

PRESS RELEASE

BFF BANKING GROUP

The Board of Directors of BFF approved today the FY18 consolidated accounts of BFF Banking Group.

Highlights:

- **Adjusted Net Income of €91.8m** in FY18 (+10% y/y) for **37% Adjusted RoTE vs. 33% in 2017**
- **€91.8m cash dividends (+10% vs. 2017):** 100% pay-out ratio of Adjusted Net Income, **€0.539 DPS equivalent to 10.8% dividend yield¹**
- **Adjusted Net Interest Income +9% y/y** and **stock of unrecognized off-balance sheet LPIs at €356m**
- Strong growth in business activity with **Customer Loans up by 19% y/y** and **New Business Volumes up by 17% y/y**
- **35% of Customer Loans outside Italy**, up from 32% in 2017
- **Ample excess liquidity with €0.4bn of Committed Undrawn Funding** and no recourse to TLTRO or other ECB's emergency liquidity measure
- **Strong capital position: Total Capital Ratio of 15.2%** and **Common Equity Tier I Ratio² of 10.9%**, including mark-to-market effect on HTC&S portfolio and excluding €91.8m of Adjusted Net Income of the period
- Low risk profile: **Net NPLs/Net Loans at 1.1%** and **Cost of Risk of 13bps**

Milan, February 8th, 2019 – The Board of Directors of **BFF Banking Group (BFF)** approved today the FY18 consolidated accounts.

In FY18 the Group reported a net income of €92.2m (**Reported Net Income**) compared to €95.5m in FY17, with the latter including €11.8m of net positive extraordinary items and a high cash collection of late payment interests (LPIs).

FY18 **Adjusted Net Income** reached €91.8m vs. €83.7m in FY17, +10% y/y despite (i) two additional months of Tier II cost for €0.9m not present in 2017 and (ii) lower LPIs collection (€90m vs. €114m in FY17), with the **stock of unrecognized off-balance LPI (back book income reserve)** at €356m. 2018 Adjusted Net Income is also net of €1.4m (post tax) of provisions

¹ Based on the BFF share price as of February 7th, 2019.

² Calculated on the Banking Group perimeter (pursuant to TUB – Testo Unico Bancario).

related to BFF Polska's SME business placed in run-off at the end of 2017.

€91.8m **cash dividends** proposed for 2018 (vs. €83.7m for 2017), equivalent to a 100% pay-out ratio of the 2018 Adjusted Net Income and €0.539 **DPS**. This implies a dividend yield of 10.8% based on the BFF share price as of February 7th, 2019.

Adjusted Net Interest Income increased by 9% y/y, mainly driven by higher stock of Net Customer Loans and despite funding cost affected by Tier II issuance for additional €1.0m of costs (Tier II outstanding for 12 months vs. 10 months in 2017). The **stock of unrecognised LPIs off-balance (back book income reserve)** at the end of 2018 is equal to €356m.

Costs have been kept under control with a **Cost/Income Ratio** of 36% vs. 34% in FY17 despite (i) the investments to establish a branch in Portugal and Poland, as well as the freedom of service operations covering Greece and Croatia and (ii) the increase of employees in Poland, in order to bring in-house some of BFF Italy processes that were outsourced, with net savings to be achieved in 2019.

Customer Loans at the end of 2018 amounted to €3,583m, +19% compared to €3,018m at the end of 2017. **Volume of New Business** is up by 17% y/y to €4,697m. At the end of 2018, the international markets (Spain, Portugal, Poland, Slovakia, Czech Republic, Greece and Croatia) accounted for 35% of loans (32% at the end of 2017).

At the end of 2018 the **Total Capital ratio** was 15.2%, above the company's 15% threshold, and the **CET1 ratio** was 10.9%, confirming the Group's solid capital position and ability to organically fund growth and a strong dividend pay-out. Both ratios are calculated excluding €91.8m of Adjusted Net Income of the period set aside for dividend distribution, which would have increased both ratios by 406bps. Both capital ratios include, instead, the negative exchange rate on forex exposure and the mark-to-market effect on HTC&S portfolio.

