BFF Banking Group – 1H2017 Results

2nd August 2017

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1H2017 Results: Key highlights

BFF BANKING GROUP

Strong growth in Reported Income and EPS

- € 51m 1H17 reported earnings, €28m in 1H16 (+ 79% y/y)
- €38m adjusted net income vs. €36 in 1H16 with Magellan (+5% y/y)
- Reported EPS of € 0.30 in 1H17 vs € 0.17 in 1H16

Growing business activity

- New volumes up 11% y/y, Italy volumes up 11% y/y
- Total customer loans up 10% y/y

Growth in net interest income

- 11% adjusted net interest income growth y/y
- Stable NIM, despite cost of funding affected by Tier II issuance
- Declining cost of funding -5bps y/y

Efficient cost structure

- 37% Cost/Income Ratio
- Operating costs and employees flat q/q

Solid capital position and low risk profile

- Total Capital ratio of 19.0%, CET1 of 13.7%
- Low Net NPLs (0.6% of loans) and cost of risk (15bps annualised)

High ROTE and dividend capacity

- ROTE 30%
- €38m distributable dividends equal to 100% payout of adjusted earnings

Source: Company data; Notes: 2017 Exchange rate for Poland and Czech respectively PLN/€ 4,2685 and PLN/CZK 0,159 for P&L data (1H17 average), PLN/€ 4,2259 and PLN/CZK 0,161 for Balance Sheet data (30th June 2017); 2016 Exchange rate for Poland and Czech respectively PLN/€ 4,3996 and PLN/CZK 0,162 for P&L data (average June 2016), PLN/€ 4,4362 and PLN/CZK 0,164 for Balance Sheet data (30th June 2016)

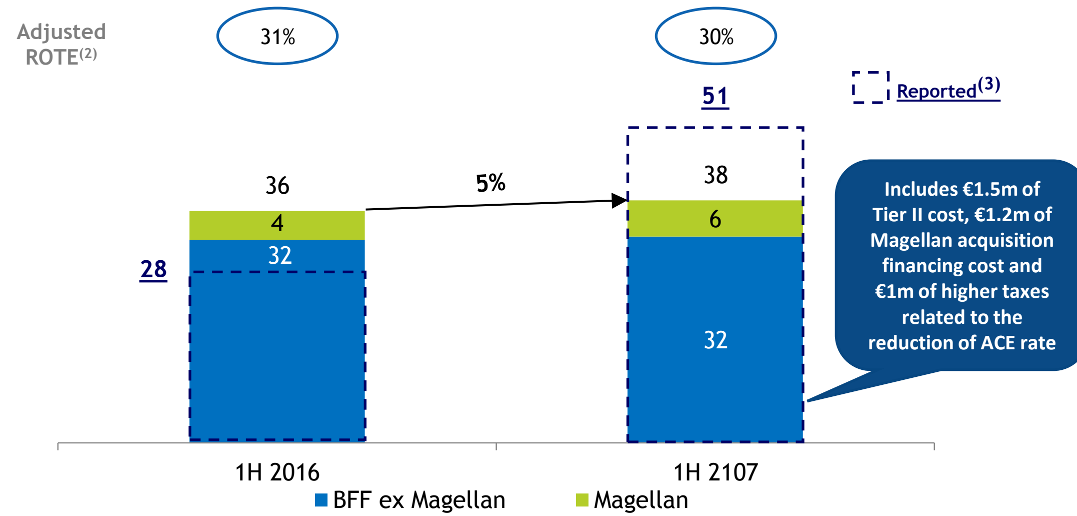
Reported Net Income growth at 79%

- **Strong growth** in reported earnings: €51m in 1H17 versus €28m in 1H16
- 1H17 adjusted net income (net of extraordinary costs and one-off LPI step-up) reaches €38m, with a +**5% growth versus 1H16 including Magellan**
- 1H17 adjusted net income is already net of €1.5m of Tier II cost, €1.2m of Magellan acquisition financing cost and €1m of higher taxes related to the reduction of ACE rate
- Dividend capacity: **distributable income of €38m**, +35% y/y growth
- **Improved profitability**: reported half yearly EPS 0.30 in 1H17 vs 0.17 in 1H16, +79% y/y growth

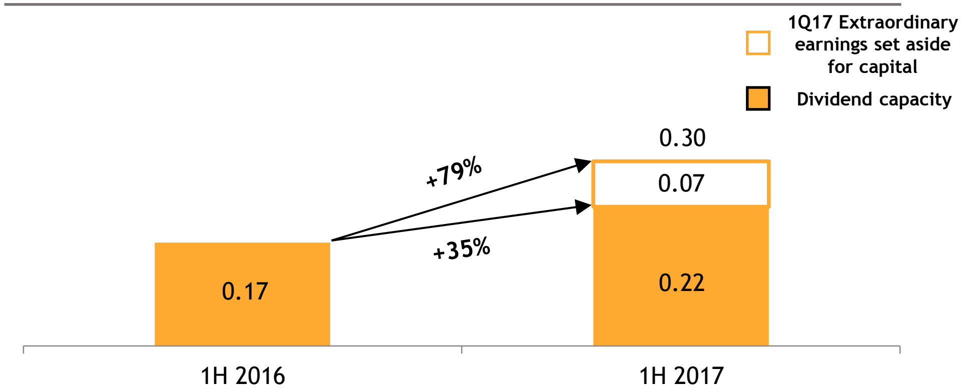
1H17 Extraordinary items net of taxes: €17.8m income related to the change in LPI accounting from estimated 40% to 45%; €1.7m extr. costs related to IPO (fully expensed); €1.1m extraordinary costs related to stock option plan; €2.5m post tax, € 3.6m pre tax negative P&L effect from exchange rate movements on the acquisition debt for the acquisition of Magellan, offset at the comprehensive income and equity level by a corresponding increase in value of the Magellan asset, given the natural hedging put in place at the time of the acquisition;

1H16 Extraordinary items net of taxes: €0.9m extr. costs related to IPO costs; €3.8m extr. costs related to Magellan acquisition; €0.6m positive exchange rate difference

Adjusted Net income[1] (€m)



Reported First Half EPS[4] (€)

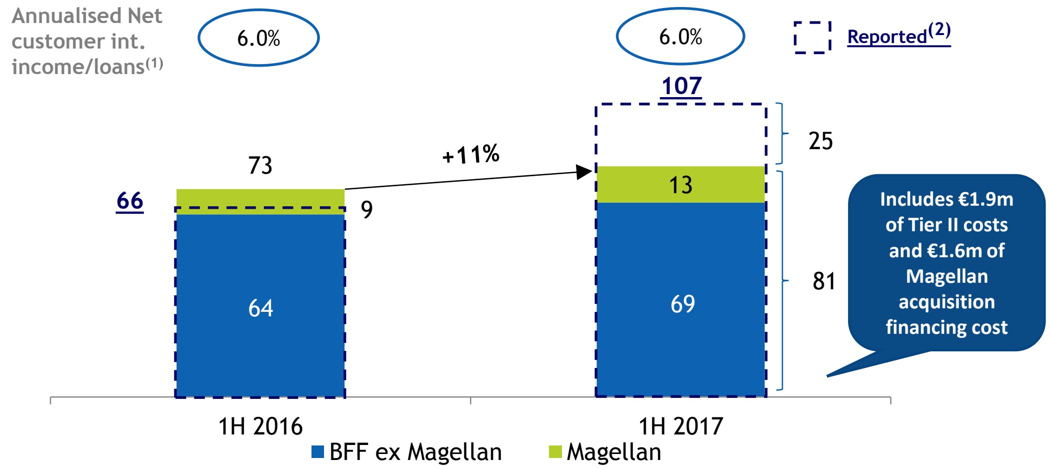


Notes: (1) Adjusted to exclude extraordinary items (2) 1H17 Tangible equity includes 1Q17 extraordinary earnings set aside for capital (3) 1H16 reported Net Income with 1M Magellan; 1H17 Net Income with 6 months Magellan (4) 1H2016 EPS adjusted for 1:100 stock split done in conjunction with IPO (April 2017)

