

## BFF Banking Group announces its consolidated financial results for the first quarter 2024

- Adjusted Net Profit at €41.5m, -21% YoY, +8% YoY excluding €19.8m of 1Q23 capital gain on bond. 1Q24 Reported Profit at €39.3m.
- Loan Portfolio at €5.5bn, +9% YoY, a new historical 1Q high.
- Solid Balance Sheet at €12.2bn, with higher loan book, smaller bond portfolio, lower Repos YoY.
- Improved Loan/Deposit ratio at 61%, with funding deriving primarily from stable retail deposits and operational deposits at €8.9bn, +33% YoY.
- Successful issuance of first social senior unsecured preferred notes 5NC4 in Apr-24 for €300m.
- Strong asset quality with 0.1% Net NPLs/Loans ratio excluding Italian municipalities in conservatorship.
- Very solid capital position: CET1 ratio at 13.5% and TCR at 18.2%. €49m of excess capital vs. 12% CET1 ratio target.
- €41.5m excess capital generated on the basis of 1Q24 results.
- Received Inspection Report from Bank of Italy which, among others, temporarily suspends profits distribution by BFF.

*Milan, 9<sup>th</sup> May 2024* – Today the Board of Directors of BFF Bank S.p.A. (“BFF” or the “Bank”) approved BFF’s first quarter 2024 consolidated financial accounts.

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

1Q24 **Adjusted Total Revenues** were **€202.4m (+15% YoY)**, of which **€106.6m** coming from *Factoring, Lending & Credit Management* business unit, **€16.4m** from *Payments*, **€5.8m** from *Securities Services* and **€73.8m** from *Other Revenues*, of which **€52.6m** from the **Government bond portfolio**. 1Q24 **Cost of Funding** was at **€102.3m** and **Adjusted Total Net Revenues** were **€100.2m**.

Total Adjusted operating expenditures, including D&A, were **€44.2m** (€39.0m in 1Q23), and Adjusted LLPs and provisions for risks and charges were **€0.4m**.

This resulted in an **Adjusted Profit before taxes** of **€55.6m**, and an **Adjusted Net Profit** of **€41.5m, +8% YoY** excluding €19.8m of 1Q23 capital gain due to the sale of €600m of floaters' Government bond portfolio, **-21% YoY** including 1Q23 capital gain. 1Q24 **Reported Net Profit** was **€39.3m** (for details, see footnote n° 1).

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

## CONSOLIDATED BALANCE SHEET

As of 31<sup>st</sup> March 2024, the **consolidated Balance Sheet** amounted to **€12.2bn** up by **€0.6bn (+5%)** vs. the end of March 2023.

The **Loan Book** was at **€5,475m<sup>2</sup>**, up by **€429m YoY (+9%)**, with volumes up by **12% YoY** at **€1,889m**.

At the end of March 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 1Q24, vs. €5.6bn at the end of March 2023, with a further reduction of fixed bonds, at **19%** of the total portfolio in 1Q24 vs. 24% in 1Q23. The fixed bond portfolio residual average life was **42** months, with a yield of **0.60%**; the floater bond residual portfolio average life was **65** months, with a spread **+0.90%** vs. 6-month Euribor and a running yield of **5.17%** as of 31<sup>st</sup> March 2024. Gross mark to market of fixed bond

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

- the negative impact of adjustments accounted on the following items:
  - -€1.7m post tax, -€2.4m pre tax, related to Stock Options & Stock Grant plans;
  - -€0.5m post tax, -€0.7m pre tax, related to Customer contract amortizations.

<sup>2</sup> Loan book portfolio includes fiscal receivables "Ecobonus" for €365m, which are accounted in "Other Asset" in the 1Q24 Consolidated Financial Accounts and the stock of on-balance sheet LPs and "recovery cost" rights at €546m.

portfolio amounted to **-€78.2m** at the end of March 2024, and to **€20.9m<sup>3</sup>** for floaters. **Cash and Cash Balances** were **€116m** as of end of March 2024, down by **€34m, -23% YoY**.

