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PRESS RELEASE

BFF Banking Group announces record 2022 consolidated net income and upward revision of 2023 Adj. Net Income Target

- **FY2022 Reported Profit at €232.0m, + 17.6% YoY. 2022 Adjusted Net Profit +16.6% YoY, at €146.0m.**
- **Strong growth in loan portfolio, at €5.4bn, +45% YoY, a new historical high.**
- **Strong asset quality with 0.1% Net NPLs/Loans ratio excluding Italian municipalities in conservatorship. Public Sector's Past Due stable vs 3Q22.**
- **Very solid capital position: CET1 ratio at 16.9% and TCR at 22.3%.**
- **From 31-Dec-22: (i) "Recovery Cost" rights accounted on an accrual basis, and (ii) change in Late Payment Interest's ("LPI") recovery rate accrual to 50% from 45%. Positive €100m capital one-off at YE22, along with an increase in yearly profits from 2023. €530m of off-balance sheet reserves.**
- **FY22 dividends at €146.0m, including €68.5m of interim dividend paid in Aug-22. €77.5m final 2022 dividend (approx. €0.42 per share) to be paid in Apr-23. Upcoming interim dividend in Aug-23 based on 1H23 results.**
- **Increase in LPI statutory rate at 10.50%, following Jan-23 refixing, further increase expected in 2023. Significant interest rates upside still unlocked.**
- **2023 Net Income Adj. Target up to €180/190m from previous €170/180m. New medium-term targets will be communicated with new Strategic Plan before the 1H23 results.**

Milan, 9th February 2023 – Today the Board of Directors of BFF Bank S.p.A. ("**BFF**" or the "**Bank**") approved BFF's full year 2022 consolidated financial accounts[1].

[1] FY22 consolidated reported P&L includes DEPObank for the whole period, unlike FY21 reported P&L, which includes DEPObank from March to December 2021. FY22 and FY21 adjusted P&Ls include DEPObank for the entire period.

Massimiliano Belingheri, BFF *Group CEO*, commented: *"The year 2022 brought double-digit growth in Group's profits, delivering full synergies of DEPObank acquisition one year ahead of schedule, and expectations of increasing profitability. We are pleased to announce a new Adjusted Net Profit Target for 2023, increased to €180-190m, with significant unlocked potential related to rising interest rates for the year ahead. We are proud of the growth in our loan portfolio, which recorded a new all-time high, and of the solid capitalisation of the Group."*

CONSOLIDATED PROFIT AND LOSS[2]

FY22 **Adjusted Net Revenues** were €379.1m, of which €170.1m coming from *Factoring, Lending & Credit Management* business unit, €52.5m from the *Securities Services*, €63.3m from *Payments*, and €93.2m from the *Corporate Center* (including synergies). Total Adjusted operating expenditures, including D&A, were €167.6m, and Adjusted LLPs and provisions for risks and charges were €6.2m.

This resulted in an **Adjusted Profit before taxes** of €205.4m, and an **Adjusted Net Profit** of €146.0m, +16.6% YoY. FY22 **Reported Net Profit** was €232.0m (for details, see footnote n° 2).

At the end 2022, the **employees** at Group level were 841 (vs. 862 at the end of 2021), of which:

- 358 in the *Factoring & Lending* business unit (366 in FY21),
- 168 in the *Securities Services* (180 in FY21),
- 52 in *Payments* (49 in FY21), and
- 263 in the *Corporate Center* (staff, control functions, finance & administration, technology and processes improvement) vs. 267 in FY21.

With regard to business units' KPIs and adjusted Profit & Loss data, please refer to the "FY 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

[2] Reported Net Profit includes:
- the negative impact of adjustments accounted on the following items:
  - -€3.3m post tax, -€4.4m pre tax, related to Stock Options & Stock Grant plans
  - -€4.6m post tax, -€6.7m pre tax ,of M&A Costs
  - -€4.9m which includes taxes on: one-off dividend distribution from subsidiaries (c.-€2.7m) and the write off of a DTA il Poland (c. -€2.2m)
  - -€3.1m post tax, -€4.6m pre tax, related to Customer contract amortizations.
- the positive impact of the adjustment accounted on the following items:
  - +€100.1m post tax, +€138.7m pre tax related to change in assets value, including LPIs and "Recovery costs"
  - +€1.7m post tax, +€2.4m pre tax related to Gains on Trading
  - +€0.2m post tax, +€0.3m pre tax, related to the capital gain on the sale of a building owned by BFF Bank located in Rome.

directly allocated to the three core business units (*Factoring, Lending & Credit Management*, *Securities Services* and *Payments*).