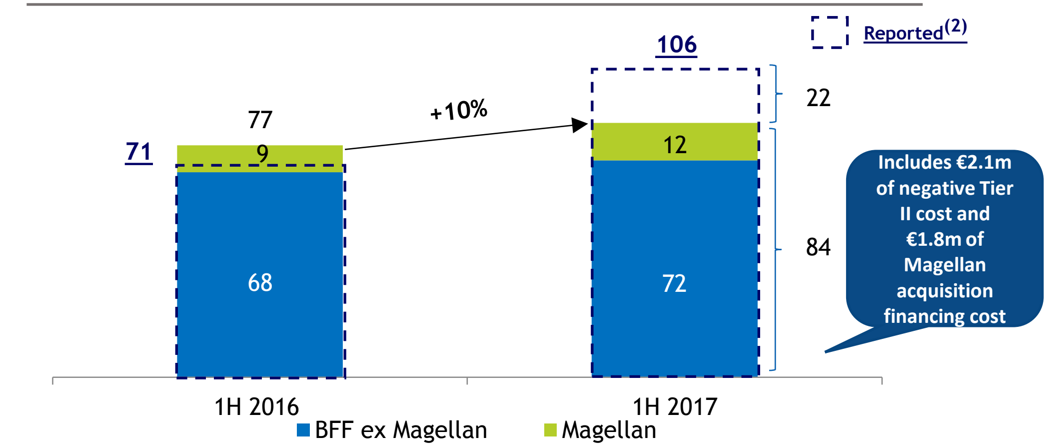
Net Interest Income growth at 11%

- **Stable net yield on loan book** despite cost of funding affected by Tier II issuance
- **Adjusted Net interest income (including Magellan) increased by 11%** versus 1H16 thanks to:
  - Higher average stock of loans
  - Good LPI collection
- **Adjusted Net Banking income increased by 10% y/y**

Adjusted Net Interest Income (€m)



Adjusted Net Banking Income (€m)



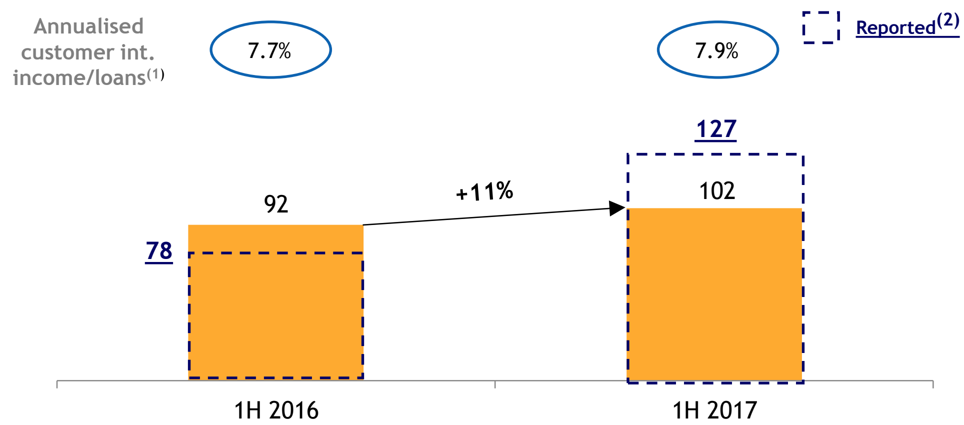
Adjusted Net interest income (1) does not include €25.2m one-off impact of change in LPI accounting from 40% to 45% on 1/1/2017; (2) includes €1.9m of Tier II costs for 1H2017, which in 2016 were not present and €1.6m of Magellan acquisition financing cost for 1H2017 (€0.2m for 1H2016).
Adjusted Net Banking income (1) does not include €25.2m one-off impact of change in LPI accounting from 40% to 45% on 1/1/2017 and -€3.6m of change in exchange rates impact for 1H2017 (€1.0m in 1H2016), €0.3m commissions related to Magellan acquisition for 1H2016 (2) includes €2.1m of interest expenses and commissions related to Tier II for 1H2017, which in 2016 were not present and €1.8m of Magellan acquisition financing for 1H2017 (€0.2m for 1H2016).

Note: (1) calculated as Net interest income on customer loans (excluding income on securities and on credit due from banks and REPO activity impact) / average loans in the period. (2) 1H16 reported Net Interest Income and Net Banking Income with 1M Magellan; 1H17 Reported Net Interest Income and Net Banking Income with 6 months Magellan

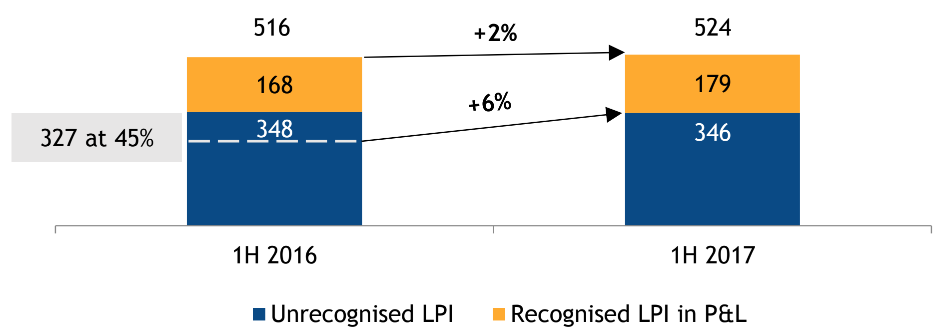
Interest Income growth at 11%

- **Higher yield on loan book** (7.9% in 1H17 versus 7.7% in 1H16)
- **Increase in interest income** driven by:
  - Higher stock of loans (+10% y/y)
  - Improving yield also due to the change in LPI accounting from 40% to 45%
- LPIs cashed-in in 1H17: €57m, versus €24m in 1H16, with lower recovery rate in 2017
- **1H17 unrecognized LPI +6%** vs 1H16, adjusted for 45% assumed recovery rate

Adjusted Interest Income (€m)



LPI Stock evolution (Excl. Magellan) (€m)



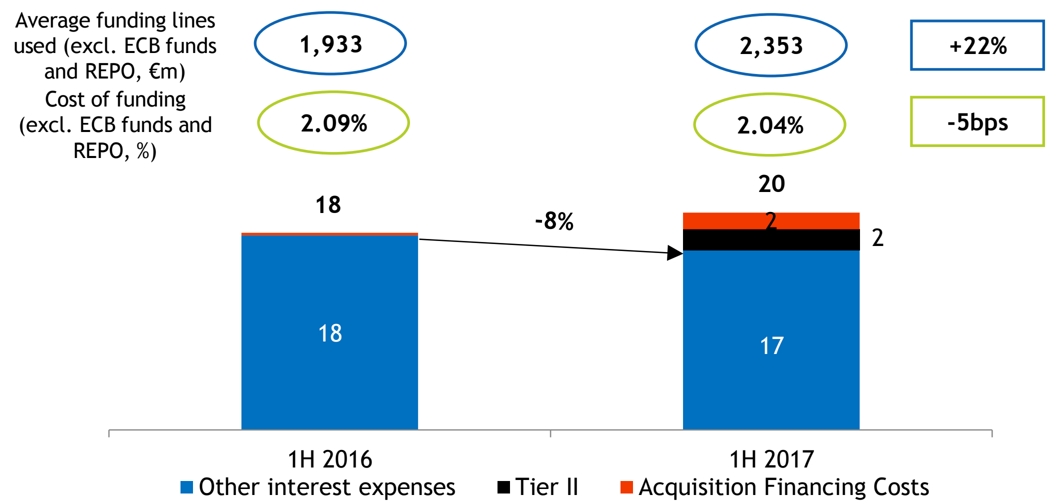
Adjusted Interest income does not include € 25.2m one-off impact of change in LPI accounting from 40% to 45%

Note: (1) Interest income on customer loans (excluding income on securities and on credit due from banks) / average loans in the period. (2) 1H16 reported Interest Income with 1M Magellan; 1H17 reported Interest Income with 6 months Magellan

