Courtesy translation

EXPLANATORY REPORT OF THE BOARD OF DIRECTORS OF BANCA FARMAFACTORING S.P.A. ON THE MERGER BY INCORPORATION PROJECT OF DEPOBANK - BANCA DEPOSITARIA ITALIANA S.P.A. INTO BANCA FARMAFACTORING S.P.A.

(*drafted pursuant to art. 2501-quinquies of the Italian Civil Code and art. 70 of the Regulation adopted by Consob with resolution no. 11971/1999 as subsequently amended and supplemented*)

SUMMARY

Dear Shareholders,

this report (the "**Report**") was prepared by the Board of Directors of Banca Farmafactoring S.p.A. ("**BFF**" or "**Merging Company**"), pursuant to art. 2501-*quinquies* of the Italian Civil Code and in vciew of the fact that BFF's shares are listed on the Mercato Telematico Azionario ("**MTA**") organized and managed by Borsa Italiana S.p.A. ("**Borsa Italiana**"), also pursuant to Article 70 of the Regulation adopted by Consob with resolution no. 11971/1999 as subsequently amended and supplemented (the "**Issuers' Regulation**"), in accordance with the indications set out in Annex 3A, Schedule no. 1 of the Issuers' Regulation, in order to illustrate the proposed approval of the merger by incorporation of DEPObank - Banca Depositaria Italiana S.p.A. ("**DEPObank**" or "**Merged Company**") into BFF (the "**Merger Project**") for review and approval by the extraordinary shareholders' meeting.

1. DESCRIPTION AND REASONS FOR THE MERGER

1.1 Merger Description

The transaction covered by this Report is represented by the merger by incorporation of DEPObank into BFF (the "**Merger**"). The Merger Project, together with the annexes that form an integral part of it, was approved by the administrative bodies of BFF and DEPObank on 24 June 2020, and was filed, by both companies, on the same date at their respective registered offices as well as on 22 December 2020 at the Milan-Monza Brianza-Lodi Companies' Register, and will be published within the terms of law on their respective websites pursuant to art. 2501-*ter*, paragraph 3, second sentence, of the Italian Civil Code, following the issuance by the Bank of Italy on 9 December 2020 of the prescribed authorization measure pursuant to Articles 56 and 57 of Legislative Decree 385/1993 ("**TUB**") concerning the Merger, as well as the amendments to BFF's Articles of Association resulting from the Merger. The Merger Project is attached to this Report *as* Annex 1.

EY S.p.A. ("**EY**") was appointed by the Court of Milan as joint expert pursuant to Article 2501-*sexies* of the Italian Civil Code in charge of preparing the report on the fairness of the Exchange Ratio (as defined *below*) in the context of the Merger.

EY, in its capacity as independent expert appointed by the Court of Companies of Milan, will release, today, after the approval of this report, its report on the fairness of the Exchange Ratio (as defined *below*) pursuant to art. 2501-*sexies* of the Italian Civil Code (the "**Exchange Ratio Report**").

1.2 Companies participating in the Merger

Merging Company

Banca Farmafactoring S.p.A., with registered office in Milan, Via Domenichino 5, share capital at the date of approval of this Report of €131,400,994.34 fully subscribed and paid-in, tax code and VAT no. 07960110158, registered with the Bank of Italy under no. 5751 - ABI Code 3435.5, with ordinary shares listed on the *Mercato Telematico Azionario* organized and managed by Borsa Italiana S.p.A., whose share capital is held by shareholders to the extent indicated in the table below.

Name	Percentage on capital
BFF Luxembourg S.à. r.l.	7.95
Market, including own shares	87.72
Management [1]	4.33
Total	**100,00**

BFF holds, at the date of approval of this Report, no. 675,768 treasury shares.

The BFF Group (the "**Group**") is a leading operator specialized in financial services for Healthcare and Public Administration providers, active in several European Union countries.

It offers four types of service:

- factoring without recourse (in Italy, Spain, Portugal, Greece, Croatia and France);
- funding to National Health Service providers and local governments in Central and Eastern Europe (in Poland, Czech Republic, Slovak Republic);
- credit management (in Italy, Spain and Portugal);
- online deposits (in Italy, Spain, Germany, the Netherlands, Ireland and Poland).