CONSOLIDATED BALANCE SHEET

As of 31st December 2022, the consolidated **Balance Sheet** amounted to **€13.3bn** up by €2.2bn, +19% vs. YE21. With respect to **Total Assets**, at the end of December 2022 the **Loan Book** was at €5,442m[3], at historical highs, up by €1.7bn YoY (+45% YoY, at €3,763m as of YE21), with strong performance of Italy, up by +59% YoY.

At the end of December 2022, the **Government bond portfolio** was classified entirely as *Held to Collect* or "HTC". The bond portfolio amounts to €6.1bn at the end of Dec-22, vs. €5.8bn at YE21, with €4.2bn floating rate bonds, and €1.9bn fixed rate bonds, following a rebalancing portfolio strategy, aimed at increasing floaters to benefit from raising interest rates. The Fixed bond portfolio residual average life was 31 months, with a yield of 0.35%; the floater bond residual portfolio average life was 64 months, with a spread +0.96% vs. 6-month Euribor and a running yield of 3.03% as of 31-Dec-22. **Cash and Cash Balances** were €0.6bn as of YE22, up by €0.1bn (+14.5%) YoY.

On the **Liabilities** side the main changes vs. YE21 are the following:

- Deposits from *Transaction Services* were €5.9bn at YE22, down by €2.6bn YoY (€0.6bn net of Arca YoY), primarily due to Arca's migration to another Depositary Bank which was completed in November 2022;
- on-line retail deposits at YE22 amounted to €1,283m vs. €230m at the YE21, up by €1,053m (+457%) YoY, increasing in Poland and Spain;
- Passive Repos (refinancing operations related to Italian Government Portfolio) increased to €4.4bn at the end of December 2022, from €1.1bn at YE21, due to higher loan book and lower deposits from transaction services, partially offset by the increase in on-line retail deposits;
- 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;
- BFF outstanding bonds decreased to €39m, vs. €182m at YE21 (-79% YoY), due to the maturity of €43.2m Senior Bonds during the year and to the repayment of the Tier II in

[3] Loan book portfolio includes fiscal receivables "Ecobonus" for €221m, which are accounted in "Other Asset" in the FY 2022 Consolidated Financial Accounts and the stock of on-balance sheet "recovery cost" rights and LPIs at €466m.

March 2022, following the exercise of the call option.

The Euro cost of funding was -40bps over 1-month Euribor in 4Q22, vs. -17bps over 1-month Euribor in 3Q22.

BFF does not have European Central Bank "ECB" funding to be refinanced, nor ordinary (OMO) neither extraordinary (PELTRO, TLTRO…).

The Group maintained a strong liquidity position, with **Liquidity Coverage Ratio (LCR)** at 297.8% as of 31st December 2022. The **Net Stable Funding Ratio (NSFR)** and the **Leverage Ratio**, at the same date, were equal to 161.1% and 4.6% respectively.

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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 an improved 74% **Coverage ratio** vs. 9M22 and vs. YE21. 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.

Annualized **Cost of Risk** on loans was 11.2 basis points at YE22, with an increase vs. the previous periods mostly due to specific provisions on private exposures in Poland.

At the end of December 2022 **net Past Due** amounted to €185.3m, stable vs. €187.1m as of 30-Sept-22 when they increased due to 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) issued by Bank of Italy on 23rd September 2022.

Total **Net impaired assets** (non-performing, unlikely to pay, and past due) were €283.8m as of YE22 stable vs. 30-Sept-22 with 92% towards public sector.

