

## BFF Banking Group announces a strong set of consolidated financial results for 1H 2022 and the approval of an interim dividend

*The Board of Directors of BFF Bank S.p.A. approved today the Consolidated Financial Report for the first half 2022*

- €68.5m Adjusted Net Profit +47% YoY, with strong performance of *Factoring & Lending*, growth in *Securities Services* and *Payments*, and positive contribution of synergies in the *Corporate Center*. €56.6m Reported Net Profit
- Strong growth in the loan portfolio at €4.5bn<sup>1</sup>, +35% YoY at historical highs
- Distribution of €68.5m of interim dividend on 24-Aug-22 (c. €0.37 per share)
- Excellent asset quality with 0.2% Net NPLs/Loans ratio excluding Italian municipalities in conservatorship. Annualized Cost of Risk on loans at 10.7bps, due to generic provisions driven by more conservative macro assumptions, and to private exposure provisions
- Strong capital position: CET1 ratio at 15.1% and TCR at 21.2% excluding 1H22 net profit, and 17.4% and 23.5% including 1H22 net profit
- Well positioned in a raising interest rate environment
- No exposure to Ukrainian and Russian markets

Milan, 4<sup>th</sup> August 2022 – Today, the Board of Directors of BFF Bank S.p.A. (“BFF” or the “Bank”) approved the First Half 2022 Consolidated Financial Report as of 30<sup>th</sup> June 2022<sup>2</sup>, the second semi-annual consolidated financial accounts after the acquisition and merger by incorporation of DEPObank – Banca Depositaria Italiana S.p.A. (“DEPObank”) into BFF.

<sup>1</sup> Loan book portfolio includes fiscal receivables “Ecobonus” for €213m, which are accounted in “Other Asset” in the Consolidated Financial Report

<sup>2</sup> 1H22 consolidated reported P&L includes DEPObank for the whole semester, unlike 1H21 reported P&L, which includes DEPObank from March to June 21. 1H22 and 1H21 adjusted P&Ls include DEPObank for the whole semester.

**Massimiliano Belingheri**, CEO of **BFF Banking Group**, commented: *"The results of the first half of the year, marked by a strong growth of earnings and loan portfolio at historical highs, are a reason to be very pleased, and allow us to confirm the distribution of an interim dividend.*

*Although in a macroeconomic environment of uncertainty, we report a solid performance in Factoring & Lending, and growth in Securities Services and Payments, while maintaining a strong capital position. The Group has no exposure to the Ukrainian and Russian markets and remains well positioned, continuing on the path of growth outlined in the business plan."*

### **CONSOLIDATED PROFIT AND LOSS DATA<sup>3</sup>**

1H22 **Adjusted Net Revenues** were €182.3m, of which €81.6m coming from *Factoring, Lending & Credit Management*, €28.5m from *Securities Services*, €30.5m from *Payments*, and €41.7m from *Corporate Center* (including synergies). Total Adjusted operating expenditures, including D&A, were -€79.5m, and Adjusted LLPs and provisions for risks and charges were -€5.3m.

The resulting **Adjusted Profit before Tax** was €97.4m and **Adjusted Net Profit** was €68.5m (+47% YoY), while 1H22 **Reported Net Profit** was €56.6m (for details on adjustments see footnote n°2).

Regarding the business units' KPIs and adjusted Profit & Loss data, as of 30<sup>th</sup> June 2022, please refer to the "1H 2022 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, including the synergies from the acquisition of DEPObank (*Factoring, Lending & Credit Management, Securities Services and Payments*).

### **CONSOLIDATED BALANCE SHEET DATA**

As of 30<sup>th</sup> June 2022, the consolidated **Balance Sheet** amounted to **€12.4bn** up by €1.4bn, +13% vs. 30<sup>th</sup> June 2021. With respect to **Total Assets**, at the end of June 2022 the **Loan Book** was at €4,529m, at historical highs, up by €1.2bn YoY (+35% YoY, at €3,359m as of 30<sup>th</sup> June 2021), with Italy one of the best performing countries, up by +61% YoY.