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

- **deposits from *Transaction Services*** were **€6.2bn** at the end of March 2024, up by **€0.9bn** YoY;
- **on-line retail deposits** at end of March 2024 amounted to **€2,767m** vs. €1,488m at the end of March 2023, up by **€1,279m, +86% YoY**, raised primarily in Spain and Poland;
- **Passive Repos** (refinancing operations related to Italian Government Portfolio) decreased significantly to **€1.8bn** at the end of March 2024, vs. €3.5bn at end of March 2023, down by **49% YoY**;

Cost of funding in 1Q24 was **3.80%**, 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 **256.0%** as of 31<sup>st</sup> March 2024. At the same date, the **Net Stable Funding Ratio (NSFR)** was **178.3%** and **Leverage Ratio 4.8%**, stable vs. YE23.

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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 **€6.7m**, at **0.1%** of net loans, with a **77% Coverage ratio**, improved vs. YE23 and vs. 1Q23 when it was 75% and 74%, 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 **5.4 basis points** at end of March 2024.

At the end of March 2024, **net Past Due<sup>4</sup>** amounted to **€211.9m**, decreased vs. €219.9m as of YE23 and increased vs. €198.3m at the end of March 2023. NPE exposure towards Public Administration in 1Q24 was **89%**.

Total **Net impaired assets** (non-performing, unlikely to pay, and past due) were **€324.6m** as of 31<sup>st</sup> March 2024, decreased vs. €333.4m as of YE23 and increased €300.7m as of end of March 2023, primarily as a consequence of an increase in municipalities in conservatorship and in public sector Past Due.

<sup>3</sup> Please note that BFF excess capital over 12% CET1 target ratio is equal to €49m, see also paragraph *Capital Ratios*.

<sup>4</sup> Without taking into consideration any potential impact of Bank of Italy's compliance finding on the classification of credit exposure vis-à-vis the public administration, set forth in the BoI Inspection Report. Please see paragraph in the section 'Significant events after the end 1Q24 reporting period' for further details.

### Capital ratios<sup>5</sup>

The Group maintains a strong capital position with a **Common Equity Tier 1 ("CET1") ratio of 13.5%** vs. a SREP of 9.0%. The **Total Capital ratio ("TCR") is at 18.2%**, vs. a SREP of 12.5%. **Both ratios exclude €41.5m of excess capital generated in 1Q24.** With respect to 12% CET1 ratio target, BFF has **€49m** of excess capital. The above target capital ratio, as announced on 29-Jun-23 during BFF Capital Market Day<sup>6</sup>, has moved from 15% TCR to 12% of CET1 ratio<sup>7</sup>, to align it with other banks main capital target. **Distribution of dividends remains subject to the fulfillment of all the regulatory capital requirements as well as to Bank of Italy provisions related to the Inspection Report received after the end of the first quarter of 2024 (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 March 2024, RWAs were **€3.2bn**, increased vs. €3.1bn at YE23 and vs. €2.7bn at end of March 2023, with a **density<sup>8</sup> of 44%**, vs. 43% at YE23 and 45% at end of March 2023.

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### Revision of Late Payment Directive 2011/7/EU

The Report on Late Payments Regulation Proposal<sup>9</sup>, voted by the European Parliament on 23<sup>rd</sup> April 2024 in plenary session, outlines a more favourable scenario than the European Commission's Proposal<sup>10</sup>. If confirmed during interinstitutional negotiations with the Council of the European Union, it would imply:

- a) the switch to a "Regulation" from the current "Directive";
- b) payment terms to 30 days across all sectors, including NHS<sup>11,12</sup>;
- c) Recovery Costs from €40 to up to average €100 per invoice according to European Parliament Report (at least €50 per invoice in the European Commission Proposal);
- d) full transferability of receivables.

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<sup>5</sup> Please refer to footnote 4.

<sup>6</sup> Please see also the presentation "[BFF ever more a bank like no other](#)" slide 54.

<sup>7</sup> In addition to TCR >15%, as long as requested by the ECB.

<sup>8</sup> Calculated as RWAs/Total assets excluding HTC bond portfolio and Cash and Cash Balances.

<sup>9</sup> [European Parliament legislative resolution of 23 April 2024 on the proposal for a regulation of the European Parliament and of the Council on combating late payment in commercial transactions.](#)

<sup>10</sup> [Proposal for a Regulation of the EU Parliament and of the Council on combating late payment in commercial transactions.](#)

<sup>11</sup> Currently 60 days for NHS and 30 days for other PA.

<sup>12</sup> Except for exceptional circumstances identified by individual national legislators.

Trilogue should take place towards the end of the year or beginning of 2025.