The Group is, therefore, to be considered present in a total of 12 countries in Europe.

Since the beginning of its operations in 1985, BFF has been highly profitable, growing constantly also in terms of geographical diversification. At the end of 2019, 41% of the total receivables portfolio was generated outside Italy. The Group has a stable and large customer base, consisting mainly of large multinationals and domestic suppliers with high creditworthiness, and with the 10 largest customers who have had a commercial relationship with BFF for decades (>15 years on average).

The Group has implemented several growth initiatives, both organic and external. As far as organic growth is concerned, the Group has extended its operations from the Healthcare ("**HC**") sector only to the entire Public Administration ("**PA**") in Italy, and has developed its own greenfield initiatives in Spain, Portugal, Greece, Croatia and France in the HC and PA sectors. BFF has also made the following acquisitions:

i) in 2016 Magellan (now BFF Polska Group), allowing the Group to enter three new countries (Poland, Slovak Republic and Czech Republic), and to expand the range of services offered, including direct funding in the health and public administration sector in Central and Eastern Europe, and

ii) in 2019 IOS Finance, the main competitor in Spain.

As a result, BFF's total assets and adjusted net income increased by 23% and 13% per year on average between 2013 and 2019, with RoTE significantly above 30%.

The exposure of BFF's assets is mainly to the public sector (92% of total assets at the end of 2019, which remained at the same levels as at 30 September 2019), mainly in the form of factoring transactions, As a result, credit risk is very limited and historically less than 10 basis points (6 basis points as at 31 December 2019, 10

[1] Shares held as at 31/12/2019 by the CEO, his Close Associates and 6 other executives with strategic responsibilities.

basis points as at 30 September 2020), and with net non-performing loans (net NPLs) equal to only 0.1% of total net loans excluding Italian municipalities in default [2](both as at 31/12/2019 and 30/9/2020).

The Group's organizational model provides that the essential components of the value chain, supported by a highly technological information system, are integrated with the funding activity, which is functional to factoring without recourse and lending.

The business model described above is based on reference values, such as honesty and transparency, respect and enhancement of resources, which ensure leadership in innovation and execution in its target market.

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Brief comment on the BFF Group's financial position as at 31 December 2019

In 2019 the Group posted a consolidated adjusted net profit of €98.8 million, with a 38% adjusted *RoTE* (return on tangible equity), confirming the Group's high profitability.

Net receivables from customers amounted to €4,118 million, up 15% year on year (+11% year on year excluding €137 millions of IOS Finance), 41% of which outside Italy, as indicated above.

The Group recorded overall volumes of receivables acquired and disbursed - excluding for the entire year the volumes of IOS Finance, whose acquisition was completed on 30 September 2019 - for €4.9 billion, +3% on a like-for-like basis compared to 2018. The growth in volumes was mainly driven by Spain (+36% year-on-year) and Poland (+17% year-on-year).

The liquidity situation remains high, with funding lines available and not used for about €0.4 billion. It should be noted that in October 2019 the issuance of a €300 million bond rated Ba1 by Moody's was successfully completed, with demand exceeding 3 times the amount available for placement.

The balance sheet remains very solid, with a Common Equity Tier 1 ("CET1") ratio of 10.9% and a Total Capital Ratio of 15.0%, both calculated excluding the 2019 dividend of €70.9 million not yet distributed at the date of this Report[3].

The annualized Cost of Risk remained at very low levels, equal to 6 basis points, with net non-performing loans (net NPLs), excluding Italian distressed municipalities, down by -38% year on year, demonstrating the Group's low risk profile.

The following table contains the Group's main income statement figures on a consolidated basis as at 31 December 2019, compared with those as at 31 December 2018. Data are shown in thousands of Euro.

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[2] It should be noted that failing municipalities are classified as non-performing loans according to the indications of the Supervisory Authority, even though BFF Banking Group is legally entitled to receive 100% of the capital and default interest at the end of the bankruptcy procedure.