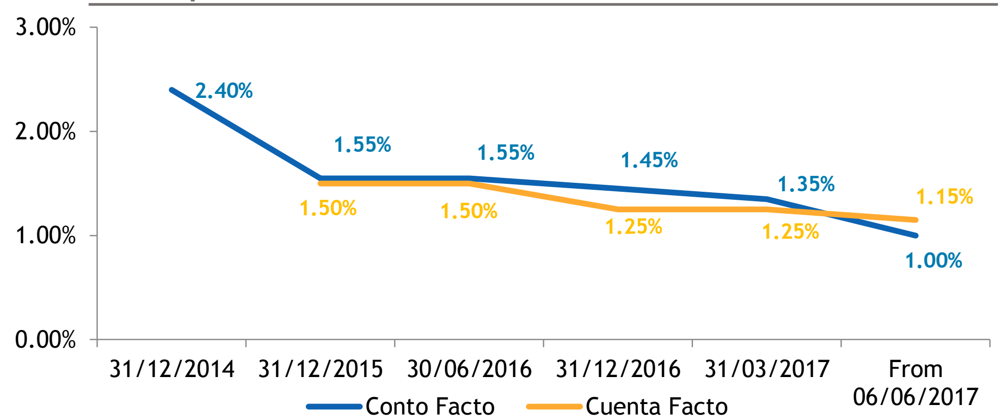
Declining Cost of Funding

- **Reduction in cost of funding continued:**
  - 2.04% 1H17 cost of funding versus 2.09% 1H16
  - Increasing interest expenses from €18.3m 1H16 to €20.1m in 1H17, mainly due to the impact of Tier II (€1.9m in 1H17, not present in 1H16) and the cost of the acquisition financing for Magellan (€1.6m in 1H17 vs €0.2m in 1H16) and also due to loans to customers growth
- **Good visibility on further cost of funding reduction**:
  - Repayment at maturity of €300m 2.75% coupon 3y bond on 12th June 2017, new €200m 2.0% coupon 5y bond issued on 29th June 2017
  - Rates offered on 12-month online deposits decreased from 1.55% at 1H16 to 1.00% currently in Italy and from 1.50% at 1H16 to 1.15% currently in Spain
  - Further funding synergies at Magellan level thanks to renegotiation of terms and conditions of local funding; 29% of Magellan funding still to be refinanced due to maturity structure

Interest expenses (BFF + Magellan €m)



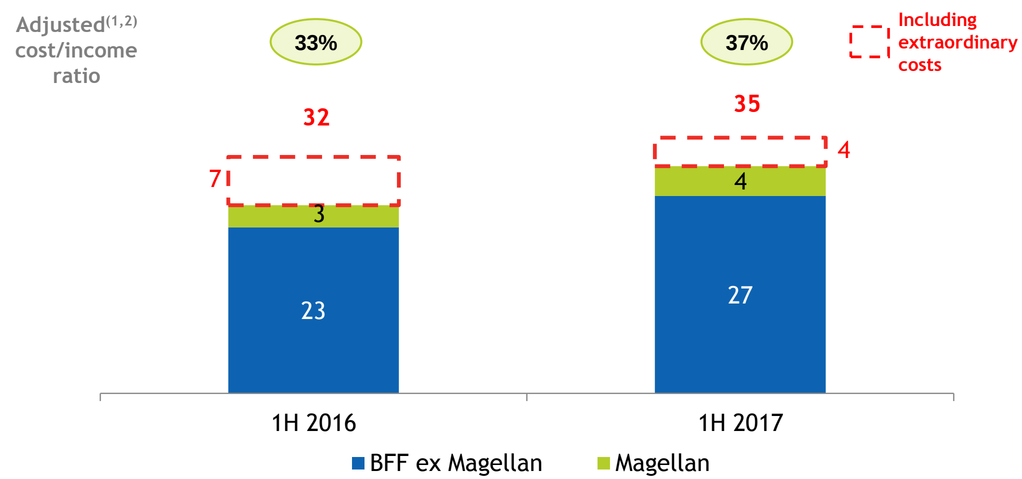
12-months Online Deposits Interest Offered to New Moneys and Deposit Renewals



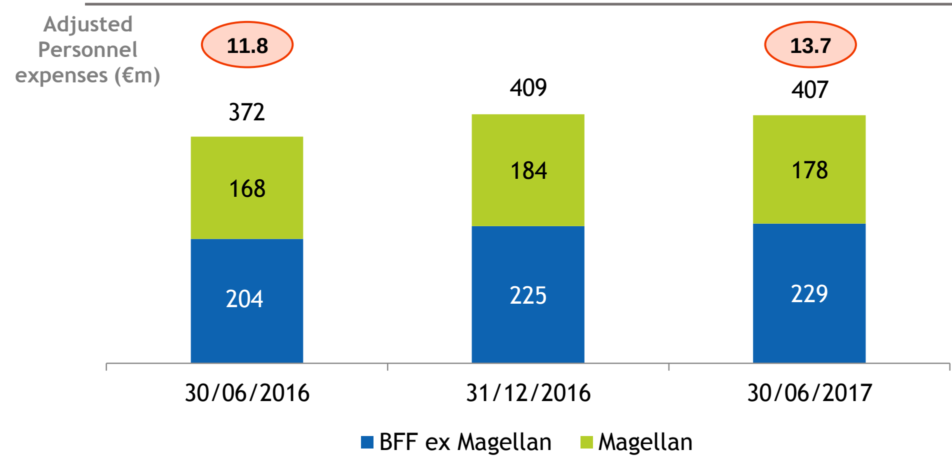
Good Operating Efficiency despite investments in infrastructure

- **Highly efficient structure with adjusted Cost/Income ratio of 37%**
- Investments in infrastructures now largely made:
  - **stable employee base** versus YE2016 figures but growing versus 1H16
  - **2Q17 operating costs in line with 1Q17** (€15.5m in 2Q17 vs €15.6m in 1Q17)

Operating Costs[1] (€m)



Number of Employees[3]



1H17 gross extraordinary costs €3.9m: €1.5m related to stock option plan (pro-rata) related to IPO; €2.4m non-recurring costs related to the IPO process

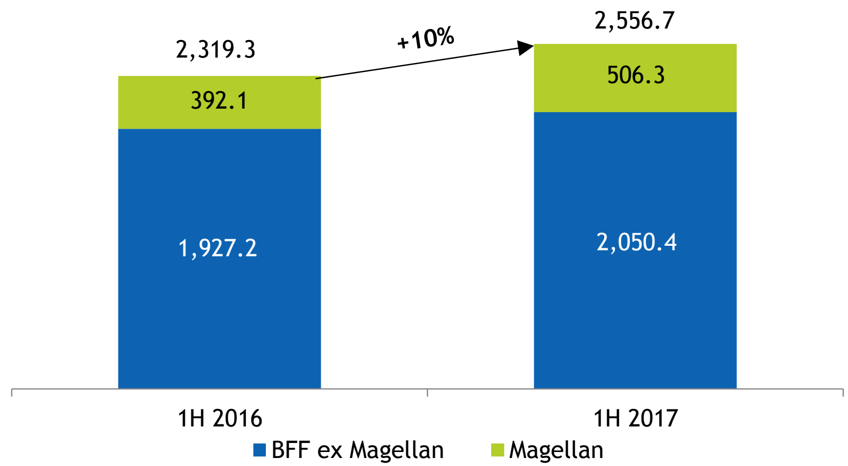
1H16 gross extraordinary costs €6.6m: €1.4m extr. costs related to IPO; €5.2m extr. costs related to Magellan acquisition

Note: (1) Adjusted to exclude extraordinary costs; (2) C/I computed as operating expenses excluding extr. Costs (administrative expenses + staff expenses + amortization on tangible and intangible assets) divided by Adjusted net banking income; (3) BFF includes employees in Italy and Iberia; Magellan includes employees of Magellan SA, MedFinance, Magellan CEE and Magellan Ceska Republic

Growing Customer Loans

- **Good growth in customer loans (+10% y/y)** throughout the Group, with Magellan up by 29%
    - Double digit growth in Italy
    - Assets in Portugal almost double y/y
    - Declining portfolio in Spain due to high liquidity in the market
    - Set up for entry in Greece completed. First deal expected in Q3

Customer Loans Evolution[1] (€m)



Customer Loans Breakdown by Geography (€m)