The Group continues to enjoy a low risk profile, with **Net NPLs** at 1.1% of **Net Customer Loans** (0.2% net of Italian municipalities in conservatorship – "*comuni in dissesto*") and a **Cost of Risk** of 13bps (3bps net of BFF Polska's SME factoring business placed in run-off and Italian municipalities in conservatorship). In FY17 Cost of Risk was 20bps (10bps net of the same effects).

In the fourth quarter 2018 the Group completed the first purchase of receivables in Croatia and established an EMTN programme.

KEY CONSOLIDATED ACCOUNTS ITEMS

Adjusted profitability

FY18 adjusted P&L numbers exclude the following items³:

- €1.9m post tax (€2.6m pre-tax) positive impact in P&L due to the change in €/PLN exchange rate on the acquisition loan for BFF Polska (previously Magellan), which is counterbalanced by a negative change in equity reserve (included in the capital ratios), reflecting the natural hedging between these two balance sheet items;
- €0.9m post tax (€1.3m pre-tax) costs related to the accounting of the Stock Option Plan: this item generates a positive equity reserve, with therefore no impact on Group's equity;
- €0.5m post tax (€0.7m pre-tax) costs related to the extraordinary contribution made in 2018 and related to the Resolution Fund 2016.

FY17 adjusted P&L numbers exclude the following items⁴:

- €17.8m post tax (€25.2m pre-tax) one-off income related to the change in LPIs estimated recovery rate from 40% to 45%;
- €3.3m post tax (€4.7m pre-tax) negative impact in P&L from the change in €/PLN exchange rate on the acquisition loan for the purchase of BFF Polska, which is counterbalanced by a positive change in equity reserve;
- €1.7m post tax (€2.4m pre-tax) extraordinary costs related to the IPO. All IPO costs are now fully expensed;
- €1.1m post tax (€1.5m pre-tax) costs related to Stock Option Plan. This item generates a positive equity reserve, with therefore no impact on Group's equity.

Main balance sheet data

Customer Loans at the end of 2018 amount to €3,583m (of which €760m related to BFF Polska), compared to €3,018m at the end of 2017 (of which €627m related to BFF Polska), and up by 19% y/y. Customer Loans in Spain increased by 26% y/y (from €213m at the end of 2017 to €268m) and in Italy are up by 14% y/y at €2,345m. Portugal is up by 69% y/y to €192m. International markets (Spain, Portugal, Poland, Czech Republic, Slovakia, Greece and Croatia) account for 35% of Customer Loans, up from 32% in FY17.

The residual amount of Net Customer Loans related to BFF Polska's SME factoring business placed in run-off at the end of 2017 is equal to €3m in FY18 (down from €6m at the end of 2017).

³ 2018 exchange rate for Poland and Czech respectively PLN/€ 4,2615 and PLN/CZK 0,166 for P&L data (FY 2018 average), PLN/€ 4,3014 and PLN/CZK 0,167 for Balance Sheet data (December 31st, 2018).

⁴ 2017 exchange rate for Poland and Czech respectively PLN/€ 4,2570 and PLN/CZK 0,162 for P&L data (FY 2017 average), PLN/€ 4,177 and PLN/CZK 0,164 for Balance Sheet data (December 29th, 2017).

The Group saw strong business activity in the period, with overall **New Business Volumes** of €4,697m (of which €548m related to BFF Polska), representing a 17% growth compared to FY17 (€4,001m including €546m of BFF Polska). The growth was mainly driven by Italy (€3,162m, +10% y/y) with DSO increased from 173 in 2017 to 180 in 2018, Spain (€701m, +67% y/y) and Portugal (€266m, +77% y/y); the Portuguese branch, opened in July 2018 in Lisbon, should continue to support new business volumes growth going forward. Business volumes in Slovakia decreased by €14.5m y/y to €52m, more than compensated by an increase of €9.7m of volumes in Poland and of €6.6m in Czech Republic. Greece contributed for €17.4m and Croatia, with first deal completed in December, for €2.1m.