[3] The 2019 Dividend Payout corresponds to the proposal to allocate to the Shareholders part of Banca Farmafactoring S.p.A.'s individual 2019 profit for €12.4 million, and to the commitment made by the Board of Directors to take all the necessary steps to allow the distribution of a further €58.4 million as an interim dividend on the Bank's individual profits for the first quarter of 2020. On 6 August 2020, the Board of Directors of BFF, noting the recommendations made on 27 and 28 July by the European Central Bank and the Bank of Italy respectively and the Frequently Asked Questions *(*FAQ) of the European authority, confirmed, as it did in March 2020, its dividend policy, adopting the "Option 1" contained in the FAQ, and the intention to comply with the recommendations of the supervisory authorities to refrain from irrevocable commitments to pay dividends for the financial years 2019 and 2020 until the economic emergency caused by COVID-19 is overcome. In particular, in order to proceed as soon as possible with the distribution of the 2019 dividend, on 6 August 2020 the Board of Directors of BFF therefore confirmed its intention to

i) postpone the resolution to distribute part of Banca Farmafactoring S.p.A.'s individual profit 2019, for an amount of €12.4 million, to the Ordinary Shareholders' Meeting to be held no earlier than 1 January 2021;
ii) take all necessary steps to allow, in compliance with the provisions of Article 2433-bis of the Italian Civil Code, the distribution of a further €58.4 million as an interim dividend of the Bank's individual profit for the third quarter of 2020 to a Board of Directors meeting to be held on the same day as the aforementioned Ordinary Shareholders' Meeting. Both the above resolutions will be taken subject to a verification of the overcoming of the uncertainties due to the health emergency related to the spreading of COVID-19.

Please note that the 2019 Dividend Payout of €70.9 million was not included in the regulatory capital.

Values in € '000

Items in BFF's consolidated income statement	REPORTED FY 2019	REPORTED FY 2018
Interest income and similar revenues	248,957	231,603
Interest expense and similar charges	(48,449)	(42,866)
Net interest income	**200,508**	**188,737**
Fee income	6,298	7,193
Fee expense	(1,800)	(1,501)
Net fees and commissions	**4,498**	**5,693**
Dividends and similar income		2
Net result of trading activities	(752)	2,535
Net result of hedging activity		111
Profit (Losses) from disposal/repurchase of:		
a) financial assets at amortized cost	*371*	*0*
b) financial assets at fair value through comprehensive income	*(1)*	*386*
Intermediation margin	**204,623**	**197,464**
Net value adjustments/reversals for impairment of:		
a) receivables	*(2,383)*	*(4,804)*
b) financial assets available for sale	*11*	*(8)*
Net result of financial operations	**202,252**	**192,651**
Net income from financial and insurance operations	**202,252**	**192,651**
Administrative expenses:		
a) personnel expenses	*(40,098)*	*(32,577)*
b) other administrative expenses	*(39,427)*	*(35,579)*
Net provisions for risks and charges		
a) commitments and guarantees	*(376)*	*(30)*
b) other net provisions	*(2,815)*	*(930)*
Net value adjustments/reversals on property, plant and equipment	(3,174)	(1,487)
Net value adjustments/reversals on intangible assets	(1,887)	(1,729)
Other (charges) operating income	7,234	3,946
Operating costs	(80,542)	(68,386)
Profit from current operations before tax	**121,710**	**124,265**
Income tax for the year on current operations	(28,553)	(32,112)
Profit from current operations after tax	93,157	92,153
Profit for the year	**93,157**	**92,153**
Profit for the year pertaining to the Parent Company	**93,157**	**92,153**

The following table contains the main balance sheet data of BFF on a consolidated basis, as at 31 December 2019, compared with those as at 31 December 2018. Data are shown in thousands of Euro.