On Balance Sheet Recognition of Recovery Costs and Change in LPI Accrual Rate

Starting from the end of 2022 BFF, based upon its collection track record, changed its collection estimate on (i) "Recovery Cost" rights to 50% (previously cash accounted), (ii) LPI's recovery rate accrual to 50% from 45% (iii) LPI collection days at 2,100 days, based on new long-term collection trends. These changes still leave €530m of off-balance sheet reserves still not recognized in BFF accounts (€410m of off-balance sheet LPIs fund and €120m of off-balance sheet Recovery Costs fund) and were the main drivers of a positive €100m one off profit.

Capital ratios

The Group maintains a strong capital position with a **Common Equity Tier 1 ("CET1") ratio** of 16.9% vs. a SREP of 9.00% (increased from the previous requisite of 7.85% as communicated to the market with the press release of 8th August 2022). The **Total Capital ratio ("TCR")** is at 22.3%, well above both the Bank's TCR target of 15.0%, and the SREP of 12.50% (prior to 8th August 2022, the SREP was 12.05%), with **€201m of capital in excess of 15.0% TCR target**. **Both ratios exclude the €77.5m dividends to be paid after the Annual General Meeting of 13th April 2023.**

FY22 dividends are €146.0m, including €68.5m of interim dividend paid in Aug-22. BFF has repaid since IPO more than €615m in dividends to its shareholders, c. 77% of the IPO market capitalization.

Risk Weighted Assets ("RWAs") calculation is based on the Basel Standard Model. As of YE22 RWAs were €2.7bn (vs. €2.2bn at YE21 and €1.6bn at YE20 of BFF stand-alone), with a **density**[4] of 42%, vs. 45% at YE21 and 39% at YE20. In 2022 the growth in loan book drove the decline in RWA density vs. FY21, despite the new DoD implementation.

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Significant events after the end of 2022 full year reporting period

Increase in LPIs rate

From 1-Jan-23, Eurozone LPI statutory rate increased by 2.5%, to 10.5% from previous 8%, generating a step up in the gross yield on overdue loan portfolio of 1.25% at a 50% accrual recovery rate. It is expected a further increase to 11.75% at the next refixing date (1-Jul-23), of which 11.00% has been already locked-in with the rates' increase of 2nd February 2023.

BFF does not longer qualify as Small Medium Enterprise

As announced in the press release published of 4th January 2023, BFF does not longer qualify as Small Medium Enterprise ("**SME**") pursuant to Article 1, paragraph 1, letter w-quarter. 1) of Legislative Decree No. 58 of 24 February 1998 ("**Consolidated Law on Finance**" or "**TUF**"). It should be noted that the loss of BFF's SME qualification requires the application of an additional

[4] Calculated as RWAs/Total assets excluding HTC bond portfolio and Cash and Cash Balances.

threshold for the disclosure obligations of significant shareholdings equal to 3% of the capital, pursuant to Article 120 of the Consolidated Law on Finance. Accordingly, shareholders who hold shareholdings higher than the new threshold of 3% and less than 5% of BFF share capital, must notify Consob and BFF Bank in accordance with Articles 117, paragraph 2-bis, and 121, paragraph 3-bis, of the Issuers' Regulations.

Authorization for the shares' buy-back programme

At the beginning of February 2023, BFF received the authorization from the Bank of Italy for the Bank's shares' buy-back, up to a maximum amount of €2.8 million, as communicated in the press release of 1st February 2023.

The shares' buy-back programme aims at providing the Bank with a stock of financial instruments necessary to fulfil the obligations of the remuneration and incentive systems related to BFF's "Banking Group remuneration and incentive Policy" in force.

The starting date, timing, exact amount and other details of the shares' buyback program, will be the subject of subsequent communication to the market.

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REVISED 2023 ADJ. NET INCOME TARGETS

2023 Net Income Adj. Target[5] increased to €180-190m from €170-180m**.** New medium- term Targets review will be published before the 1H23 Result announcement**.**

The upward revision is driven mainly by the positive impact deriving from the change in LPIs accrual accounting at 50% (from previous 45%), the accrual accounting of the "Recovery cost" rights, previously cash accounted, the increase in LPI rate from 1-Jan-23, and despite the impact of Arca's exit, of the factoring repricing time-lag, of the lengthening of LPI collection times and of cost inflation.

