

BFF Banking Group announces record 1Q23 adjusted consolidated net profit

- 1Q23 Reported Profit at €48.4m, Adjusted Net Profit at €52.7m +38.1% YoY, best quarter ever.
- Strong growth in loan portfolio, at €5.0bn, +30% YoY, a new historical 1Q high.
- Robust Balance Sheet with stable and diversified funding with no recourse to ECB LT lending facilities. Loan/Deposit ratio at 75%, with net positive inflow of retail deposits in 1Q23.
- Improved Leverage Ratio, with reduction in Total Assets and increase in loan book YoY.
- Strong asset quality with 0.1% Net NPLs/Loans ratio excluding Italian municipalities in conservatorship.
- Very solid capital position: CET1 ratio at 17.0% and TCR at 22.6%. €205m of excess capital vs. 15% TCR target.
- c. €0.28 per share already accrued in 1Q23, part of the interim dividend distribution in Aug-23, vs. €0.21 in 1Q22.
- New medium-term targets to be presented on 29th June during Investor Day.

Milan, 11th May 2023 – Today the Board of Directors of BFF Bank S.p.A. (“**BFF**” or the “**Bank**”) approved BFF’s first quarter 2023 consolidated financial accounts.

CONSOLIDATED PROFIT AND LOSS¹

1Q23 **Adjusted Net Revenues** were €111.8m, of which €49.9m coming from *Factoring, Lending & Credit Management* business unit – driven mainly by the growth in Net Interest Income +22% YoY –, €7.0m from the *Securities Services*, €15.9m from *Payments*, and €39.0m from the *Corporate Center* (including €19.8m of capital gain due to the sale of €600m of floaters' **Government bond portfolio**). Total Adjusted operating expenditures, including D&A, were €39.0m, and Adjusted LLPs and provisions for risks and charges were €0.4m.

This resulted in an **Adjusted Profit before taxes** of €72.4m, and an **Adjusted Net Profit** of €52.7m, +38.1% YoY. 1Q23 **Reported Net Profit** was €48.4m (for details, see footnote n° 1).

At the end of 1Q23, the **employees** at Group level were 818 (vs. 851 at the end of 1Q22), of which:

- 355 in *Factoring & Lending* business unit (355 in 1Q22),
- 149 in *Securities Services* (181 in 1Q22),
- 51 in *Payments* (50 in 1Q22), and
- 263 in *Corporate Center* (staff, control functions, finance & administration, technology and processes improvement) vs. 265 in 1Q22.

With regard to the business units' KPIs and adjusted Profit & Loss data, please refer to the "1Q 2023 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, Securities Services* and *Payments*).

CONSOLIDATED BALANCE SHEET

As of 31st March 2023, the **consolidated Balance Sheet** amounted to **€11.6bn** down by €0.5bn (-3.9%) vs. the end of March 2022, despite the increase in **Loan Book** YoY.

The **Loan Book** was at €5,046m², at a new 1Q historical high, up by €1.2bn YoY (+30%), with strong performance of Greece up by 66% YoY and Italy, up by 40% YoY.

At the end of March 2023, the **Government bond portfolio** was classified entirely as *Held to Collect* or "HTC". The bond portfolio amounts to €5.6bn at the end 1Q23, vs. €5.9bn at the end of

¹ Reported Net Profit includes:

- the negative impact of adjustments accounted on the following items:
 - -€1.5m post tax, -€2.0m pre tax, related to Stock Options & Stock Grant plans
 - -€2.3m post tax, -€3.2m pre tax, of Transaction/Restructuring and M&A Costs
 - -€0.5m post tax, -€0.7m pre tax, related to Customer contract amortizations.

² Loan book portfolio includes fiscal receivables "Ecobonus" for €211m, which are accounted in "Other Asset" in the 1Q23 Consolidated Financial Accounts and the stock of on-balance sheet LPs and "recovery cost" rights at €489m.