BANCA FARMAFACTORING BFF BANKING GROUP	1H16	1H17
Italy	1.681	1.864
Spain	204	105
Portugal	42	82
Total	**1.927**	**2.050**

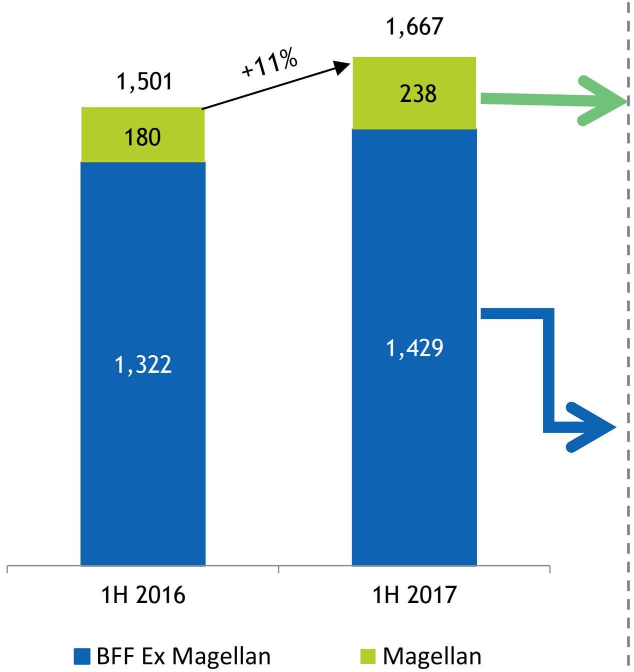
magellan BFF BANKING GROUP	1H16	1H17
Poland	311	397
Slovakia	73	107
Czech Rep.	3	3
Spain	5	-
Total	**392**	**506**

Note: (1) Magellan Customer Loans include €5mln in Spain sold to Farmafactoring Espana during 2016

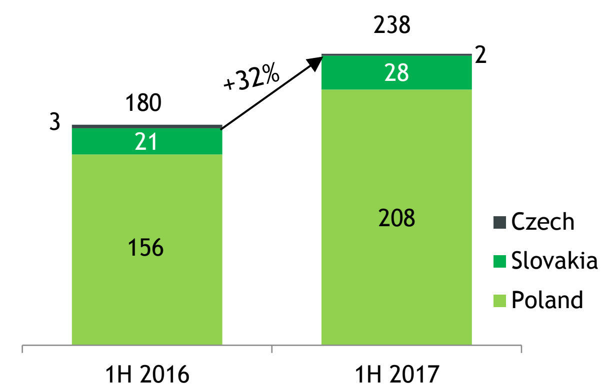
Solid New Business Production

- **Sustained y/y growth (+*11*%) in total new business volumes**
  - BFF ex Magellan: strong growth in Italian and Portuguese business which offset a weak 2Q17 for Spain; Italy (+*11*% y/y), Portugal (+*169*% y/y); Spain (-*27*% y/y)
  - Magellan new business grew by 32% y/y, with strong contribution from Poland (+34% y/y)

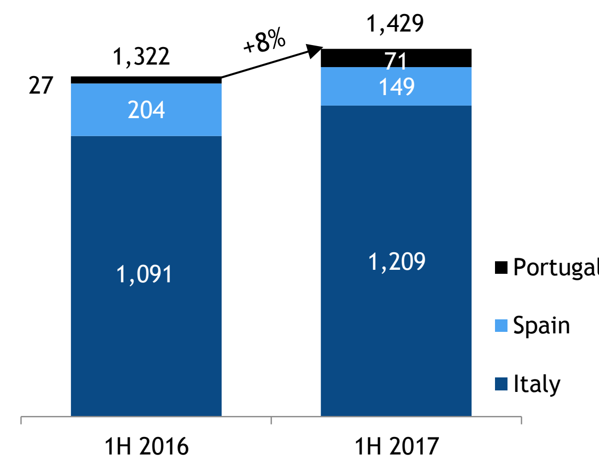
Total New Business Volumes (€m)



Magellan (€m)



BFF ex Magellan (€m)

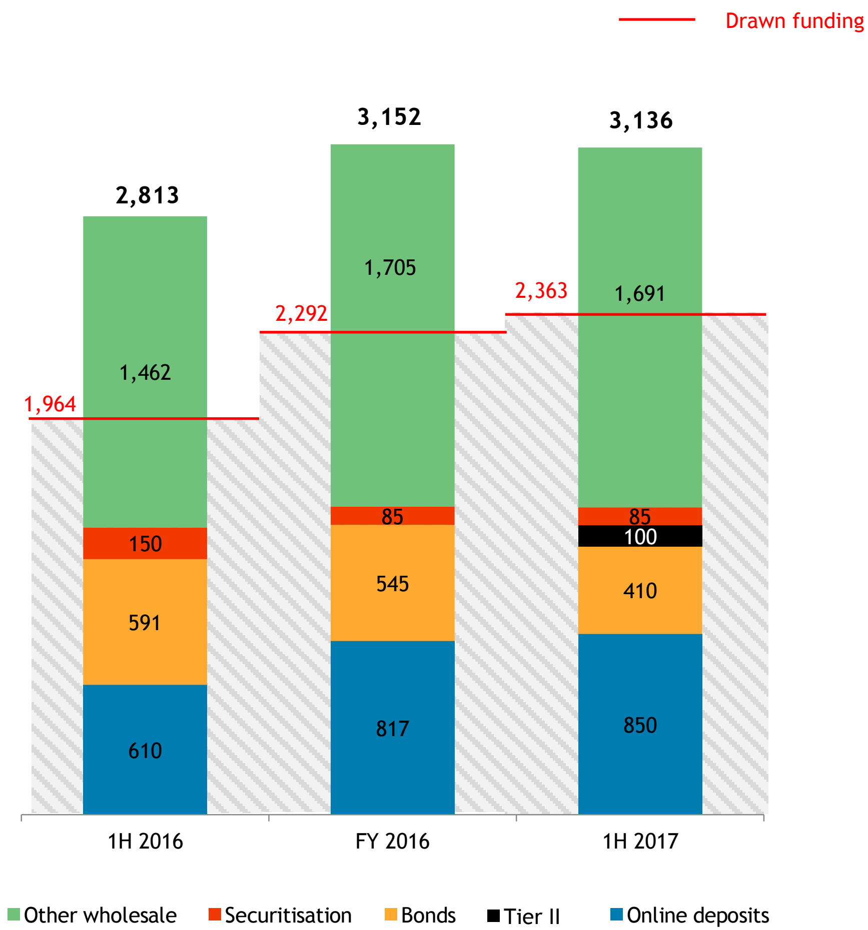


Note: For 1H16, Magelllan Spanish business (€12m) is included in Farmafactoring Espana

Diversified Funding Base with ample liquidity

- **A diversified and flexible funding base to support business growth:**
  - €850m deposits gathered as of June 2017, up ca. 39% vs. June 2016
  - €100m Tier 2 5.875% coupon bond issued on 2nd March 2017
  - €200m 5Y senior unsecured 2.0% coupon bond issued on 29th June 2017
  - Balanced funding profile with deposits accounting for 36% of drawn funds
- **Group undrawn funding at € 0.8bn**[1]

Available Funding[2;3] (€m)