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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.

[5] Adjusted Net Income excluding stock options costs and other exceptionals.

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Earnings call

FY 2022 consolidated results will be presented today, 9th February, at 14:30 CET (13:30 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 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 16.9% Group CET1 ratio at the end of December 2022.

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Consolidated Balance Sheet *(Values in €)*

Assets items	31-Dec-21	31-Dec-22
Cash and cash equivalents	554,467,803	634,879,242
Financial assets measured at fair value through profit or loss	36,598,343	90,540,554
a) financial assets held for trading	*4,094,816*	*210,963*
b) financial assets designated at fair value	-	-
c) other financial assets mandatorily measured at fair value	*32,503,527*	*90,329,591*
Financial assets measured at fair value through Other Comprehensive Income	83,505,780	128,097,995
Financial assets measured at amortized cost	10,069,496,866	11,895,850,418
a) due from banks	*404,099,101*	*478,203,260*
b) due from customers	*9,665,397,765*	*11,417,647,158*
Hedging instruments	13,098	-
Equity investments	13,483,781	13,655,906
Property, plant, and equipment	36,451,859	54,349,168
Intangible assets	67,547,298	70,154,575
of which: goodwill	*30,874,236*	*30,956,911*
Tax assets	100,518,550	60,707,458
a) current	*41,389,440*	*513,588*
b) deferred	*59,129,110*	*60,193,870*
Other assets	214,613,950	394,181,565
Total consolidated assets	**11,176,697,328**	**13,342,416,883**

Liabilities and Equity items	31-Dec-21	31-Dec-22
Financial liabilities measured at amortized cost	10,010,352,805	11,994,762,826
a) deposits from banks	*795,053,359*	*1,166,365,115*
b) deposits from customers	*9,029,014,284*	*10,789,421,645*
c) securities issued	*186,285,162*	*38,976,066*
Financial Liabilities Held for Trading	2,724,511	949,790
Hedging derivatives	4,814,350	14,313,592
Tax liabilities	100,684,173	136,002,627
a) current	*5,027,559*	*30,997,504*
b) deferred	*95,656,614*	*105,005,123*
Other liabilities	460,855,826	401,369,354
Employee severance indemnities	3,709,582	3,238,366
Provisions for risks and charges:	21,959,653	33,012,775
a) guarantees provided and commitments	*293,721*	*251,282*
b) pension funds and similar obligations	*6,132,998*	*7,861,441*
c) other provisions	*15,532,934*	*24,900,052*
Valuation reserves	5,268,845	6,852,891
Additional Tier1	-	150.000.000
Reserves	166,903,826	233,153,339
Interim dividend	-	(68.549.894)
Share premium	66,492,997	66,277,204
Share capital	142,690,771	142,870,383
Treasury shares	(7,132,434)	(3,883,976)
Profit (Loss) for the year	197,372,423	232,047,606
Total consolidated liabilities and equity	**11,176,697,328**	**13,342,416,883**

