

## BFF approved the submission of its response to Bank of Italy. Pro forma 31<sup>st</sup> March 2024 capital levels above regulatory targets

- Approved the submission of the response to Bank of Italy on credit classification, governance and remuneration
- Pro forma credit reclassification for prudential purposes, which generates incremental Past Due exposures of €1,361m and incremental RWAs of €1,783m as of 31-Mar-24
- Increase in the accrual rate of Late Payment Interests and Recovery Cost Rights to 65% from 50%, which as of 31-Mar-24 generates c. €105m one-off pro forma capital uplift, while remaining well below the 77.5% historical level of collection
- All pro forma capital levels above regulatory targets (CET1 at 11.4% and TCR at 14.3%)
- Confirmed payment of Jul-24 AT1 coupon

Milan, 11<sup>th</sup> July 2024 – BFF Bank S.p.A. (“**BFF**” or the “**Bank**”) informs that the Board of Directors approved the submission to Bank of Italy (the “**Regulator**”, “**Bol**” or the “**Supervisory Authority**”) of the Bank’s determinations, as announced on 9-May-24 (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.

At the same meeting, 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 a one-off pro

forma additional capital for c. €105m as of 31-Mar-24. The new accrual rate is still significantly lower than the historic weighted average collection rate of 77.5%<sup>1</sup>.

The change in the accrual rate, which will be 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.

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BFF reclassified for prudential purposes its loan portfolio, with a pro forma increase in Past Due exposures of c. €1,361m as of 31-Mar-24. The increase in Past Due exposure generates additional pro forma RWA of c. €1,783m and pro forma IFRS 9 provisions of €1.2m.

€707m out of the €1,361m of the pro forma increase in Past Due are generated by €205m of Italian NHS back book exposure, originated prior to 1-Jan-21, which creates €502m contagion effect on the front book exposure towards the same debtors.

The Bank continues to focus on RWAs optimisation, strengthening the collection process, developing the AIRB model, 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. after Jun-26<sup>2</sup>.

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.

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Following the reclassification for prudential purposes of the Past Due exposures, the 31-Mar-24 pro forma CET1 ratio stands at 11.4% and the TCR at 14.3%, well above the 9% CET1 SREP ratio and 12.5% TCR SREP ratio, as they also reflect:

1. excess capital as of 31-Mar-24 vs. the consolidated CET1 ratio dividend target (equal to 12%), of €49m;
2. excess capital already generated in 1Q24 of €41.5m, as communicated on 9-May-24;
3. the one-off capital generated from the abovementioned step-up of the accrual rate of LPI and Recovery Rights to 65% from 50%, equal to c. €105m, of which c. €98m as one-off

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<sup>1</sup> In the period 2015-2023.

<sup>2</sup> On the basis of the reclassification in Past Due with effect from 30-Jun-24.

pro forma capital generation as of 31-Dec-23 and c. €7m as additional pro forma 1Q24 Adjusted Net Income.

The Bank will apply 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, providing disclosure to the market in the context of the 1H24 Results.

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BFF addressed the governance matters by means of an action plan approved by the Bank's corporate bodies.

BFF also undertook all the measures deemed necessary to remove the compliance findings on corporate compensation practices, already resolved with the approval of the 2024 Remuneration Policy and with the agreement on different implementations of the CEO contract.

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With reference to the upcoming Additional Tier 1 coupon, BFF's Board of Directors verified that all the regulatory and contractual conditions<sup>3</sup> for its payment are satisfied, therefore the next payment on 19-Jul-24 is confirmed.

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

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In light of all this, BFF's Board of Directors believes that the economic and financial outlook remains substantially unchanged and confirms its 2026 targets.

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<sup>3</sup> Available Distributable Items ("ADI"), Maximum Distributable Amount ("MDA") and CET<sub>1</sub> >5.125% at consolidated and solo level. For further details, please refer to [AT1 Prospectus](#).

**Market Update call**

BFF will host a conference call today, 11<sup>th</sup> July, at 18:30 CET (17:30 WET), that can be followed after registering at this [link](#).

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*This press release includes projections and other "forward-looking" statements. Any such projections or statements reflect the current views of the Bank about future events and financial performance and are based on unaudited management estimates. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties.*

*This press release includes certain pro forma information. Such pro forma information is presented for illustrative purposes only and is based on certain assumptions and judgments based on information available to the Bank that may not necessarily be applicable as of the date of its representation.*

*Therefore, investors should not place undue reliance on the "forward-looking" statements and pro forma information included herein.*

*The independent auditors of the Bank have not audited, reviewed, compiled or performed any procedures with respect to the forward-looking statements, and accordingly, the independent auditors of the Bank do not express an opinion or provide any form of assurance with respect thereto for the purpose of this press release.*

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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 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 13.5% Group CET1 ratio at the end of March 2024.

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