At the end of June 2022, the **Government bond portfolio** was classified entirely as *Held to Collect* or "HTC" and amounted to €6.0bn, vs. €5.1bn at the end of 1H21 (+€0.9bn YoY, out of which

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<sup>3</sup> Reported Net Profit includes:

- the **negative impact** of adjustments accounted on the following items:
  - -€2.1m post tax, -€2.9m pre tax, related to Stock Options & Stock Grant plans
  - -€4.7m post tax, -€6.8m pre tax, of M&A Costs
  - -€5.0m which includes taxes on one-off dividend distribution from subsidiaries (c. -€2.7m) and the write off of a DTA in Poland (c. -€2.2m)
  - -€0.9m post tax, -€1.4m pre tax, related to Customer contract amortizations,
- the **positive impact** of the adjustment accounted in the item Gains on Trading, +€0.8m post tax, +€1.2m pre tax.

€2.8bn was fixed rate, with a duration of 27 months and a yield of 0.21%, and the remaining €3.2bn floating rate, with a duration of 48 months and a spread +0.77% vs. 6-months Euribor).

**Cash and Cash Balances** were €0.4bn as of 30<sup>th</sup> June 2022, down by €0.4bn (-50.8%) YoY.

On the **Liabilities** side, deposits from *Transaction Services* were €7.8bn at the end of June 2022, down by €0.6bn (-8%) YoY. Passive Repos (refinancing operations related to Italian Government Portfolio) amounted to €0.3bn at the end of June 2022, while they were not present in the balance sheet at the end of 1H21.

Other main changes of BFF's funding sources vs. 1H21 are the following:

- BFF bonds outstanding decreased to €39m, vs. €182m at 1H21 (-79% YoY), due to the maturity of €42m Senior Bonds in June 2022 and to the repayment of the Tier II in March 2022, following the exercise of the call option;
- a €150m perpetual NC 5 AT1 Bond was issued in January 2022, with a fixed rate annual coupon of 5.875% to be paid on a semi-annual basis, allowing for higher capital flexibility, large exposure limit and leverage ratio;
- on-line retail deposits at the end of 1H22 amounted to €307m vs. €724m at the 1H21, down by €417m (-58%) YoY. On-line retail deposits in Euro decreased to €139m (-78%) YoY, due to the optimization of the funding in Euro following the acquisition of DEPOBank, while on-line retail deposits in Polish Zloty increased to €168m, (+114% YoY), to take advantage from the mark down of deposits vs. WIBOR (Warsaw Interbank Offered Rate), - with a spread of PLN funding deriving from Lokata Facto, the Polish deposit, on 1-month Wibor, equal to c. -211bps as of 30<sup>th</sup> June 2022.

The Euro cost of funding was +13bps over 1-month Euribor in 2Q22, vs. +23bps over 1-month Euribor in 1Q22. BFF does not have European Central Bank "ECB" funding to be refinanced, nor ordinary (OMA) neither extraordinary (ie. PELTRO, TLTRO, etc...).

The Group maintained a strong liquidity position, with **Liquidity Coverage Ratio (LCR)** at 220.1% as of 30<sup>th</sup> June 2022. The **Net Stable Funding Ratio (NSFR)** and the **Leverage Ratio**, at the same date, were equal to 162.4% and to 4.1% respectively, the latter positively impacted by the TIER1 Issuance.

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### Asset quality

The Group continues to benefit from a very low exposures towards the private sector. **Net non-performing loans ("NPLs")**, excluding **Italian Municipalities in conservatorship** ("*in dissesto*"), were €7.3m, at 0.2% of net loans (1.8% including Italian Municipalities in conservatorship), with a 68% **Coverage ratio**, up by €1.1m vs. 1H21 when they were at €6.2m, 0.2% of net loans (2.1% including Italian Municipalities in conservatorship).

The excellent asset quality is confirmed, with an annualized **Cost of Risk** on loans of 10.7 basis

points in 1H22, with an increase vs. the previous periods due to generic provisions, driven by more conservative macro assumptions in the IFRS 9 model, and to provisions on private exposures. Cost of risk was equal to zero as at YE21 and 1H21 due to a release of provisions.

Total **net NPLs amounted** to €80.7m in 1H22, increased by €8.5m vs. YE21 at €72.2m, and by €6.3m vs. 1H21 at €74.5m, driven mainly by new exposure of Italian Municipalities in conservatorship (which increased to €73.4m in 1H22 from €64.5m at YE21, and from €68.2m in 1H21). It is important noticing that 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 the end of 1H22 **net Past Due** amounted to €33.9m, compared to €19.4m and €2.1m respectively at YE21 and 1H21, due to some legal enforcements towards the public sector which negatively impact the Past Due calculation, but help to maximize recovery timing.

