,580**	**12,292,265,929**	**12,159,238,211**

Consolidated Income Statement *(Values in €)*

Profit & Loss items	30-Jun-23	30-Jun-24
Interest and similar income	271,311,299	431,032,155
Interest and similar expenses	(145,686,435)	(198,121,780)
Net interest income	**125,624,864**	**232,910,375**
Fee and commission income	55,035,629	54,256,280
Fee and commission expenses	(18,817,149)	(14,590,731)
Net fees and commissions	**36,218,480**	**39,665,549**
Dividend income and similar revenue	6,669,630	13,334,352
Gains/(Losses) on trading	(5,252,009)	1,469,753
Fair value adjustments in hedge accounting	-	-
Gains/(Losses) on disposals/repurchases of:	19,696,166	233,330
a) financial assets measured at amortized cost	*19,841,699*	*233,330*
b) financial assets measured at fair value through Other Comprehensive Income	*(145,533)*	-
c) financial liabilities	-	-
Net income from other financial assets & liabilities at FV	(404,932)	(3,987,713)
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets compulsorily valued at fair value	*(404,932)*	*(3,987,713)*
Net banking income	**182,552,199**	**283,625,646**
Impairment (losses)/reversals on:	(1,855,803)	(3,314,520)
a) financial assets measured at amortised cost	*(1,855,803)*	*(3,314,520)*
b) financial assets measured at fair value through Other Comprehensive Income	-	-
Net profit from financial and insurance activities	**180,696,396**	**280,311,126**
Administrative expenses:	(89,839,170)	(89,024,616)
a) personnel costs	*(40,594,665)*	*(41,538,386)*
b) other administrative expenses	*(49,244,505)*	*(47,486,230)*
Net provisions for risks and charges:	415,434	(3,018,550)
a) commitments and guarantees provided	*(104,946)*	*333,328*
b) other net provisions	*520,380*	*(3,351,878)*
Net (adjustments to)/writebacks on property, plant, and equipment	(2,331,651)	(2,324,034)
Net (adjustments to)/writebacks on intangible assets	(3,927,535)	(4,988,579)
Other operating (expenses)/income	19,314,551	44,689,114
Total operating expenses	**(76,368,371)**	**(54,666,666)**
Gains (Losses) on equity investments	(424,871)	1,550,454
Profit (Loss) before taxes from continuing operations	**103,903,154**	**227,194,915**
Income taxes on profit from continuing operations	(27,756,826)	(65,413,570)
Profit (Loss) after taxes from continuing operations	76,146,328	161,781,345
Profit (Loss) after taxes from discontinued operations	-	-
Profit (Loss) for the period	**76,146,328**	**161,781,345**

Consolidated capital adequacy

Values in €m	30-Jun-22	30-Jun-23	30-Jun-24
Credit and Counterparty Risk	146.4	172.7	338.9
Market Risk	0.0	0.0	0.6
Operational Risk	50.2	58.9	62.8
Total capital requirements	**196.6**	**231.4**	**402.3**
Risk Weighted Assets (RWA)	**2,457.1**	**2,895.7**	**5,029.0**

CET 1	**370.3**	**453.1**	**596.4**
Tier I	**150.0**	**150.0**	**150.0**
Tier II	**0.0**	**0.0**	**0.0**
Own Funds	**520.3**	**603.1**	**746.4**

CET 1 Capital ratio	***15.1%***	***15.6%***	***11.9%***
Tier I Capital ratio	***21.2%***	***20.8%***	***14.8%***
Total Capital ratio	***21.2%***	***20.8%***	***14.8%***

Asset quality

€ 000	30-Jun-2024 Gross	Provisions	Net
Non-performing loans (NPLs)	119,328	(22,790)	96,538
Unlikely to pay	33,119	(7,868)	25,251
Past due	1,694,361	(1,987)	1,692,374
Total impaired assets	**1,846,808**	**(32,646)**	**1,814,162**

€ 000	31-Dec-2023 Gross	Provisions	Net
Non-performing loans (NPLs)	121,926	(22,120)	99,806
Unlikely to pay	19,125	(5,407)	13,718
Past due	221,236	(1,344)	219,891
Total impaired assets	**362,287**	**(28,872)**	**333,414**

€ 000	30-Jun-2023 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
Total impaired assets	**329,911**	**(26,900)**	**303,011**