In 2018 the Group launched **several new business initiatives** to support future growth:

- 1) A new financial solution in the infrastructures renovation sector, that ensure BFF the purchase of receivables due from PA and coming from the multi-year contract of supply and maintenance in relation to the technological and energy renovation of infrastructures.
- 2) First revolving agreements signed in Greece in less than 9 months after the first deal.
- 3) The Portuguese branch opened in July in Lisbon with 4 people. The local presence will allow the Bank to boost the growth of the business and to enter partnership agreements with third parties' distributors, with the objective of further strengthening the business that has been conducted in the country on a cross-border basis since 2014.
- 4) A new partnership agreement with Pfizer to extend the credit management and collection services of the receivables to the entire pharma value chain (pharmacies, private healthcare institutions and wholesalers) in Italy. Thanks to this contract, BFF will cover all the debtors (public and private) in the pharma segment in Italy. This agreement can be replicated with other customers in the pharma and medical devices sector and give the opportunity to learn credit recovery in those new segments and potentially open new areas for non-recourse factoring in the future. The agreement currently covers only the credit management and collection services.
- 5) A new Dynamic Discount solution, that allows BFF's clients to improve their efficiency in cash management by offering their suppliers specific payment terms; the service is provided through a digital platform developed in cooperation with FinDynamic.
- 6) Filed with Bank of Italy for the opening of a banking branch in Poland (expected in 2Q 2019), to further diversify and reduce its Zloty cost of funding.
- 7) Establishment of the EMTN programme, to promptly benefit of the potential funding opportunities in the international capital markets.
- 8) First purchase of receivables in Croatia, the 8th market covered by the Group, completed in December.

The **Total Available Funding** of the Group amounts to €3,607m as of December 31st, 2018. **Online Deposits** represent 29% of **Drawn Funds** and are equal to €924m at the end of 2018, substantially in line with YE2017 (€1,000m) despite reduction in offered yields. The Group does not offer current accounts, but only term deposits with no/limited prepayment options. Moreover, the Group has ample excess liquidity with **Undrawn Funding** available at the end of 2018 equal to c. €0.4bn, and the committed wholesale funding increased over the year at

competitive rates despite market instability. The Group has no bond expiring before June 2020 (except for the residual €11m of BFF Polska's bond issued before the acquisition and expiring in the first nine months of 2019) and has not drawn TLTRO or other ECB's emergency liquidity measure funding. None of BFF's funding lines are linked to the Italian Government's funding cost or rating. In November 2018 the Group has also announced the establishment of an EMTN programme for €1.0bn to promptly benefit of the potential funding opportunities in the international capital markets.

The **Government bond portfolio (HTC e HTC&S)** decreased to €1,109m at the end of 2018 compared to €1,222m at the end of 2017 (-9% y/y). The negative mark-to-market as of December 31st, 2018 of the HTC portfolio (not included in the equity) was €5.4m post tax, while for the HTC&S portfolio was €4.2m post tax (already included in the equity). The duration of the entire portfolio is 31.4 months (29.1 months for the HTC portfolio and 44.4 months for the HTC&S portfolio).

The Group maintains a very healthy liquidity position, with a **Liquidity Coverage Ratio (LCR)** of 234.6% at the end of 2018. The **net stable funding ratio (NSFR)** and the **leverage ratio**, at the same date, are equal to 108.5% and 5.0% respectively⁵.

Main profit and loss data

In FY18 **Adjusted Net Banking Income** reached €194.9m, compared to €180.3m in FY17, and **Adjusted Net Interest Income** reached €188.7m (vs. €172.8m in FY17), both driven by higher stock of Net Customer Loans. Adjusted Net Interest Income in FY18 includes in its interest expenses additional €1.0m of Tier II issuance for 12 months vs. 10 months in 2017 (the bond was issued at the end of February 2017).

Adjusted Interest Income amount to €231.6m in FY18 compared to €212.8m, driven mainly by higher stock of net customer loans and despite lower Late Payment Interest (LPIs) collections.