March 2022, with a strong reduction of fixed bonds –24% of the total portfolio in 1Q23 vs. 50% in 1Q22 –, following a rebalancing portfolio strategy aimed at increasing floaters to benefit from raising interest rates. The fixed bond portfolio residual average life was 43 months, with a yield of 0.53%; the floater bond residual portfolio average life was 73 months, with a spread +0.90% vs. 6-month Euribor and a running yield of 3.00% as of 31st March 2023. More than 90% of the variable-rate bonds reset in April 2023, just after the end of the quarter (6 months refixing). **Cash and Cash Balances** were €0.2bn as of end of March 2023, down by €0.8bn (-84.0%) YoY.

On the **Liabilities** side, the main changes vs. end of March 2022 are the following:

- deposits from *Transaction Services* were €5.2bn at the end of March 2023, down by €2.4bn YoY (€0.8bn YoY excluding Arca), primarily due to Arca's exit;
- on-line retail deposits at end of March 2023 amounted to €1,488m vs. €245m at the end of March 2022, up by €1,243m (>100%) YoY, increasing primarily in Poland and Spain;
- Passive Repos (refinancing operations related to Italian Government Portfolio) amounted to €3.5bn at the end of March 2023, vs. €2.8bn at end of March 2022, increased due to higher loan book and lower deposits from transaction services, partially offset by the increase in on-line retail deposits, while they decreased by €920m vs. YE22 as a consequence of the reduction of **Total Asset**;
- BFF outstanding bonds decreased to €39m, vs. €81m at end of March 2022 (-52% YoY), due to the maturity of €42m Senior Bonds during 2022.

The Euro cost of funding was -53bps over 1-month Euribor in 1Q23, vs. -40bps over 1-month Euribor in 4Q22.

BFF does not have European Central Bank "ECB" LT funding to be refinanced (PELTRO, TLTRO, etc.).

The Group maintained a strong liquidity position, with **Liquidity Coverage Ratio (LCR)** at 195.3% as of 31st March 2023. The **Net Stable Funding Ratio (NSFR)** was 152.6% **Leverage Ratio** 5.2% improved vs. 4.6% at YE22.

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 €6.8m, at 0.1% of net loans, with a stable 74% **Coverage ratio** vs. YE22 and improved vs. 1Q22 when it was 68%. 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 4.7 basis points at end of March 2023.

At the end of March 2023 **net Past Due** amounted to €198.3m, increased vs. €185.3m as of YE22 and vs. €33.5m as of end of March 2022. In September 2022 Bank of Italy issued more stringent interpretation criteria on the New DoD (Guidelines on the application of the definition of default under Art. 178 of Regulation (EU) no. 575/2013), determining a step up in Past Due exposure, while leaving unchanged the Group underlying credit risk: 92% of NPE exposure is towards Public Administration in 1Q23.

Total **Net impaired assets** (non-performing, unlikely to pay, and past due) were €300.7m as of 31st March 2023, vs. €283.8m as of YE22, and €124.2m as of end of March 22, primarily as a consequence of higher Past Due.

Capital ratios

The Group maintains a strong capital position with a **Common Equity Tier 1 (“CET1”) ratio** of 17.0% vs. a SREP of 9.0%. The **Total Capital ratio (“TCR”)** is at 22.6%, well above both the Bank’s TCR target of 15.0%, and the SREP of 12.5%, with **€205m of capital in excess of 15.0% TCR target**. **Both ratios exclude the €52.7m of accrued dividends**, which, if included, would bring CET1 ratio and TCR at 19.0% and 24.6% respectively.

The next dividend distribution is scheduled for August 2023, based on an interim dividend paid on the basis of 1H23 adjusted net profit, of which c. €0.28 per share already accrued in 1Q23. The balance of the dividend for the 2023 financial year will take place in April 2024, following the Ordinary Shareholders' Meeting called to approve the financial statements.

Risk Weighted Assets (“RWAs”) calculation is based on the Basel Standard Model. As of end of March 2023 RWAs were €2.7bn, at the same level of YE22, and increased vs. €2.3bn at end of March 2022 due to a higher Loan Portfolio YoY, with a **density**³ of 45%, vs. 42% at YE22 and 44% at end of March 2022.

Significant events after the end 1Q23 reporting period

Split Payment

On 9-May-23 the Government announced that European Union is in the process of giving the green light for a request of extension to apply the VAT split payment, due to expire on 30-Jun-23.

³ Calculated as RWAs/Total assets excluding HTC bond portfolio and Cash and Cash Balances.