Values in € '000

BFF's consolidated assets	31/12/2019	31/12/2018
Cash and cash equivalents	78,305	99,458
Financial assets at fair value through the income statement		
a) Financial assets held for trading		
b) Financial assets designated at fair value		
c) Other financial assets at fair value		
Financial assets at *fair value* through the comprehensive income	82,912	160,756
Financial assets held to maturity		
Financial assets at amortized cost	5,250,717	4,593,770
a) Receivables from banks	*136,680*	*62,758*
b) Receivables from customers	*5,114,037*	*4,531,012*
Hedging derivatives		
Equity interests	94	172
Tangible assets	17,109	11,988
Intangible assets	35,268	26,406
of which: goodwill	*30,874*	*22,146*
Tax assets	35,060	34,227
a) Currents	*23,494*	*26,045*
b) Advance	*11,566*	*8,182*
Other assets	11,562	14,747
Total consolidated assets	**5,511,027**	**4,941,525**

Values in € '000

BFF 's consolidated net equity and liabilities	31/12/2019	31/12/2018
Financial liabilities at amortized cost	4,962,195	4,403,029
a) Due to banks	*1,142,841*	*1,237,996*
b) Due to customers	*2,713,663*	*2,349,856*
c) Debt securities outstanding	*1,105,692*	*815,177*
Financial liabilities held for trading		
Financial liabilities designated at fair value		
Hedging derivatives		
Tax liabilities	98,999	88,302
a) Currents	*28,883*	*22,585*
b) Deferred	*70,116*	*65,717*
Other liabilities	65,325	78,124
Staff severance pay	843	849
Provisions for risks and charges	6,412	4,981
a) Commitments and guarantees	*580*	*198*
b) Retirement reserve and similar obligations	*4,313*	*3,977*
c) Other provisions for risks and charges	*1,519*	*806*
Valuation reserves	6,570	844
Reserves	147,269	142,506
Issue premiums	693	
Share Capital	131,326	130,983
Treasury shares	(1,763)	(245)
Assets pertaining to third parties		
Profit (Loss) for the period	93,157	92,153
Total consolidated net equity and liabilities	**5,511,027**	**4,941,525**

Brief comment on the BFF Group's balance sheet at 30 September 2020

The Group's business activity also grew in the first 9 months of 2020, with volumes expanding by 25% on an annual basis to €3.8 billion, demonstrating how geographical diversification is making a significant contribution to development. Impacts due to the COVID-19 pandemic were seen: as in the first 6 months of 2020, net capital gains on late payment interest were reduced and, at the same time, the injection of liquidity by the various European governments led to an acceleration in the collection of the most recent invoices, impacting on the growth of the receivables portfolio (€3.7 billion, +3% y/y).

Available funding has increased by 15% on an annual basis to €4.1 billion, with €0.9 billion (+139% y/y) of unused credit lines, which allows to absorb any system-wide shock.

Adjusted consolidated net profit remained stable at €60 million, posting +10% year on year excluding net capital gains from late payment interest, and with a 30% Adjusted RoTE.

The equity position remains solid, with approximately €127 million dividend capacity. At 30/09/2020, the Total Capital and CET1 ratios were 16.5% and 12.0% respectively (net of dividend capacity) and both well above SREP requirements.

The risk level remained very low in the 9 months of 2020: -25% year on year of net non-performing loans (net NPLs), equal to 0.1% of net loans excluding Italian distressed municipalities, with a NPLs Coverage Coefficient of 81% and an annualized Cost of risk of 10 basis points, which includes the impact on IFRS 9 of COVID-19 resulting from the changed macroeconomic scenario.

Finally, it should be noted that during the reference period, specifically on 13 May 2020, an Agreement was signed, as defined below, between BFF, Equinova UK Holdco Limited (or "**Equinova**") and DEPObank which involved, among other things, the purchase of part of DEPObank's Held-to-Collect (HTC) Portfolio (as better described in Paragraph 1.4 below).

Merged Company

DEPObank - Banca Depositaria Italiana S.p.A., with registered office in Milan, Via Anna Maria Mozzoni 1.1, share capital of €42,557,370 fully subscribed and paid-in, tax code and VAT no. 00410710586, registered in the Register of Banks kept by the Bank of Italy under no. 4730, ABI Code 5000.5, whose share capital is held by shareholders to the extent indicated in the table below.