The **Net LPIs over-recovery⁶ accounted in P&L** was higher y/y (€19.5m in FY18 vs. €16.9m in FY17) despite lower cashed-in LPIs. In particular, **cash-in LPIs** were €90m in FY18 and €114m in FY17 and the Net LPIs over-recovery was €2.6m higher compared to FY17 thanks to the combined effect of (i) higher LPIs recovery rate and (ii) lower rescheduling impact in FY18 vs. FY17. At the end of 2018 the **unrecognized off-balance sheet LPIs fund (back book income reserve)** reached €356m, +2% higher than the stock at the end of 2017 (€350m). The total **LPIs stock** amounts to €563m pre-tax (+5% y/y).

⁵ Calculated on the Banking Group perimeter (pursuant to TUB – Testo Unico Bancario).

⁶ LPI over-recovery vs. 45% minimum recovery rate assumed for accounting purpose, net of the re-scheduling impact. Re-scheduling impact: for receivables not collected within the expected maximum collection date, interest income is reduced by the amount of yield required to keep the IRR of the portfolio constant until the new expected collection rate. In particular, the value of the credit on the balance sheet is re-calculated using the new expected cash-flow schedule and the negative delta in value is booked in P&L to maintain the original IRR.

Net Interest Margin on Customer Loans was 5.7% vs. 6.1% in FY17 and the **Gross Yield on Customer Loans** FY18 was 7.3% (vs. 7.9% in FY17). The return on RWAs (**RoRWA**)⁷ was 8.8% in FY18 vs. 9.0% in FY17.

The **Average Cost of Funding** in FY18 shows a reduction compared to the same period of last year: the combined figure (including BFF Polska) decreased from 1.96% in FY17 to 1.73% in FY18, which includes the Tier II bond cost for the entire period (vs. 10 months in FY17).

The **interest expenses** increased from €39.9m to €42.9m in FY18, mainly due to:

- i. the impact of Tier II (€5.9m in FY18, €4.9m in FY17);
- ii. one-off commission cost for €0.3m on the refinancing (at lower rate) of part of BFF Polska acquisition financing;
- iii. the increase of drawn funding (from €2.6bn to €3.2bn) due to the growth of the business and
- iv. the increase in Zloty funding, which has a higher base rate (Wibor 3M 1.72% vs. Euribor 3M -0.309% as of December 31st, 2018) and, therefore, a higher cost (BFF's Zloty funding cost is 3.33%).

The Group had good access to the wholesale market at competitive rates, with Cost of Funding decreasing in each quarter over 2018 (from 1.95% in 1Q18 to 1.66% in 4Q18). BFF has no funding costs linked to Government bond yields and no ECB refinancing risk. Moreover, the opening of the Polish branch (expected for 2Q 2019) would allow the collection of online deposits at a lower rate compared to Zloty funding, thus further decreasing BFF's funding costs.

The operating leverage improved in 2018 with **Adjusted Costs/Loans Ratio** decreasing from 2.32% in 2017 to 2.24% in 2018 and with an **Adjusted Cost/Income Ratio** of 36%. In FY18 **Adjusted Operating Costs** were €69.3m, up by 13% vs. €61.2m in FY17 due to:

- i. a 20% y/y increase in personnel costs driven by higher employee base and higher bonuses;
- ii. Ordinary Resolution Fund and FITD contribution in 2018 equal to €2.5m in total vs. €1.7m in 2017;
- iii. an increase in other operating expenses to sustain growth initiatives.

The higher employee base was driven by: (i) personnel recruited for establishment of Portuguese and Polish branches, as well as for the Greek and Croatian operations in freedom of service and (ii) some BFF Italy processes, previously outsourced to Italian suppliers, have been brought in-house in Poland with 19 employees as of December 31st, 2018, with net savings to be achieved in 2019.

The **employees** at Group level increased from 412 at the end of 2017 (of which 177 in BFF Polska) to 452 at the end of 2018 (of which 197 in BFF Polska).

Loan loss provisions reached €4.8m in FY18, vs. €6.0m in FY17, and include €1.7m of provision on the Polish SME factoring business placed in run-off at the end of 2017 and €1.9m of provision required on Italian municipalities in conservatorship ("*comuni in dissesto*"). The **exposure to the**

⁷ Calculated as Adjusted Net Interest Income/Average RWAs.