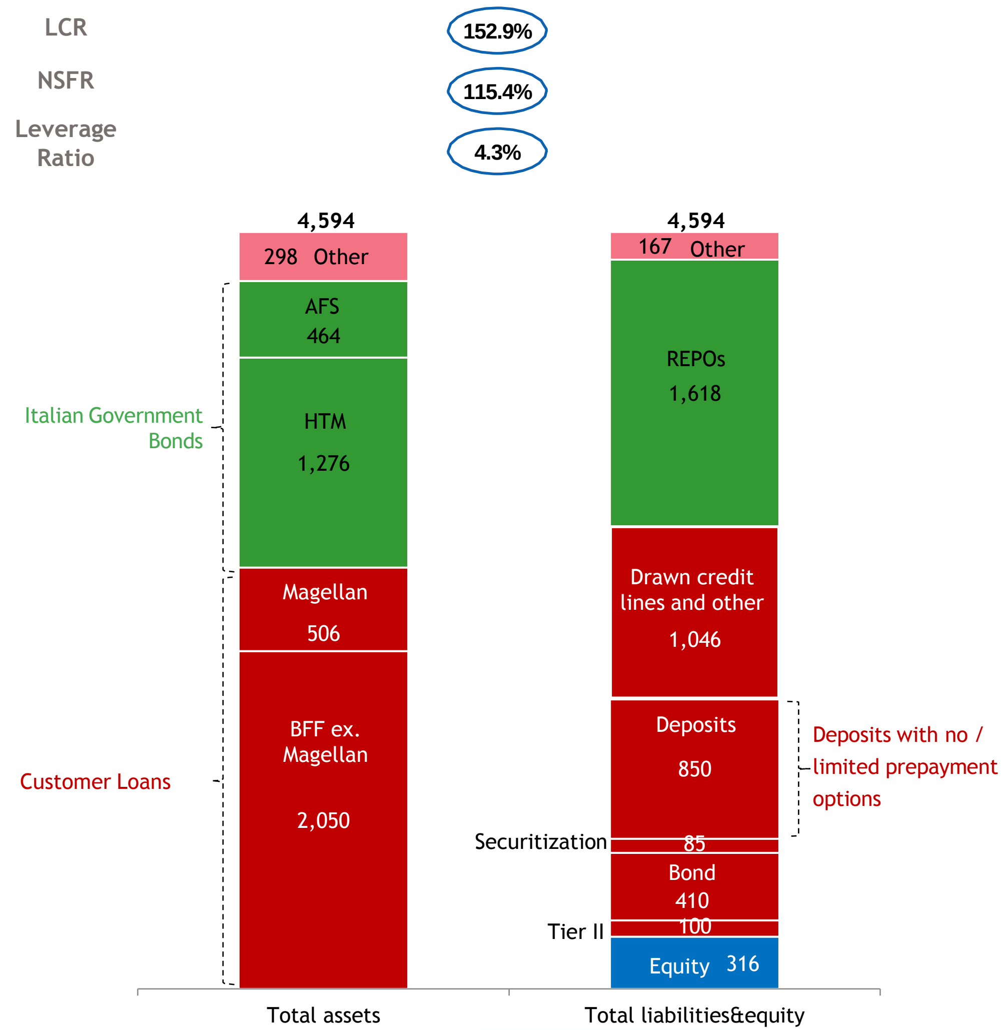


Notes: (1) Based on utilized credit lines; (2) Excluding ECB funds and REPOs; (3) Not considering financing for Magellan acquisition 355 m PLN.

Fortress Balance Sheet

- **Conservative asset / liability management approach:** funding duration higher than that of receivables
- Customer loans funded through a well **diversified funding base** with a short maturity of the asset side allowing for fast repricing
- **Strong liquidity position** with a LCR of 153% as of June 2017
- No open foreign exchange position

Breakdown of Balance Sheet 1H2017 (€m)

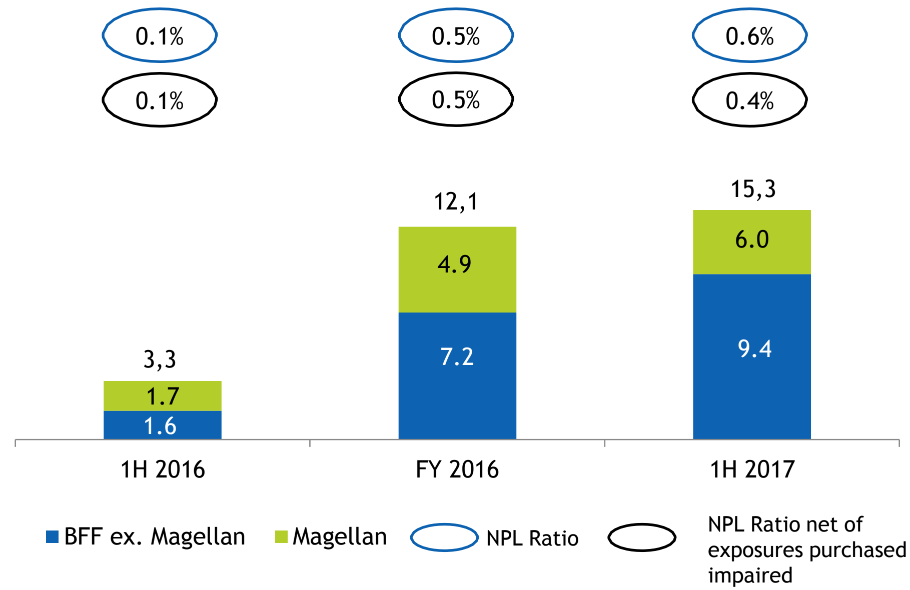


Source: Company data

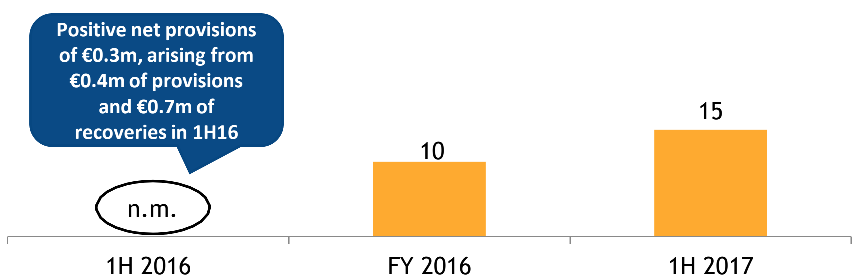
Negligible Credit Risk

- **Net NPLs/Net loans ratio at 0.6%, in line with YE2016** level and lower than YE 2016 if purchases of assets already impaired are excluded (0.4% net NPL ex purchases)
- **Negligible cost of risk** of 15bps annualised in 1H17
- Net past due are for 83% due to Italian Public Administration and public sector companies

Net Non Performing Loans Evolution (€m)



Cost of risk (bps)