At the date of this Report, the share capital of DEPObank is divided as follows:

Name	Percentage on capital
Equinova UK Holdco Limited	91.558
Banco BPM S.p.A..	2.513
Credito Valtellinese S.p.A.	2.010
Banca Popolare di Sondrio S.c.p A	2.008
UBI Banca S.p.A.	1.005
Other banks <1%	0.906
Total	**100.00**

At the date of approval of this Report, DEPObank does not hold treasury shares.

DEPObank was formerly Istituto Centrale delle Banche Popolari S.p.A. ("ICBPI"), established in 1939. It took on its current configuration and name on 1 July 2018 as a result of the reorganization of the Nexi Banking Group, which left DEPObank the activities requiring a banking license.

Today DEPObank is the Italian bank specialized in securities services and the bank payment services business, and is positioned as the domestic market leader and reference point for the entire financial system. Based in Milan, as of 31/12/2019 the company employs 363 people, and operates through two core business units:

- Securities Services: approximately €44 million in net commission revenues, which includes a wide range of services offered to asset managers, including

  (i) Fund Services (€35 million in revenues, of which €15 million for custodian bank services, €11 million and €9 million for fund administration and transfer agent services respectively), and

  (ii) custody and administration of securities issued to funds, asset management companies, banks and securities companies, with revenues of €10 million.

  In the last year, as custodian bank, DEPObank administered about €71 billion in assets. In addition, DEPObank managed approximately #2.3 million subscribers as part of its transfer agent service, provided fund administration services on approximately €48 billion in assets, and holds over €143 billion of securities under custody and administration;

- payment services: approximately €46 million in net commission revenues, which includes activities related to three main sectors, namely

  (i) Agent Bank services (approximately #510 million transactions per year - related to SEPA and domestic payments and collections, and *settlement of domestic* and international payment cards - and €32 million in revenues),

(ii) payments and collections from customers, both corporate and government (approximately #58 million transactions per year and €8 million in revenues), and

(iii) checks and bills (approximately #51 million transactions per year and €6 million in revenues).

The business, conducted in commercial partnership with Nexi, offers significant opportunities for future development, thanks to a penetration of digital payment services in Italy among the lowest in Europe, but growing strongly, and supported by one of the best infrastructure networks;

In addition, approximately €45 million of financial revenues are generated by the management of deposits and loans, conducted within the Treasury segment, which performs a support function for the core business units, with the aim of optimizing the use of the liquidity produced (approximately €7.5 billion in deposits from customers as at 31 December 2019). This liquidity is invested mainly in Italian government securities and deposits with the ECB.

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Brief comment on DEPObank's financial position as at 31 December 2019

At 31 December 2019 DEPObank's adjusted net income amounted to €20 million[4], equivalent to a RoTE of 14%.

Total assets in the balance sheet amount to €9.1 billion, consisting of cash deposited with the European Central Bank, for an amount of €2.3 billion, and Italian government securities classified as Held-to-Collect (HTC) for €4.4 billion.

On the liabilities side, DEPObank has amounts due to customers of €7.5 billion, which mainly include €6.1 billion in current accounts payable linked to investment funds for which the custodian bank service is provided. As at 31 December 2019, this liquidity amounted to 8.6% of the Custodian Bank's assets, down by 14.2% compared to December 2018.

The following table contains the main figures of DEPObank's income statement as at 31 December 2019, compared with those as at 31 December 2018. Data are shown in thousands of Euro.

The income statement for 2019 is not fully comparable with the previous year, as it was influenced by (i) the effects of the reorganization of the Banking Group, effective 1 July 2018 and (ii) the sale of the Brokerage and Market Making Business Unit, effective 31 May 2018.

[4] Profit calculated considering only the components referable to the management of the businesses included in the scope of the Transaction (as defined *below*).