Italian municipalities in conservatorship is classified as NPLs by Bank of Italy's regulation⁸, despite BFF being legally entitled to receive 100% of the capital and LPs at the end of the process. The **Cost of Risk** was 13bps in FY18 (3bps excluding 5bps related to the Polish SME factoring and 5bps related to the Italian municipalities in conservatorship) and 20bps in FY17 (10bps excluding the Polish SME factoring and the Italian municipalities in conservatorship).

FY18 **Reported Net Income** was €92.2m compared to €95.5m in FY17, which included €11.8m of extraordinary net positive items.

FY18 **Adjusted Net Income** reached €91.8m, +10% y/y despite:

- i. two additional months of Tier II cost for €0.9m vs. 2017 (since issued at the end of February 2017);
- ii. €24m of lower LPs collection.

2018 Adjusted Net Income is also net of €1.4m of provision related to BFF Polska's SME business placed in run-off at the end of 2017.

The **RoTE** for FY18 is equal to 37% (vs. 33% in 2017) based on the Adjusted Net Income.

The proposed 2018 **cash dividend** is equal to €91.8m, implying a 100% pay-out ratio of Adjusted Net Income and a **dividend per share** of €0.539.

Capital ratios

The Group maintains a solid capital position with a 10.9% **CET1 ratio** (vs. SREP requirement for 2019 at 7.80%) and a 15.2% **Total Capital ratio** (vs. SREP requirement at 12.00% and a company's threshold for the dividend policy established at 15%) calculated on the Banking Group perimeter (pursuant to TUB – Testo Unico Bancario)⁹.

The RWAs used in the denominator of the above ratios are calculated based on standard model and, therefore, the risk weighting factors for the exposures towards NHS and other PA different from local and central Government depend on the Sovereign Rating of each country. Since DBRS (BFF's ECAI) rating for Italy is BBB (High), the Italian exposure to NHS and other PA is risk weighted at 100%, up from the 50% risk weighting applied before the downgrade in January 2017. Consequently, one notch Italian rating upgrade would move the risk weighting on the Italian exposure to NHS and other PA (different from local and central government) from 100% to 50%, with a 2.2% increase on CET1 ratio and 3.1% on Total Capital ratio. On the other side, in order to have a negative impact on the risk weighting factor for the Italian public exposure to NHS and other PA, the Italian rating needs to be downgraded by 9 notches.

The above **capital ratios do not include the €91.8m of Adjusted Net Income** of the period (equal to 406bps of additional CET1 and Total Capital) and available for dividend distribution **and are net of the negative exchange rate and the HTC&S mark-to-market impact** (respectively -13bps

⁸ Paper n° 272 of July 30th, 2008 – 10th update.

⁹ Considering the CRR Group perimeter, including the parent company BFF Luxembourg, the CET1 Ratio is 10.8% and the Total Capital ratio 15.0%. These ratios are subject to approval of the BFF Luxembourg S.à.r.l. accounts.

and -19bps). Both ratios are already net of the own shares to buy under the buy-back plan announced today for the maximum amount of €1.7m.

The **RWA density**¹⁰ decreased from 67% as of December 2017 to 63% as of December 2018, thanks to a better loan mix and despite the increase in past due and non-performing loans. The Group uses the Basel Standard Model.

Asset quality

Superior asset quality is confirmed with a Net Non-Performing Loans/Net Loans Ratio of 1.1% at end of 2018 (vs. 0.6% at end of 2017). Net of Italian municipalities in conservatorship, the net NPL ratio is 0.2% (vs. 0.1% at the end of 2017).

The increase in **net NPL** from €18.2m at end of 2017 to €40.3m at end of 2018 is driven almost entirely by the growing activities towards the Italian municipalities. In particular, the **exposure to Italian municipalities in conservatorship classified as NPLs** at the end of December 2018 (classified as NPL as requested by Bank of Italy's regulation¹¹, despite BFF is legally entitled to receive 100% of the capital and LPIs at the end of the process) amount to €33.4m (€15.0m at the end of December 2017), and represent 83% of the total net NPL exposure at the same date. The aforementioned €33.4m of exposure to Italian municipalities in conservatorship includes €7.9m related to Italian municipalities already in conservatorship at the time of purchase. The net NPL include also €1.2m related to the San Raffaele Hospital exposure, on which BFF expects to recover an amount higher the net amount in balance sheet. The **NPL Coverage Ratio net of the municipalities in conservatorship** is equal to 75% (86% at the end of December 2017), while the **Coverage Ratio including also the municipalities in conservatorship** is equal to 38% (54% at the end of December 2017).