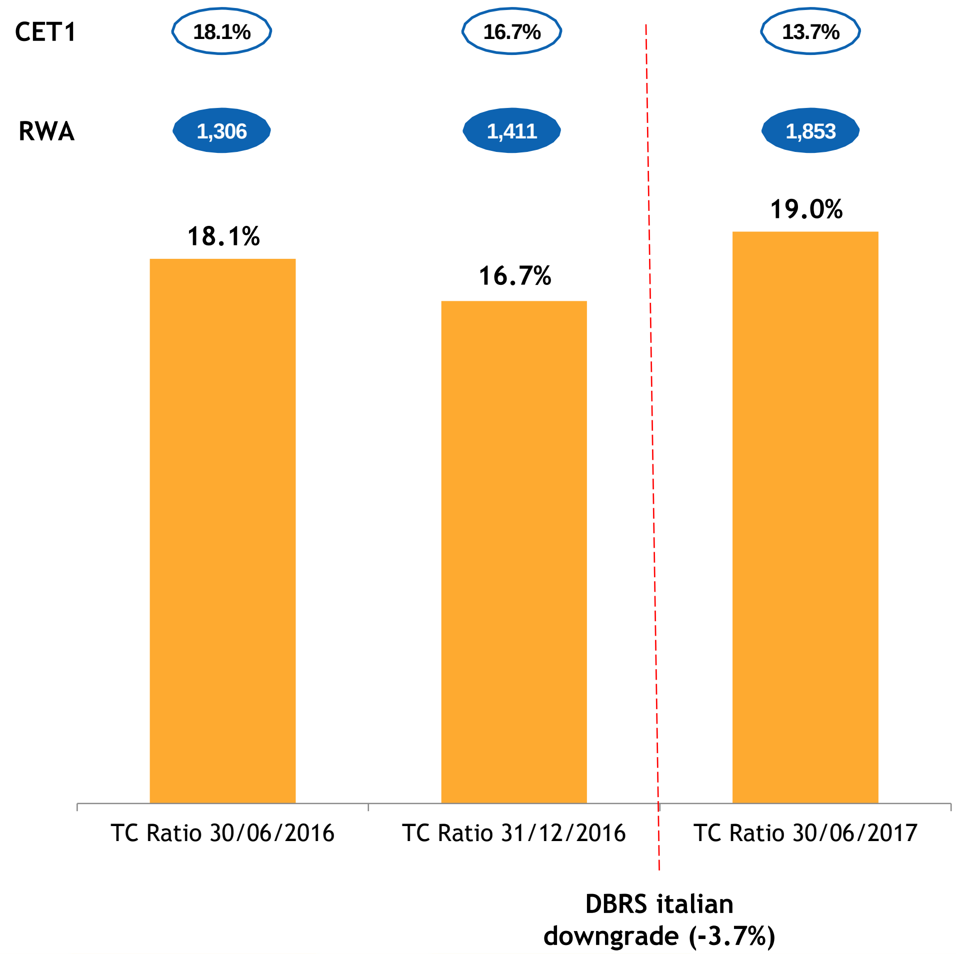


Asset quality - €/000	1H 2016	FY 2016	1H 2017
Net Non performing - total	3.313	12.065	15.329
Net impaired exposures purchased performing	*3.245*	*11.573*	*9.424*
Net impaired exposures purchased impaired	*68*	*492*	*5.905*
Net unlikely to pay	55	3.614	3.722
Net past due	45.536	46.167	54.672
Total net impaired assets	**48.904**	**61.847**	**73.724**

Robust excess capital allows for high dividend payout

- **Total Capital ratio equal to 19.0%**
  - €38m adjusted net income not included in capital ratios (equal to 206 bps of additional CET1 and total capital) available for dividend distribution
  - 400bps Total Capital in excess of 15% target available to sustain RWA growth
- **CET1 ratio of 13.7%,** 2x the CET1 SREP requirement of 6.55%
- **Conservative RWA calculation** based on standard model and with Italian exposure to NHS and other PA risk weighted at 100%[2]
- **Operational risks RWA will decrease** by c.€38m at the end of 2017 due to exclusion of 2014 one off effect of change in LPI calculation

Total Capital Ratio - Banking Group ex TUB Capital Ratio[1]



(1) CRR Total Capital Ratio and CET1 Ratio: 15,0% and 10,1%. These ratios are subject to approval by BFF Luxembourg S.àr.l. 2) Following the DBRS downgrade, starting from March 2017, capital ratios are calculated based on a higher risk weighting factor (from 50% to 100%) for the Italian exposure to NHS and other PA different from local and central government

1H2017 Results: Key highlights

Strong growth in Reported Income and EPS	• € 51m 1H17 reported earnings, €28m in 1H16 (+ 79% y/y) • €38m adjusted net income vs. €36 in 1H16 with Magellan (+5% y/y) • Reported EPS of € 0.30 in 1H17 vs € 0.17 in 1H16
Growing business activity	• New volumes up 11% y/y, Italy volumes up 11% y/y • Total customer loans up 10% y/y
Growth in net interest income	• 11% adjusted net interest income growth y/y • Stable NIM, despite cost of funding affected by Tier II issuance • Declining cost of funding -5bps y/y
Efficient cost structure	• 37% Cost/income Ratio • Operating costs and employees flat q/q
Solid capital position and low risk profile	• Total Capital ratio of 19.0%, CET1 of 13.7% • Low Net NPLs (0.6% of loans) and cost of risk (15bps annualised)
High ROTE and dividend capacity	• ROTE 30% • €38m distributable dividends equal to 100% payout of adjusted earnings

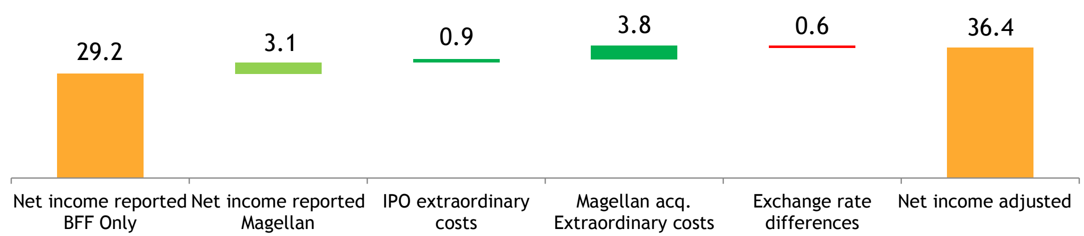
Source: Company data; Notes: 2017 Exchange rate for Poland PLN/€ = 4,2685 for P&L data (1H17 average) and PLN/€ 4,2259 for Balance Sheet data (30th June 2017); 2016 Exchange rate for Poland PLN/€ = 4,3996 for P&L data (average June 2016) and PLN/€ 4,4362 for Balance Sheet data (30th June 2016)

Appendix

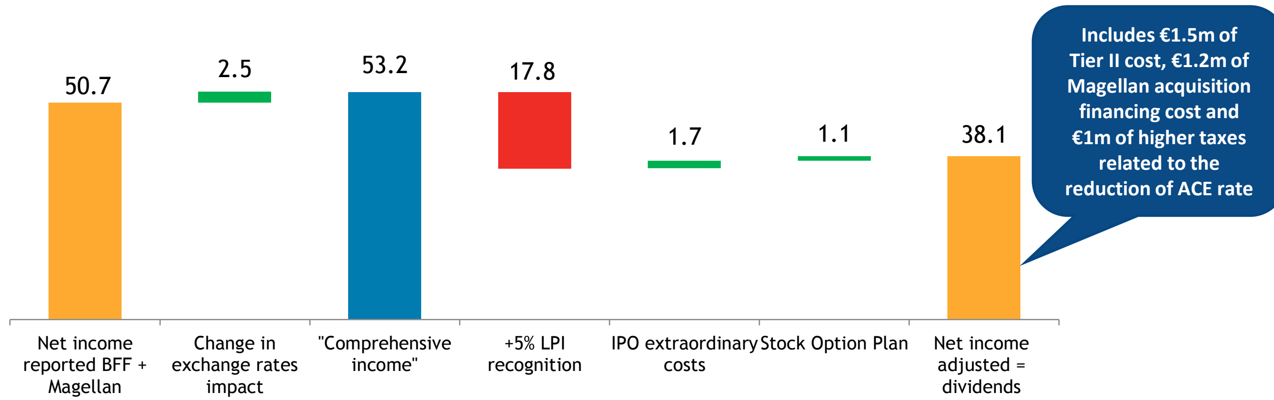
Net Income Reconciliation

- **1H17 Adjusted net income includes €1.5m of Tier II cost, €1.2m of Magellan acquisition financing cost and €1m of higher taxes related to the reduction of ACE rate**
- **1H16 Extraordinary items net of taxes include:**
  - €0.9m extr. costs related to IPO costs;
  - €3.8m extr. costs related to Magellan acquisition;
  - €0.6m positive impact from change in exchange rate
- **1H17 Extraordinary items net of taxes include:**
  - €17.8m one-off income related to the change in LPI accounting from estimated 40% to 45%;
  - €1.7m extraordinary costs related to IPO fully expensed;
  - €1.1m extraordinary costs related to stock option plan (also related to the IPO)[1] with zero impact on net equity;
  - €2.5m negative impact in P/L from the change in exchange rates, excluded from Adjusted Net Income since it is more than counterbalanced by a positive change in equity reserves[2]

Net Income Adjusted 1H 2016 Build-up (€m)



Net Income Adjusted 1H 2017 Build-up (€m)



[1] Additional costs related to the stock option plan are: €0.6m in 2018 and €0.2m in 2019; [2] There is a natural hedging between the P/L costs (which comes from a higher value in Euros of the financing related to the Magellan acquisition) and the change in Equity Reserves related to the value in Euros of the Magellan net assets

Adjusted Net Income Reconciliation

€m	1H16	1H17
Group BFF Reported Net income	**28.3**	**50.7**
Magellan Acq. Costs	3.8	0.0
Extraordinaries (LPI one-off, IPO costs, M&A costs)	0.9	(15.1)
Exchange rates movement (offset at the comprehensive income and equity level)	(0.6)	2.5
Extraordinary Resolution Fund contribution	0.0	0.0
Normalised Net Income	**32.4** (1)	**38.1**
Not consolidated Magellan 1Q Net Income	2.4	0.0
Not consolidated Magellan April-May Net Income	1.5	0.0
Adjusted Net Income	**36.4** (2)	**38.1**