Total **Net impaired assets** (non-performing, unlikely to pay, and past due) were €128.7m as of 1H22 (€104.1m at YE21, €90.9m at 1H21), 83% of which are towards public sector. Net impaired assets net of “dissesti” were €55.3m at the end of 1H22 (vs. €39.6m at YE21 and €22.7m at 1H21).

### Capital Ratios

The Group maintains a strong capital position with a **Common Equity Tier 1 (CET1) ratio** of 15.1% (vs. 7.85% SREP), and a **Total Capital ratio (TCR)** of 21.2% (well above both the Bank's TCR target of 15.0%, and the 12.05% SREP), with **€152m of capital in excess of 15.0% TCR target. Both ratios exclude 1H22 profit.** Including 1H22 profit, CET1 ratio and TCR would be 17.4% and 23.5% respectively. The Total Capital and Tier 1 ratios benefited also from the issuance of the AT1.

BFF did not apply any of the ECB / EBA emergency measure or the European Commission's banking package for COVID-19.

**Risk-Weighted Assets (RWAs)** calculation is based on the Basel Standard Model. 1H22 RWAs were €2.5bn (vs. €2.2bn at YE21 and at 1H21), with a **density**<sup>4</sup> of 40.6%, vs. 45.0% at YE21 and 43.3% at 1H21.

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### Payment of €68.5m of interim dividend

Today BFF Board of Directors has resolved to distribute an interim dividend based on the results as of 30th June 2022, in the gross amount of c. €0.37, for each of n° 185,521,548 of BFF outstanding ordinary shares. Such dividend takes into account the portion on dividends attributable to the treasury shares (n. 716,235 as of 3<sup>rd</sup> August 2022), which the Bank may hold at the record date, and it will be disclosed in its final value on Friday 19<sup>th</sup> August 2022. The payment, pursuant to art. 2.6.2 of the Regulations of Markets organized and managed by Borsa

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<sup>4</sup> Calculated as RWAs/Total assets excluding HTC bond portfolio and Cash and Cash Balances.

Italiana S.p.A., as well as art. IA.2.1.2 of the related Instructions, will take place from Wednesday 24<sup>th</sup> August 2022, with ex-dividend date of coupon n° 6 on Monday 22<sup>nd</sup> August 2022, and record date (i.e., date of entitlement to the dividend payment itself) on Tuesday 23<sup>rd</sup> August 2022.

The resolution is taken in accordance with BFF dividend distribution policies, and after a positive assessment on the possibility of distributing interim dividends during the year pursuant to Article 2433-bis of the Civil Code. The resolution follows BFF's Board of Directors' commitment, announced in the [press release published on 10<sup>th</sup> February 2022](#), to undertake all possible initiatives to pay dividends twice a year starting from 2022, in compliance with regulatory requirements. It is remembered that on 21<sup>st</sup> April 2022, and based on the results of YE21, BFF distributed a gross dividend per share corresponding to €0.6795.

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### **Significant events after the end of the 1H22 reporting period**

#### **Clearance for MC3 Srl Acquisition**

BFF has received by Bank of Italy the clearance for the MC3 Srl ("MC3") acquisition, a consulting company based in Brescia ([www.mc3info.com](http://www.mc3info.com)). BFF has been working with MC3 for over ten years: MC3 has supported BFF in the initial implementation and evolution of the current core-factoring system of the Bank. The transaction, consistent with BFF acquisition strategy, allows the vertical integration of all MC3's development activities connected with the management and evolution of the information system into the Group.

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### **Statement of the Financial Reporting Officer**

The Financial Reporting Officer Claudio Rosi, 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**

The 1H22 consolidated results will be presented today, 4<sup>th</sup> August 2022, at 3pm CET (2pm 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 2021 it reported a consolidated Adjusted Net Profit of €125.3 million, with a 15.1% Group CET1 ratio at the end of June 2022.