Net Past Due, equal to €72.6m (€69.8m at year-end 2017), are due from the Public Administration and public sector companies for 64%. **Total impaired loans** (non-performing, unlikely to pay, past due) – **net of provisions** – amounted to €119.7m (€94.7m at year-end 2017) and are due from the Public Administration and public sector companies for 67%.

Significant events after the end of FY18

During the meeting held today, the Board of Directors has also approved the start of the buy-back plan to support the remuneration and incentive policies, in accordance with the resolution of Shareholders' Meeting of April 5th, 2018 and following the authorization received by Bank of Italy. The plan allows the Bank to purchase a maximum of 390,000 BFF ordinary shares, corresponding to 0.23% of the total outstanding shares, for a maximum amount in cash allocated to the plan equal to Euro 1,680,000.

¹⁰ Calculated as RWAs/Customer Loans.

¹¹ Paper n° 272 of July 30th, 2008 – 10th update.



Statement of the Manager responsible for preparing the company's financial reports

The manager responsible for preparing the company's financial reports, Carlo Zanni, declares, pursuant to paragraph 2 of Article 154 bis of the Consolidated Law on Finance, that the accounting information contained in this press release corresponds to the document results, books and accounting records of the Company.

Consolidated Balance Sheet *(Values in €)*

Assets	12/31/2017	12/31/2018
Cash and cash equivalents	80,932,835	99,457,728
Financial assets measured at fair value through profit or loss	545,846	
<i>a) financial assets held for trading</i>		
<i>b) financial assets designated at fair value</i>		
<i>c) other financial assets mandatorily measured at fair value</i>	545,846	
Financial assets measured at fair value through OCI	101,449,267	160,755,859
Financial assets measured at amortized cost	4,183,888,076	4,593,770,324
<i>a) Due from banks</i>	44,792,419	62,758,477
<i>b) Due from customers</i>	4,139,095,657	4,531,011,848
Hedging instruments	321,839	
Equity investments	260,893	172,037
Property, plant and equipment	12,794,887	11,988,426
Intangible assets of which:	26,034,157	26,405,901
- <i>goodwill</i>	22,146,189	22,146,189
Tax assets	30,917,074	34,226,870
<i>a) current</i>	25,883,920	26,044,837
<i>b) deferred</i>	5,033,154	8,182,033
Other assets	9,795,958	14,747,460
Total Assets	4,446,940,832	4,941,524,605

Liabilities and Equity	12/31/2017	12/31/2018
Financial liabilities measured at amortized cost	3,944,117,768	4,403,029,388
<i>a) deposits from banks</i>	657,992,541	1,237,996,379
<i>b) deposits from customers</i>	2,495,986,713	2,349,855,548
<i>c) securities issued</i>	790,138,514	815,177,461
Financial Liabilities Held for Trading	535,073	
Financial liabilities designated at fair value		
Hedging derivatives		
Tax liabilities	82,455,762	88,301,821
<i>a) current</i>	25,627,899	22,584,878
<i>b) deferred</i>	56,827,864	65,716,944
Other liabilities	49,683,022	78,123,708
Employee severance indemnities	848,138	848,841
Provisions for risks and charges:	5,445,278	4,980,559
<i>a) guarantees provided and commitments</i>		197,735
<i>b) pension funds and similar obligations</i>	4,366,009	3,977,004
<i>c) other provisions</i>	1,079,269	805,820
Valuation reserves	7,693,804	843,738
Reserves	129,621,486	142,505,681
Share premium		
Share capital	130,982,698	130,982,698
Treasury shares		(244,721)
Minority interests	10,000	
Profit for the year	95,547,803	92,152,892
Total Liabilities and Equity	4,446,940,832	4,941,524,605