### Significant events after the end 1Q24 reporting period

*BFF informs that it has received the Report containing the results of the Bank of Italy's inspection findings*

BFF informs that on 29<sup>th</sup> April 2024, it received from the Bank of Italy (“Regulator”) the report containing the results of the follow-up inspections concluded on 12<sup>th</sup> January 2024, which sets forth the formalization of a **compliance finding on the classification of credit exposure vis-à-vis the public administration, regardless of the representation of any related credit risk**, which are based on an interpretation of the EBA guidelines on the new Definition of Default<sup>13</sup> on such credit exposure – in particular concerning the application of suspension to the calculation of past due days for the purpose of the prudential classification of credit exposure – different from that adopted by BFF. In addition, the Regulator also made some findings on the Bank's governance and on its corporate compensation practices, with particular reference to certain contractual provisions referring to the Chief Executive Officer.

The Regulator, pending its assessment of the Bank's determinations related to the inspection findings, in the meantime ordered the Bank to temporarily refrain from approving or implementing: (i) the distribution of profits (from FY24) or other equity; (ii) the payment of the variable remuneration<sup>14</sup>; (iii) the further expansion abroad by opening new branches or expanding into new countries under freedom of services. The limitation on the distribution of profits or other equity assets does not apply to the payment of interest under its Additional Tier 1 securities. The Bank will respond in July with its assessments.

In light of these findings, BFF's Board of Directors, on the basis of preliminary assessments and without prejudice to further analysis, believes that the possible increase in RWA and prudential calendar provisioning, which could derive from the above interpretation, **does not result in a material change in the Bank's economic and financial outlook**, also taking into account the Bank's reserves not yet booked<sup>15</sup> and the management actions that may be taken, also related to its assets.

The Bank will keep the market informed on the developments of the activities currently ongoing following the inspection report, also with reference to possible effects on dividends.

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<sup>13</sup> New Definition of Default: "[Guidelines on the application of the definition of default under Art. 178 of Regulation \(EU\) n. 575/2013](#)" and "[Bank of Italy - Application of the Definition of Default](#)" of 23<sup>rd</sup> September 2022.

<sup>14</sup> In this context, the Bank therefore withdrew the request to purchase treasury shares, which was communicated to the market on 6<sup>th</sup> October 2023 and submitted to the Bank of Italy on 12<sup>th</sup> October 2023.

<sup>15</sup> With reference to the amount of receivables related to LPs and recovery costs owed by debtors, prudentially not accounted yet in the balance sheet, which amounted to €628m as of 31<sup>st</sup> March 2024.

### *Late Payment Interest rate*

Late Payment Interest ("LPI") statutory rate increased by 0.5%, to 12.5% from previous 12.0% from 1-Jan-24.

### *BFF General Shareholders' Meeting 2024 appoints the new Board of Directors with Ranieri de Marchis as new independent Chairman*

As announced with the [press release dated 18<sup>th</sup> April 2024](#), the General Shareholders' Meeting ("GSM") of BFF Bank, the Parent Company of BFF Banking Group, met in an ordinary and extraordinary session and in a single call. The GSM approved all the resolutions and appointed a new Board of Directors, strengthening **independence and international exposure**, with Ranieri de Marchis as new Chairman.

The GSM also appointed the new Board of Statutory Auditors. Following the GSM, the newly appointed Board of Directors was convened in its new composition, confirming Massimiliano Belingheri as CEO.

### *Dividend payment 2023*

As announced with the [press release dated 18<sup>th</sup> April 2024](#), following the resolution of the Shareholders' Meeting of BFF held on the same date, the balance of the gross dividend per share, equal to €0.541, was paid from 24<sup>th</sup> April 2024, bringing the total gross dividend for the fiscal year 2023 to €0.979 per share.

### *€300m Inaugural Social Senior Preferred Bond 4.75% 5NC4*

As announced with the [press release dated at 8<sup>th</sup> April 2024](#), BFF successfully completed the placement of a new social unsecured senior preferred bond for a total amount of €300m with duration of 5 years (with early repayment option in the fourth year), at a fixed rate of 4.750% per annum, as part of the Issuer's €2.5bn Euro Medium Term Note (EMTN) Programme. The bond is rated "Ba2" by Moody's and is listed with ISIN code IT0005591851 on the official list of Euronext Dublin. This issuance is consistent with the Bank's funding plan, to comply with the MREL requirements, mandatory for BFF from 1<sup>st</sup> January 2025.

