

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ON THE FIRST ITEM ON THE
AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING**

(convened for 28 January 2021 in single call)

Allocation of profits for the year 2019. Related and consequent resolutions.

Dear Shareholders,

the Board of Directors has convened the general meeting in ordinary session on Thursday **28 January 2021** at **10.00 am** at the registered office of Banca Farmafactoring S.p.A. (the "**Bank**" or the "**Company**") in Milan, Via Domenichino 5 (the "**Registered Office**"), **in single call**, to approve, *inter alia*, the proposed allocation of profit for the year 2019.

It should be noted that at the Shareholders' Meeting of 2 April 2020, the discussion and related vote on the item "*Allocation of profit for the year. Pertinent and consequent resolutions*", following the decision of the Board of Directors to comply with the recommendations issued by the BCE and Bank of Italy on 27 March 2020 - and subsequently updated on 27 July 2020 -, confirming the Group's dividend policy and making the payment of the 2019 financial year dividend and of an interim dividend on the individual profits of the first quarter of 2020 (the "**Expected Dividend**"), conditional on the overcoming of the COVID-19 emergency (origin of the Authorities' recommendation).

The Bank also confirmed its willingness to proceed with the proposed distribution of the dividend on individual 2019 net profits and to maintain, subject to compliance with the conditions of the Banking Regulator, the commitments already made in relation to the 2020 interim dividend, in order to distribute the Expected Mount Dividend, as announced at the time of the 2019 financial results, making, in addition, the payment of the Expected Mount Dividend, conditional on the overcoming of the emergency from COVID-19. The financial statements of the Company as at 31 December 2019, approved by the Shareholders' Meeting of 2 April 2020

The financial statements of the Company at December 31, 2019 approved by the Shareholders' Meeting of 2 April 2020 showed a profit of €65,225,749, which we propose to allocate as follows:

- i) €52,814,344 to the Retained earnings reserve;
- ii) €12,411,405 to Shareholders.

Shareholders will therefore be entitled to a dividend of €0.0727 for each of the 170,602,717 shares held (third ex-date: february 1, 2021).

Pursuant to Article 83-*terdecies* of Italian Legislative Decree no. 58 of February 24, 1998, as subsequently amended and supplemented (Consolidated Law on Finance), entitlement to the dividend payment is established based on the accounts of the intermediary as referred to in Article 83-*quater*, paragraph 3 of the Consolidated Law on Finance, at the end of the accounting date of February 2, 2021 (record date).

The aforementioned dividend—before tax provided for by the law—will be paid on February 3, 2020 (payment date).

It should be noted that, at the date of approval of this report, having acknowledged the recommendation published by the BCE for the most significant banks on 15 December 2020 (the "la "**BCE Raccomandatio**"¹)

¹ <https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr201215~4742ea7c8a.en.html>

and the similar recommendation made public by the Bank of Italy on 16 December 2020, which also extended the effects of the ECB Recommendation to banks subject to the supervision of the national regulator, including the Bank, (“**Raccomandation Bdi**”²), and in continuity with what was communicated to the market on [31 March 2020](#)³ e [6 August 2020](#)⁴, the Board of Directors of the Bank resolved to convene the Shareholders' Meeting in ordinary session (on the same date as the ordinary meeting convened to resolve on the merger with DEPObank), pending the outcome of the discussions initiated with the Bank of Italy aimed at clarifying certain aspects of the BoI Recommendation. The Bank therefore reserves the right to proceed with the revocation of the proposed resolution in the event of indications from the Bank of Italy that conflict with the proposed distribution.

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Therefore, we submit the following resolution proposal for your approval:

“The Shareholders’ Meeting of Banca Farmafactoring S.p.A., having examined the report on operations prepared by the Board of Directors,

resolved

- i) to distribute to Shareholders part of the net profit for the year of €12,411,405, equal to €0.0727—before tax provided for by the law—for each of the 170,602,717 ordinary shares outstanding at the third ex-date (February 1, 2020). Such dividend includes the portion attributable to any treasury share held by the Company at the record date. Pursuant to Article 83-terdecies of Italian Legislative Decree no. 58 of February 24, 1998 (Consolidated Law on Finance), entitlement to the dividend payment is established based on the accounts of the intermediary as referred to in Article 83-quater, paragraph 3, of the Consolidated Law on Finance, at the end of the accounting date of February 2, 2020 (record date);*
- ii) to allocate the residual amount of €52,814,344 to the “Retained earnings reserve”;*
- iii) that such dividend be paid as of February 3, 2020 (payment date). Payment will be made through authorized intermediaries with which shares have been registered in the Monte Titoli system.”*

* * *

Milan, 22 December 2020

On behalf of the Board of Directors:

THE CHAIRMAN
(Salvatore Messina)

² <https://www.bancaditalia.it/media/comunicati/documenti/2020-02/CS-remunerazioni-2020126.pdf>

³ <https://it.bffgroup.com/it/comunicati-stampa/bff-banking-group-conferma-la-politica-dei-dividendi-e-si-adequa-alle-indicazioni-regolamentari-differendo-il-pagamento-del-monte-dividendi-atte-so-2019>

⁴ <https://it.bffgroup.com/it/comunicati-stampa/bff-banking-group-risultati-finanziari-consolidati-del-1-semestre-2020>