All extraordinaries refer to 1Q17

(1) with Magellan 1M (2) with Magellan 6M

Summary Profit & Loss

€m	1H16 Reported BFF	1H16 Reported Magellan 5M	1H16 Combined	1H16 Adjustments	1H16 Adjusted	1H17 Reported	1H17 Adjustments	1H17 Adjusted
Interest Income	78.0	13.7	91.7	0.0	91.7	126.7	-25.2	101.5
Interest Expenses	-12.2	-6.1	-18.3	0.0	-18.3	-20.1	0.0	-20.1
Net Interest Income	**65.8**	**7.6**	**73.4**	**0.0**	**73.4**	**106.6**	**-25.2**	**81.4**
Net Fee and Commission Income	3.4	0.0	3.4	-0.3	3.2	3.5	0.0	3.5
Dividends	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0
Gains/Losses on Trading	0.9	0.0	0.9	-1.0	-0.1	-4.2	3.6	-0.6
Gains/Losses on Hedging	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gains/losses on Purchase/Disposal of Available-for-Sale Financial Assets	0.4	0.0	0.4	0.0	0.4	0.0	0.0	0.0
Net Banking Income	**70.5**	**7.7**	**78.2**	**-1.2**	**76.9**	**105.9**	**-21.6**	**84.3**
Impairment Losses/Reversal on Financial Assets	0.7	-0.4	0.3	0.0	0.3	-1.9	0.0	-1.9
Administrative Expenses	-29.1	-2.5	-31.6	6.6	-25.0	-33.4	3.9	-29.5
Net Adjustments to/ Writebacks on Property, Plan and Equipment and Intangible Assets	-1.4	-0.1	-1.5	0.0	-1.5	-1.6	0.0	-1.6
Provisions for risks and charges	-0.5	0.0	-0.5	0.0	-0.5	-0.4	0.0	-0.4
Other Operating Income (Expenses)	1.1	0.3	1.4	0.0	1.4	1.9	0.0	1.9
Profit Before Income Taxes from Continuing Operations	**41.4**	**4.9**	**46.3**	**5.4**	**51.6**	**70.5**	**-17.7**	**52.9**
Income Taxes	-13.0	-1.0	-14.0	-1.3	-15.3	-19.9	5.1	-14.8
Net Income	**28.3**	**4.0**	**32.3**	**4.1**	**36.4**	**50.7**	**-12.6**	**38.1**

Source: Company data

Summary Balance Sheet

BFF BANKING GROUP

€/m **Assets**	**1H16 Reported**	**FY16 Reported**	**1H17 Reported**
Cash and ash Balances	0,9	0,1	3,7
Financial Assets Held for Trading	0,0	0,2	0,0
Financial Assets at Fair Value	3,4	3,4	1,2
Available-for-Sale Financial Assets	331,8	385,3	464,1
Financial Assets Held to Maturity	1.347,1	1.629,3	1.275,8
Due from Banks	80,6	144,9	228,0
Receivables and Loans	2.319,3	2.499,1	2.556,7
Hedging derivatives	0,0	0,5	0,4
Equity Investments	0,2	0,3	0,2
Property, Plant and Equipment	13,0	13,0	12,9
Intangible Assets	24,4	25,8	25,2
Tax Assets	13,8	25,9	16,2
Other Assets	9,2	7,1	9,7
Total Assets	**4.143,8**	**4.735,0**	**4.594,0**
Liabilities and Equity			
Due to Banks	449,8	634,8	665,4
Due to Customers	2.469,1	2.996,1	2.853,1
Securities Issued	739,1	634,3	591,8
Financial Liabilities Held for Trading	0,2	0,0	1,2
Hedging Derivatives	0,0	0,2	0,0
Tax Liabilities	64,9	73,7	69,4
Other Liabilities	125,0	54,3	89,5
Employess Severance Indemnities	1,0	0,9	0,9
Provision for Risks and Charges	5,6	7,0	6,3
Equity	260,8	261,6	265,7
Profits for the Year	28,3	72,1	50,7
Total Liabilities and Equity	**4.143,8**	**4.735,0**	**4.594,0**

Source: Company data

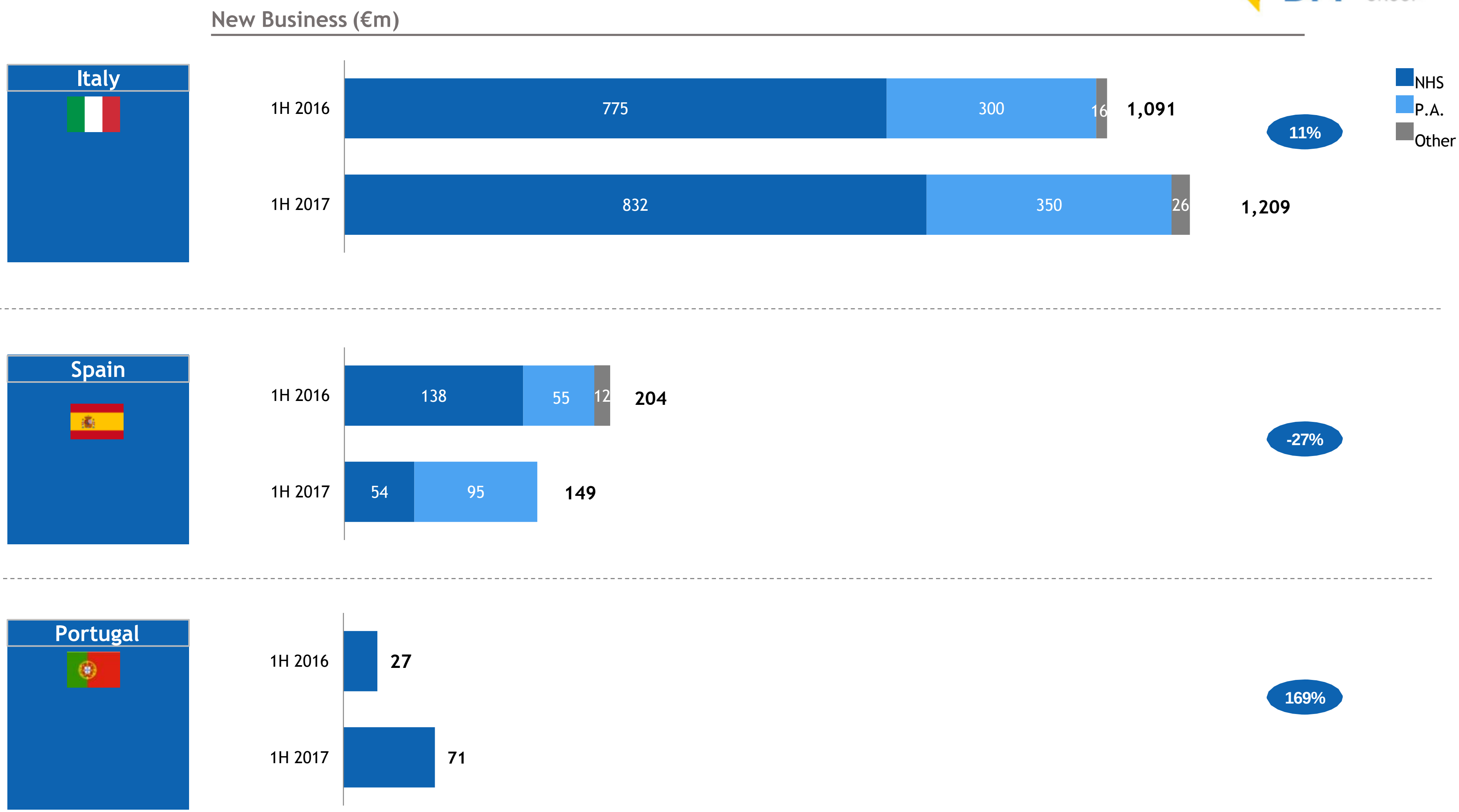
Asset quality

€/000	30/06/2017 Gross	Provision	Net
Net non performing - total	34.695	(19.366)	15.329
Net impaired exposures purchased performing	*28.398*	*(18.973)*	*9.424*
Net impaired exposures purchased impaired	*6.297*	*(393)*	*5.905*
Net unlikely to pay	4.876	(1.153)	3.722
Net past due	54.921	(249)	54.672
Total net impaired assets	**94.492**	**(20.768)**	**73.724**