No indication on the timing of the extension has been given. In case of approval, we do not expect impacts on BFF 2023 guidance.

Increase in Late Payment Interest rate

From 1-Jan-23, Eurozone Late Payment Interest ("LPI") statutory rate increased by 2.5%, to 10.5% from previous 8%. Based on current ECB rates, a further increase to 11.75% will kick-in at the next refixing date (1-Jul-23), already locked-in with the rates' increase of 4th May 2023.

Dividend Payment 2022

As announced with the [press release dated 14th April 2023](#), following the resolution of the Shareholders' Meeting of BFF held on 13th April 2023, the balance of the gross dividend per share, equal to €0.419, was paid starting from 26th April 2023, bringing the total gross dividend for the fiscal year 2022 to €0.7898 per share.

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.

Earnings call

1Q 2023 consolidated results will be presented today, 11th 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.

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 2022 it reported a consolidated Adjusted Net Profit of €146.0 million, with a 17.0% Group CET1 ratio at the end of March 2023.

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Consolidated Balance Sheet (Values in €)

Assets items	31-Dec-22	31-Mar-23
Cash and cash equivalents	634,879,242	150,389,902
Financial assets measured at fair value through profit or loss	90,540,554	129,145,526
a) <i>financial assets held for trading</i>	210,963	377,704
b) <i>financial assets designated at fair value</i>	-	-
c) <i>other financial assets mandatorily measured at fair value</i>	90,329,591	128,767,822
Financial assets measured at fair value through Other Comprehensive Income	128,097,995	129,429,148
Financial assets measured at amortized cost	11,895,850,418	10,650,789,674
a) <i>due from banks</i>	478,203,260	183,842,795
b) <i>due from customers</i>	11,417,647,158	10,466,946,879
Hedging instruments	-	-
Equity investments	13,655,906	13,656,105
Property, plant, and equipment	54,349,168	56,785,354
Intangible assets	70,154,575	69,891,359
<i>of which: goodwill</i>	30,956,911	30,956,911
Tax assets	60,707,458	61,916,434
a) <i>current</i>	513,589	1,808,673
b) <i>deferred</i>	60,193,870	60,107,761
Other assets	394,181,565	377,867,638
Total consolidated assets	13,342,416,883	11,639,871,140

Liabilities and Equity items	31-Dec-22	31-Mar-23
Financial liabilities measured at amortized cost	11,994,762,826	10,339,632,745
a) deposits from banks	1,166,365,115	870,477,069
b) deposits from customers	10,789,421,645	9,430,012,499
c) securities issued	38,976,066	39,143,177
Financial Liabilities Held for Trading	949,790	2,844,868
Hedging derivatives	14,313,592	-
Tax liabilities	136,002,627	154,350,153
a) current	30,997,504	42,584,545
b) deferred	105,005,123	111,765,609
Other liabilities	401,369,354	304,110,895
Employee severance indemnities	3,238,366	3,224,208
Provisions for risks and charges:	33,012,775	35,510,954
a) guarantees provided and commitments	251,282	272,678
b) pension funds and similar obligations	7,861,441	10,466,437
c) other provisions	24,900,051	24,771,839
Valuation reserves	6,852,891	6,379,739
Additional Tier1	150,000,000	150,000,000
Reserves	233,153,339	461,086,722
Interim dividend	(68,549,894)	(68,549,894)
Share premium	66,277,204	66,277,204
Share capital	142,870,383	142,929,818
Treasury shares	(3,883,976)	(6,324,382)
Profit (Loss) for the period	232,047,606	48,398,109
Total consolidated liabilities and equity	13,342,416,883	11,639,871,140

Consolidated Income Statement⁴ (Values in €)