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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**

1Q 2024 consolidated results will be presented today, 9<sup>th</sup> May, 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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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.

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

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

Assets items	31-Mar-23	31-Dec-23	31-Mar-24
Cash and cash equivalents	150,389,902	257,208,240	116,065,484
Financial assets measured at fair value through profit or loss	129,145,526	166,023,303	171,028,268
a) <i>financial assets held for trading</i>	377,704	1,166,851	1,879,676
b) <i>financial assets designated at fair value</i>	-	-	-
c) <i>other financial assets mandatorily measured at fair value</i>	128,767,822	164,856,452	169,148,592
Financial assets measured at fair value through Other Comprehensive Income	129,429,148	137,519,601	138,742,563
Financial assets measured at amortized cost	10,650,789,674	10,805,825,610	10,760,858,456
a) <i>due from banks</i>	183,842,795	593,560,790	586,373,035
b) <i>due from customers</i>	10,466,946,879	10,212,264,820	10,174,485,421
Hedging instruments	-	-	-
Equity investments	13,656,105	13,160,322	14,411,144
Property, plant, and equipment	56,785,354	60,689,761	55,777,086
Intangible assets	69,891,359	74,742,079	72,379,626
<i>of which: goodwill</i>	30,956,911	30,956,911	30,956,911
Tax assets	61,916,434	113,658,100	110,489,780
a) <i>current</i>	1,808,673	57,413,940	55,248,001
b) <i>deferred</i>	60,107,761	56,244,160	55,241,779
Discontinued operations and non-current assets held for sale	-	8,046,041	8,046,041
Other assets	377,867,638	655,392,873	776,812,041
<b>Total consolidated assets</b>	<b>11,639,871,140</b>	<b>12,292,265,929</b>	<b>12,224,610,488</b>

Liabilities and Equity items	31-Mar-23	31-Dec-23	31-Mar-24
Financial liabilities measured at amortized cost	10,339,632,745	10,814,197,420	10,529,355,167
a) deposits from banks	870,477,069	2,269,073,826	2,335,818,450
b) deposits from customers	9,430,012,499	8,545,109,938	8,193,536,717
c) securities issued	39,143,177	13,655	-
Financial Liabilities Held for Trading	2,844,868	1,214,962	222,107
Hedging derivatives	-	-	209,992
Tax liabilities	154,350,153	123,790,151	129,966,721
a) current	42,584,545	2,472,113	3,866,219
b) deferred	111,765,609	121,318,038	126,100,502
Other liabilities	304,110,895	555,354,208	731,735,400
Employee severance indemnities	3,224,208	3,033,173	3,156,215
Provisions for risks and charges:	35,510,954	35,863,650	35,013,930
a) guarantees provided and commitments	272,678	530,143	237,235
b) pension funds and similar obligations	10,466,437	7,008,959	6,826,128
c) other provisions	24,771,839	28,324,548	27,950,568
Valuation reserves	6,379,739	7,993,073	8,849,194
Additional Tier1	150,000,000	150,000,000	150,000,000
Reserves	461,086,722	277,761,749	445,167,420
Interim dividend	(68,549,894)	(54,451,025)	(54,451,025)
Share premium	66,277,204	66,277,204	66,277,204
Share capital	142,929,818	143,946,902	144,157,894
Treasury shares	(6,324,382)	(4,377,295)	(4,358,019)
Equity attributable to third parties	-	-	-
Profit (Loss) for the year	48,398,109	171,661,757	39,308,288
<b>Total consolidated liabilities and equity</b>	<b>11,639,871,140</b>	<b>12,292,265,929</b>	<b>12,224,610,488</b>