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

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## Consolidated Balance Sheet (Values in €)

Assets items	30-Jun-21	31-Dec-21	30-Jun-22
Cash and cash equivalents	787,468,905	554,467,803	387,238,167
Financial assets measured at fair value through profit or loss	37,773,484	36,598,343	38,751,089
<i>a) financial assets held for trading</i>	4,372,347	4,094,816	6,979,826
<i>b) financial assets designated at fair value</i>	-	-	-
<i>c) other financial assets mandatorily measured at fair value</i>	33,401,136	32,503,527	31,771,263
Financial assets measured at fair value through Other Comprehensive Income	83,560,769	83,505,780	128,506,575
Financial assets measured at amortized cost	9,626,630,794	10,069,496,866	11,262,863,896
<i>a) due from banks</i>	911,643,848	404,099,101	693,305,352
<i>b) due from customers</i>	8,714,986,946	9,665,397,765	10,569,558,543
Hedging derivatives	4,174,790	13,098	8,754,610
Equity investments	13,209,320	13,483,781	13,619,411
Property, plant, and equipment	37,451,565	36,451,859	50,351,529
Intangible assets	135,679,445	67,547,298	65,845,523
<i>of which: goodwill</i>	111,891,261	30,874,236	30,874,236
Tax assets	119,913,895	100,518,550	79,121,443
<i>a) current</i>	45,315,569	41,389,440	23,595,707
<i>b) deferred</i>	74,598,326	59,129,110	55,525,736
Other assets	193,148,626	214,613,950	411,759,211
<b>Total consolidated assets</b>	<b>11,039,011,594</b>	<b>11,176,697,328</b>	<b>12,446,811,453</b>

Liabilities and Equity items	30-Jun-21	31-Dec-21	30-Jun-22
Financial liabilities measured at amortized cost	9,393,104,644	10,010,352,805	11,094,568,522
<i>a) due from banks</i>	926,160,029	795,053,359	685,894,626
<i>b) due from customers</i>	8,284,709,975	9,029,014,284	10,370,037,263
<i>c) securities issued</i>	182,234,640	186,285,162	38,636,633
Financial Liabilities Held for Trading	543,709	2,724,511	1,954,296
Hedging derivatives	657,801	4,814,350	13,808
Tax liabilities	106,956,722	100,684,173	100,845,613
<i>a) current</i>	5,683,063	5,027,559	2,075,397
<i>b) deferred</i>	101,273,659	95,656,614	98,770,216
Other liabilities	757,575,484	460,855,826	569,656,101
Employee severance indemnities	3,843,144	3,709,582	3,180,782
Provisions for risks and charges:	21,538,065	21,959,653	22,510,718
<i>a) guarantees provided and commitments</i>	219,350	293,721	33,817
<i>b) pension funds and similar obligations</i>	5,471,149	6,132,998	7,852,998
<i>c) other provisions</i>	15,847,566	15,532,934	14,623,903
Valuation reserves	6,319,724	5,268,845	5,954,114
Reserves	330,476,658	166,903,826	237,162,225
Share premium	66,442,541	66,492,997	66,492,997
Additional Tier1	-	-	150,000,000
Share capital	142,625,674	142,690,771	142,849,688
Treasury shares	(1,392,207)	(7,132,434)	(5,027,219)
Profit (Loss) for the year	210,319,634	197,372,423	56,649,808
<b>Total consolidated liabilities and equity</b>	<b>11,039,011,594</b>	<b>11,176,697,328</b>	<b>12,446,811,453</b>