Profit & Loss items	31-Mar-22	31-Mar-23
Interest and similar income	60,268,420	125,138,085
Interest and similar expenses	(10,245,857)	(62,810,633)
Net interest income	50,022,563	62,327,452
Fee and commission income	32,140,029	26,877,266
Fee and commission expenses	(9,208,913)	(9,150,860)
Net fees and commissions	22,931,116	17,726,406
Dividend income and similar revenue	5,666,666	6,686,519
Gains/(Losses) on trading	4,767,097	(2,064,440)
Fair value adjustments in hedge accounting	-	-
Gains/(Losses) on disposals/repurchases of:	-	19,784,634
a) <i>financial assets measured at amortized cost</i>	-	19,784,634
b) <i>financial assets measured at fair value through Other Comprehensive Income</i>	-	-
d) <i>financial liabilities</i>	-	-
Net income from other financial assets & liabilities at FV	3,422,228	(1,006,922)
a) <i>financial assets and liabilities designated at fair value</i>	-	-
c) <i>other financial assets compulsorily valued at fair value</i>	3,422,228	(1,006,922)
Net banking income	86,809,670	103,453,649
Impairment (losses)/reversals on:	(109,264)	(574,477)
a) <i>financial assets measured at amortised cost</i>	(109,264)	(574,477)
b) <i>financial assets measured at fair value through Other Comprehensive Income</i>	-	-
Net profit from financial and insurance activities	86,700,406	102,879,172
Administrative expenses:	(40,613,273)	(41,844,340)
a) <i>personnel costs</i>	(19,297,560)	(22,131,371)
b) <i>other administrative expenses</i>	(21,315,713)	(19,712,969)
Net provisions for risks and charges:	(692,455)	102,470
a) <i>commitments and guarantees provided</i>	(210,019)	(21,368)
b) <i>other net provisions</i>	(482,435)	123,838
Net (adjustments to)/writebacks on property, plant, and equipment	(1,297,645)	(1,131,021)
Net (adjustments to)/writebacks on intangible assets	(1,444,624)	(1,908,368)
Other operating (expenses)/income	5,141,585	8,381,823
Total operating expenses	(38,906,412)	(36,399,436)
Gains (Losses) on equity investments	137,154	68,605
Profit (Loss) before taxes from continuing operations	47,931,148	66,548,341
Income taxes on profit from continuing operations	(16,668,374)	(18,150,232)
Profit (Loss) after taxes from continuing operations	31,262,773	48,398,109
Profit (Loss) after taxes from discontinued operations	-	-
Profit (Loss) for the period	31,262,773	48,398,109

⁴ Costs related to deferred employees' benefits, previously accounted in «Net provision for risks and LLP» are reclassified in «Personnel Expenses». 1Q22 restated also for the item «Fair value adjustments in hedge accounting» reclassified in «Gains / Losses on Trading» and in «Interest Expenses».

Consolidated capital adequacy

	31-Mar-22	31-Dec-22	31-Mar-23
<i>Values in €m</i>			
Credit and Counterparty Risk	135.1	160.2	156.4
Market Risk	0.0	0.0	0.0
Operational Risk	50.2	58.9	58.9
Total capital requirements	185.3	219.2	215.4
Risk Weighted Assets (RWA)	2,315.7	2,739.7	2,692.3
CET 1	386.2	461.9	458.4
Tier I	150.0	150.0	150.0
Tier II	-	-	-
Own Funds	536.2	611.9	608.4
<i>CET 1 Capital ratio</i>	<i>16.7%</i>	<i>16.9%</i>	<i>17.0%</i>
<i>Tier I Capital ratio</i>	<i>23.2%</i>	<i>22.3%</i>	<i>22.6%</i>
<i>Total Capital ratio</i>	<i>23.2%</i>	<i>22.3%</i>	<i>22.6%</i>

Asset quality

	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
Total impaired assets	325,595	(24,906)	300,690

	31-Dec-2022		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	105,660	(19,287)	86,372
Unlikely to pay	16,374	(4,241)	12,132
Past due	185,971	(714)	185,257
Total impaired assets	308,005	(24,243)	283,762

	31-Mar-2022		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs) ⁵	92,921	(15,863)	77,058
Unlikely to pay	18,176	(4,568)	13,608
Past due	33,586	(80)	33,506
Total impaired assets	144,683	(20,511)	124,171

	31-Mar-2021		
€ 000	Gross	Provisions	Net
Non-performing loans (NPLs)	91,088	(16,834)	74,254
Unlikely to pay	15,402	(3,727)	11,675
Past due	5,960	(195)	5,765
Total impaired assets	112,451	(20,757)	91,694

⁵ Includes LPIs