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

Profit & Loss items	31-Mar-23	31-Mar-24
Interest and similar income	125,138,085	162,072,332
Interest and similar expenses	(62,810,633)	(100,948,076)
<b>Net interest income</b>	<b>62,327,452</b>	<b>61,124,255</b>
Fee and commission income	26,877,266	28,204,485
Fee and commission expenses	(9,150,860)	(8,197,887)
<b>Net fees and commissions</b>	<b>17,726,406</b>	<b>20,006,599</b>
Dividend income and similar revenue	6,686,519	6,805,748
Gains/(Losses) on trading	(2,064,440)	1,287,196
Fair value adjustments in hedge accounting	-	-
Gains/(Losses) on disposals/repurchases of:	19,784,634	233,330
<i>a) financial assets measured at amortized cost</i>	19,784,634	233,330
<i>b) financial assets measured at fair value through Other Comprehensive Income</i>	-	-
<i>c) financial liabilities</i>	-	-
Net income from other financial assets & liabilities at FV	(1,006,922)	397,251
<i>a) financial assets and liabilities designated at fair value</i>	-	-
<i>b) other financial assets compulsorily valued at fair value</i>	(1,006,922)	397,251
<b>Net banking income</b>	<b>103,453,649</b>	<b>89,854,379</b>
Impairment (losses)/reversals on:	(574,477)	(703,532)
<i>a) financial assets measured at amortised cost</i>	(574,477)	(703,532)
<i>b) financial assets measured at fair value through Other Comprehensive Income</i>	-	-
<b>Net profit from financial and insurance activities</b>	<b>102,879,172</b>	<b>89,150,847</b>
Administrative expenses:	(41,844,340)	(43,609,116)
<i>a) personnel costs</i>	(22,131,371)	(21,044,107)
<i>b) other administrative expenses</i>	(19,712,969)	(22,565,009)
Net provisions for risks and charges:	102,470	329,172
<i>a) commitments and guarantees provided</i>	(21,368)	292,954
<i>b) other net provisions</i>	123,838	36,218
Net (adjustments to)/writebacks on property, plant, and equipment	(1,131,021)	(1,123,315)
Net (adjustments to)/writebacks on intangible assets	(1,908,368)	(2,538,460)
Other operating (expenses)/income	8,381,823	8,896,945
<b>Total operating expenses</b>	<b>(36,399,436)</b>	<b>(38,044,774)</b>
Gains (Losses) on equity investments	68,605	1,411,548
<b>Profit (Loss) before taxes from continuing operations</b>	<b>66,548,341</b>	<b>52,517,621</b>
Income taxes on profit from continuing operations	(18,150,232)	(13,209,333)
Profit (Loss) after taxes from continuing operations	48,398,109	39,308,287
Profit (Loss) after taxes from discontinued operations	-	-
<b>Profit (Loss) for the year</b>	<b>48,398,109</b>	<b>39,308,287</b>

## Consolidated capital adequacy<sup>16</sup>

	31-Mar-22	31-Mar-23	31-Mar-24
<i>Values in €m</i>			
Credit and Counterparty Risk	135.1	156.4	193.2
Market Risk	0.0	0.0	0.6
Operational Risk	50.2	58.9	62.8
<b>Total capital requirements</b>	<b>185.3</b>	<b>215.4</b>	<b>256.6</b>
<b>Risk Weighted Assets (RWA)</b>	<b>2,315.7</b>	<b>2,692.3</b>	<b>3,207.7</b>
<b>CET 1</b>	<b>386.2</b>	<b>458.4</b>	<b>434.0</b>
<b>Tier I</b>	<b>150.0</b>	<b>150.0</b>	<b>150.0</b>
<b>Tier II</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Own Funds</b>	<b>536.2</b>	<b>608.4</b>	<b>584.0</b>
<i>CET 1 Capital ratio</i>	<i>16.7%</i>	<i>17.0%</i>	<i>13.5%</i>
<i>Tier I Capital ratio</i>	<i>23.2%</i>	<i>22.6%</i>	<i>18.2%</i>
<i>Total Capital ratio</i>	<i>23.2%</i>	<i>22.6%</i>	<i>18.2%</i>

<sup>16</sup> Please refer to footnote 4.

## Asset quality<sup>17</sup>

	31-Mar-2024		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	117,970	(22,202)	95,768
Unlikely to pay	22,811	(5,836)	16,975
Past due	213,412	(1,513)	211,899
<b>Total impaired assets</b>	<b>354,193</b>	<b>(29,551)</b>	<b>324,642</b>

	31-Dec-2023		
€ 000	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
<b>Total impaired assets</b>	<b>362,287</b>	<b>(28,872)</b>	<b>333,414</b>

	31-Mar-2023		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	108,778	(19,467)	89,311
Unlikely to pay	17,667	(4,616)	13,050
Past due	199,151	(823)	198,328
<b>Total impaired assets</b>	<b>325,596</b>	<b>(24,906)</b>	<b>300,690</b>

<sup>17</sup> Please refer to footnote 4.