€/000	31/12/2016 Gross	Provision	Net
Net non performing - total	30.003	(17.938)	12.065
Net impaired exposures purchased performing	*29.032*	*(17.459)*	*11.573*
Net impaired exposures purchased impaired	*971*	*(479)*	*492*
Net unlikely to pay	3.715	(101)	3.614
Net past due	46.250	(82)	46.167
Total net impaired assets	**79.968**	**(18.121)**	**61.847**

€/000	30/06/2016 Gross	Provision	Net
Net non performing - total	19.391	(16.077)	3.313
Net impaired exposures purchased performing	*19.310*	*(16.064)*	*3.245*
Net impaired exposures purchased impaired	*81*	*(13)*	*68*
Net unlikely to pay	107	(53)	55
Net past due	45.823	(287)	45.536
Total net impaired assets	**65.321**	**(16.417)**	**48.904**

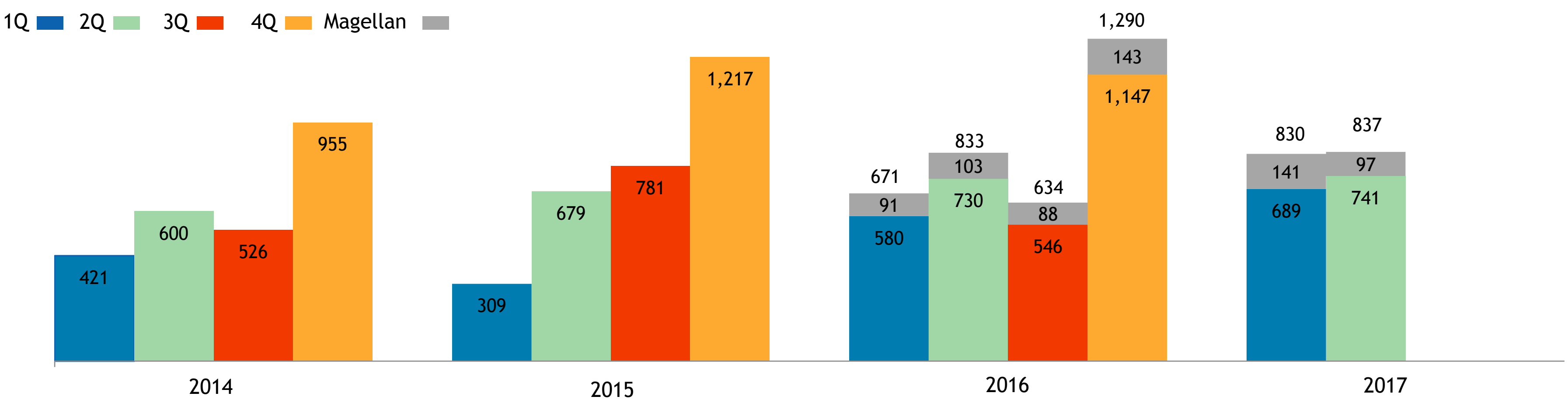
Recovery of Italian Growth



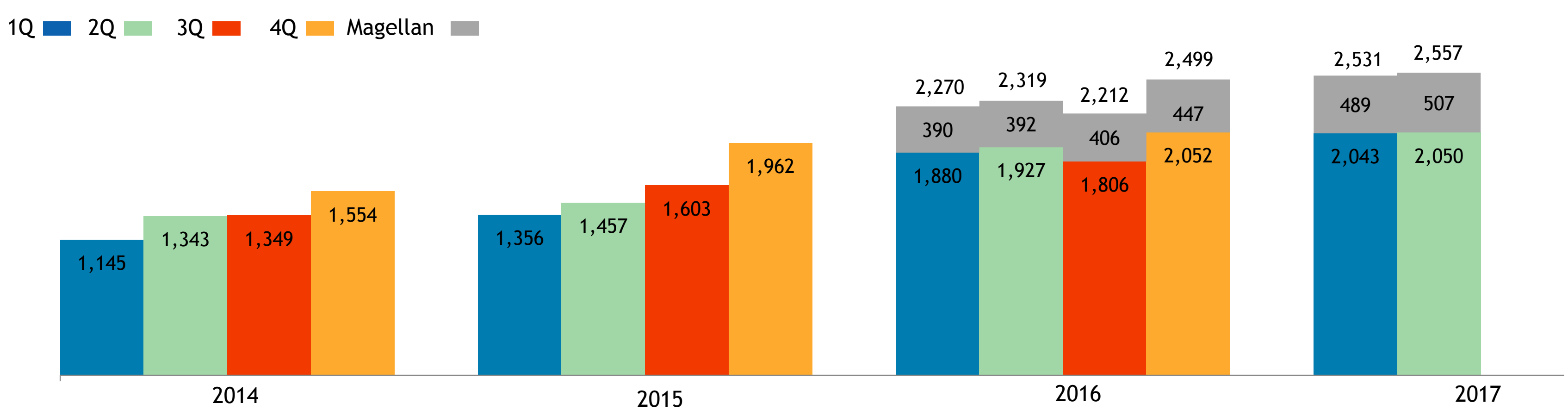
Note: For 1H16, Magelllan Spanish business (€12m) is included in Farmafactoring Espana

Traditional Business Subject to Seasonality, with Peak in Q4

Breakdown of Volumes by Quarter[1] (€bn)



Loans Evolution by Quarter (BFF Ex Magellan) (€m)



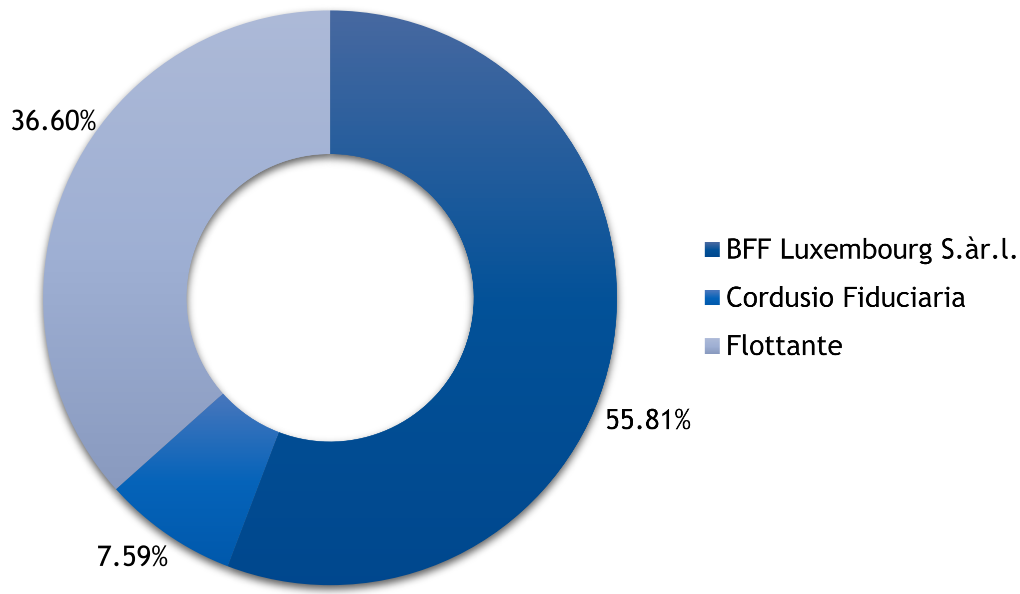
(1) 2016 Magellan New Business includes Spanish Branch New Business (€12m) and is converted to the 2016 average exchange rate PLN/€ 4,3632

Shareholders' structure

- BFF Luxembourg (controlled by Centerbridge) ownership of 55.81% at the end of the stabilisation process related to BFF IPO

- Management team (31 shareholders) jointly owns 7.59% of BFF capital

Shareholders (%)



Source: shareholders' official communications to BFF