## Consolidated Income Statement (Values in €)

Profit & Loss items	30-Jun-21	30-Jun-22
Interest and similar income	102,193,906	136,111,969
Interest and similar expenses	(24,509,564)	(13,356,595)
<b>Net interest income</b>	<b>77,684,342</b>	<b>122,755,374</b>
Fee and commission income	43,304,618	64,319,920
Fee and commission expenses	(11,379,916)	(18,523,108)
<b>Net fees and commissions</b>	<b>31,924,702</b>	<b>45,796,812</b>
Dividend income and similar revenue	3,671,395	7,079,953
Gains (Losses) on trading	2,678,391	6,278,724
Fair value adjustments in hedge accounting	(1,847,826)	(14,478,784)
Gains (Losses) on disposals/repurchases of:	(12,662,994)	-
<i>a) financial assets measured at amortized cost</i>	(15)	-
<i>b) financial assets measured at fair value through OCI</i>	(13,109)	-
<i>c) financial liabilities</i>	(12,649,870)	-
Net income from other financial assets & liabilities at FV	992,786	4,007,101
<b>Net banking income</b>	<b>102,440,797</b>	<b>171,439,180</b>
Impairment losses/reversals on:	249,275	(2,442,503)
<i>a) financial assets measured at amortized cost</i>	395,864	(2,442,503)
<i>b) financial assets measured at fair value through OCI</i>	(146,589)	-
<b>Net profit from banking activities</b>	<b>102,690,071</b>	<b>168,996,677</b>
<b>Net profit from financial and insurance activities</b>	<b>102,690,071</b>	<b>168,996,677</b>
Administrative expenses:	(82,016,155)	(84,984,816)
<i>a) personnel costs</i>	(34,069,284)	(35,600,487)
<i>b) other administrative expenses</i>	(47,946,870)	(49,384,329)
Net provisions for risks and charges:	1,690,817	(3,078,310)
<i>a) guarantees provided and commitments</i>	313,052	251,321
<i>b) pension funds and similar obligations</i>	1,377,765	(3,329,631)
Net adjustments to/writebacks on tangible assets	(2,306,139)	(2,591,892)
Net adjustments to/writebacks on intangible assets	(4,234,187)	(3,062,976)
Other operating income/expenses	175,221,995	12,043,043
Gains (Losses) on equity investments	102,922	174,906
<b>Profit before tax from continuing operations</b>	<b>191,149,326</b>	<b>87,496,633</b>
Income taxes on profit from continuing operations	19,170,308	(30,846,825)
Profit after taxes from continuing operations	210,319,634	56,649,808
<b>Profit of the period</b>	<b>210,319,634<sup>5</sup></b>	<b>56,649,808</b>

<sup>5</sup> Includes the positive impacts of the recognition of goodwill from DEPObank transaction and the goodwill tax step-up held in 1H21.

## Consolidated capital adequacy

	30-Jun-21	31-Dec-21	30-Jun-22
<i>Values in €m</i>			
Credit and Counterparty Risk	124.8	123.2	146.4
Market Risk	0.1	0.3	0,0
Operational Risk	51.9	50.2	50.2
<b>Total capital requirements</b>	<b>176.8</b>	<b>173.7</b>	<b>196.6</b>
<b>Risk Weighted Assets (RWA)</b>	<b>2,210.0</b>	<b>2,171.1</b>	<b>2,457.1</b>

<b>CET 1</b>	<b>410.4</b>	<b>382.8</b>	<b>370.3</b>
<b>Tier I</b>	<b>-</b>	<b>-</b>	<b>150.0</b>
<b>Tier II</b>	<b>98.2</b>	<b>98.2</b>	<b>-</b>
<b>Own Funds</b>	<b>508.7</b>	<b>481.1</b>	<b>520.3</b>

<b><i>CET 1 Capital ratio</i></b>	<b><i>18.6%</i></b>	<b><i>17.6%</i></b>	<b><i>15.1%</i></b>
<b><i>Tier I Capital ratio</i></b>	<b><i>18.6%</i></b>	<b><i>17.6%</i></b>	<b><i>21.2%</i></b>
<b><i>Total Capital ratio</i></b>	<b><i>23.0%</i></b>	<b><i>22.2%</i></b>	<b><i>21.2%</i></b>

## Asset quality

	30-Jun-2022 (BFF & DEPObank)		
€ 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>147,551</b>	<b>(18,890)</b>	<b>128,661</b>

	31-Dec-2021 (BFF & DEPObank)		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	88,736	(16,503)	72,233
Unlikely to pay	17,505	(5,092)	12,413
Past due	19,486	(58)	19,428
<b>Total impaired assets</b>	<b>125,727</b>	<b>(21,652)</b>	<b>104,075</b>

	30-Jun-2021 (BFF & DEPObank)		
€ 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>

	30-Jun-2020 <sup>6</sup>		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	79,743	(14,156)	65,588
Unlikely to pay	18,350	(2,283)	16,067
Past due	49,915	(1,048)	48,868
<b>Total impaired assets</b>	<b>148,008</b>	<b>(17,487)</b>	<b>130,522</b>

<sup>6</sup> BFF Reported data as of 30<sup>th</sup> June 2020, before the application of the "New Definition of Default"