Consolidated Income Statement[6] *(Values in €)*

Profit & Loss items	31-Dec-21	31-Dec-22
Interest and similar income	230,314,704	354,805,437
Interest and similar expenses	(39,545,723)	(92,987,816)
Net interest income	**190,768,981**	**261,817,621**
Fee and commission income	109,277,422	127,594,743
Fee and commission expenses	(28,498,392)	(36,939,094)
Net fees and commissions	**80,779,030**	**90,655,649**
Dividend income and similar revenue	3,675,911	9,794,598
Gains/(Losses) on trading	6,633,662	12,622,171
Fair value adjustments in hedge accounting	(0)	-
Gains/(Losses) on disposals/repurchases of:	(12,649,882)	165.940
a) financial assets measured at amortized cost	*(6)*	*165.940*
b) financial assets measured at fair value through Other Comprehensive Income	-	-
c) financial liabilities	*(12,649,876)*	-
Net income from other financial assets & liabilities at FV	2,733,566	5,154,401
a) financial assets and liabilities designated at fair value	-	-
b) other financial assets compulsorily valued at fair value	*2,733,566*	*5,154,401*
Net banking income	**271,941,267**	**380,210,380**
Impairment (losses)/reversals on:	196,904	(5,905,199)
a) financial assets measured at amortised cost	*343,493*	*(5,905,199)*
b) financial assets measured at fair value through other comprehensive income	*(146,589)*	-
Net profit from financial and insurance activities	**272,138,171**	**374,305,181**
Administrative expenses	(170,365,575)	(170,602,997)
a) personnel costs	*(73,233,590)*	*(74,351,758)*
b) other administrative expenses	*(97,131,985)*	*(96,251,239)*
Net provisions for risks and charges	2,265,324	(10,535,096)
a) commitments and guarantees provided	*233,720*	*65,131*
b) other net provisions	*2,031,604*	*(10,600,227)*
Net (adjustments to)/writebacks on property, plant, and equipment	(5,132,422)	(5,005,378)
Net (adjustments to)/writebacks on intangible assets	(4,950,500)	(7,641,714)
Other operating (expenses)/income	102,508,187	150,393,890
Total operating expenses	(75,674,985)	(43,391,294)
Gains (Losses) on equity investments	195,391	287,857
Profit (Loss) before taxes from continuing operations	**196,658,577**	**331,201,744**
Income taxes on profit from continuing operations	713,846	(99,154,138)
Profit (Loss) after taxes from continuing operations	197,372,423	232,047,606
Profit (Loss) after taxes from discontinued operations	-	-
Profit (Loss) for the year	**197,372,423**	**232,047,606**

[6] Costs related to deferred employees' benefits, previously accounted in «Net provision for risks and LLP» are reclassified in «Personnel Expenses». FY 2021 restated also for the item «Fair value adjustments in hedge accounting» reclassified in «Gains / Losses on Trading» and in «Interest Expenses».

Consolidated capital adequacy

Values in €m	31-Dec-20 (BFF stand-alone)	31-Dec-21 (BFF & DEPObank)	31-Dec-22 (BFF & DEPObank)
Credit and Counterparty Risk	96.6	123.2	160.2
Market Risk	-	0.3	0.0
Operational Risk	32.6	50.2	58.9
Total capital requirements	**129.3**	**173.7**	**219.2**
Risk Weighted Assets (RWA)	**1,615.7**	**2,171.1**	**2,739.7**

CET 1	**251.1**	**382.8**	**461.9**
Tier I	**-**	**-**	**150.0**
Tier II	**98.2**	**98.2**	**-**
Own Funds	**349.4**	**481.1**	**611.9**

CET 1 Capital ratio	***15.5%***	***17.6%***	***16.9%***
Tier I Capital ratio	***15.5%***	***17.6%***	***22.3%***
Total Capital ratio	***21.6%***	***22.2%***	***22.3%***

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Asset quality

€ 000	31-Dec-2022 (BFF & DEPObank)		
	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**

€ 000	30-Sep-2022 (BFF & DEPObank)		
	Gross	Provisions	Net
Non-performing loans (NPLs)	102,912	(16,942)	85,970
Unlikely to pay	17,202	(4,081)	13,121
Past due	187,325	(209)	187,117
Total impaired assets	**307,439**	**(21,131)**	**286,208**

€ 000	31-Dec-2021 (BFF & DEPObank)		
	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
Total impaired assets	**125,727**	**(21,652)**	**104,075**

€ 000	31-Dec-2020 (BFF stand-alone)		
	Gross	Provisions	Net
Non-performing loans (NPLs)	81,582	(14,761)	66,821
Unlikely to pay	18,743	(3,040)	15,703
Past due	42,232	(127)	42,105
Total impaired assets	**142,557**	**(17,928)**	**124,629**

€ 000	31-Dec-2019 (BFF stand-alone)		
	Gross	Provisions	Net
Non-performing loans (NPLs)	74,944	(13,001)	61,943
Unlikely to pay	11,836	(2,310)	9,526
Past due	34,780	(88)	34,691
Total impaired assets	**121,560**	**(15,400)**	**106,160**