Consolidated Income Statement *(Values in €)*

Item	FY 2017	FY 2018
Interest and similar income	237,943,026	231,603,472
Interest and similar expenses	(39,930,476)	(42,866,119)
Net interest income	198,012,550	188,737,353
Fee and commission income	7,712,965	7,193,486
Fee and commission expenses	(1,257,719)	(1,500,612)
Net fees and commissions	6,455,246	5,692,874
Dividend income and similar revenue	59,723	2,409
Gains/losses on trading	(5,481,911)	2,534,971
Fair value adjustments in hedge accounting	32,279	110,652
Gains (losses) on disposals/repurchases of:		
a) financial assets measured at amortized cost		(459)
b) financial assets measured at fair value through OCI	1,758,957	385,750
Brokerage margin	200,836,844	197,463,551
Impairment losses/reversals on:		
a) receivables and loans	(6,046,114)	(4,804,281)
b) available-for-sale financial assets	(701,869)	(8,318)
Net profit from banking activities	194,088,861	192,650,952
Net profit from financial and insurance activities	194,088,861	192,650,952
Administrative expenses:		
a) personnel costs	(27,619,336)	(32,577,445)
b) other administrative expenses	(34,379,769)	(35,578,874)
Net provisions for risks and charges:		
a) guarantees provided and commitments		(30,416)
b) pension funds and similar obligations	(830,829)	(929,709)
Net adjustments to/writebacks on property, plant and equipment	(1,443,853)	(1,486,671)
Net adjustments to/writebacks on intangible assets	(1,689,849)	(1,728,877)
Other operating income/expenses	3,849,450	3,945,939
Operating expenses	(62,114,186)	(68,386,053)
Profit before tax from continuing operations	131,974,675	124,264,899
Income taxes on profit from continuing operations	(36,426,872)	(32,112,007)
Profit after taxes from continuing operations	95,547,803	92,152,892
Profit for the year	95,547,803	92,152,892
Profit for the year attributable to owners of the Parent Company	95,547,803	92,152,892

Consolidated Capital Adequacy – BFF Banking Group ex TUB

<i>Values in €m</i>	12/31/2017	12/31/2018
Credit and Counterparty Risk	133.4	151.3
Market Risk	0.0	0.0
Operational Risk	28.0	29.6
Total Capital Requirements	161.4	181.0
Risk Weighted Assets (RWAs)	2,017.9	2,262.4
CET I	254.0	246.4
Tier I	0.0	0.0
Tier II	98.2	98.2
Own Funds	352.2	344.6
<i>CET 1 Capital Ratio</i>	<i>12.6%</i>	<i>10.9%</i>
<i>Tier I Capital ratio</i>	<i>12.6%</i>	<i>10.9%</i>
<i>Total Capital Ratio</i>	<i>17.5%</i>	<i>15.2%</i>

Asset quality (reported data)

€ 000	12/31/2018		
	Gross	Provision	Net
Non-performing loans (NPLs)	65,106	(24,762)	40,344
Unlikely to pay	8,680	(1,906)	6,774
Past due	73,845	(1,273)	72,573
Total impaired assets	147,631	(27,940)	119,690

€ 000	12/31/2017		
	Gross	Provision	Net
Non-performing loans (NPLs)	39,587	(21,412)	18,175
Unlikely to pay	10,370	(3,610)	6,760
Past due	69,935	(140)	69,794
Total impaired assets	119,892	(25,162)	94,730

This press release is available online on BFF Group's website www.bffgroup.com in the section *Investor relations > Press releases*.

BFF Banking Group

BFF Banking Group is leading player in Europe in the management and nonrecourse factoring of receivables towards the Public Administrations, listed on MTA Market of the Italian Stock Exchange since April 7th, 2017. BFF Banking Group operates in Italy, Poland, Czech Republic, Slovakia, Spain, Portugal, Greece and Croatia. In 2018 the Group's consolidated adjusted net profit was Euro 91.8 million and CET1 ratio as of December 31st, 2018 was 10.9%.

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