Values in € '000

Income statement	**31/12/2019**	**31/12/2018**
Interest income and similar revenues	**70,560**	**64,655**
of which : interest income calculated with the effective interest method	33,612	23,777
Interest expense and similar charges	**-38,812**	**-29,344**
Net interest income	**31,748**	**35,311**
Fee income	**111,453**	**115,566**
Fee expense	**-29,338**	**-31,633**
Net fees and commissions	**82,115**	**83,933**
Dividends and similar income	**2,366**	**4,034**
Net result of trading activities	**15,695**	**11,486**
Profit (Loss) from disposal/repurchase of:	**25**	**4**
a) financial assets at amortized cost	*25*	*-*
b) financial assets at fair value through the comprehensive income	*-*	*4*
Net result of financial assets and liabilities at fair value through the income statement:	**2,930**	**3,295**
b) other financial assets mandatorily measured at fair value	*2,930*	*3,295*
Intermediation margin	**134,879**	**138,063**
Net value adjustments/reversals on credit risk of :	**2,376**	**-7,320**
a) financial assets at amortized cost	2,376	-7,320
Net result of financial operations	**137,255**	**130,743**
Administrative expenses:	**-101,589**	**-142,718**
a) personnel expenses	*-32,423*	*-57,097*
b) other administrative expenses	*-69,166*	*-85,621*
Net provisions for risks and charges	**-893**	**-3,531**
a) commitments and guarantees	*-6*	*-*
b) other net provisions	*-887*	*-3,531*
Net value adjustments/reversals on tangible assets	**-2,044**	**-1,352**
Net adjustments/reversals of value on intangible assets	**-10,823**	**-14,762**
Other (charges) operating income	**10,490**	**39,993**
Operating costs	**-104,858**	**-122,369**
Net impairment losses on goodwill	**-45,914**	**-**
Profit (Loss) from disposal of investments	**-**	**4,280**
Profit (Loss) from current operations before tax	**-13,516**	**12,655**
Income tax for the year on current operations	**-15,650**	**-7,490**
Profit (Loss)from current operations after tax	**-29,166**	**5,165**
Profit (Loss) for the period	**-29,166**	5,165

The following table contains the main balance sheet data of DEPObank as at 31 December 2019, compared with those as at 31 December 2018. The figures are expressed in thousands of Euro.

Values in € '000

Assets	**31/12/2019**	**31/12/2018**
Cash and cash equivalents	**2,334,683**	**4,337,925**
Financial assets at fair value through the income statement	**32,306**	**29,986**
a) other financial assets held for trading	*877*	*2,666*
c) other financial assets mandatorily measured at fair value	*31,429*	*27,320*
Financial assets at fair value through comprehensive income	**6,161**	**116,552**
Financial assets at amortized costs	**6,279,749**	**7,263,015**
a) Receivables from banks	*1,539,311*	*1,636,141*
b) Receivables from clients	*4,640,438*	*5,626,874*
Equity investments	**8,564**	**8,564**
Tangible assets	**27,303**	**8,519**
Intangible assets	**109,102**	**163,378**
Of which : goodwill	81,017	126,931
Tax assets	**67,017**	**53,906**
a) *current*	*47,306*	*30,970*
b) *advance*	*19,711*	*22,937*
Other assets	**278,427**	**355,943**
Total assets	**9,143,312**	**12,337,788**

Values in € '000

Liabilities and net equity	**31/12/2019**	**31/12/2018**
Financial liabilities at amortized cost	**8,295,788**	**11,374,458**
a) Payables to banks	801,892	1,008,113
c) Payables to customers	7,493,896	10,366.345
Liabilities held for trading	***6,248***	***4,926***
Tax liabilities	*20,159*	*29,766*
a) current	**15,131**	**23,273**
b) deferred	**5,028**	**6,492**
Other liabilities	*322,027*	*452,734*
Staff severance indemnities	***3,130***	***3,451***
Provisions for risks and charges	**23,372**	**26,790**
a) Commitments and guarantees	**6**	**-**
b) Retirement reserve and similar obligations	**329**	**814**
c) Other provisions for risks and charges	23,036	25,977
Valuation reserves	**-476**	**9,806**
Reserves	**311,430**	**239,893**
Issue premiums	*148,242*	*148,242*
Share capital	***42,557***	***42,557***
Profit (Loss) for the period (+/-)	**-29,166**	**5,165**
Total liabilities and net equity	**9,143,312**	**12,337,788**

<u>Brief comment on DEPObank's balance sheet at 30 September 2020</u>

The results for the first nine months of the 2020 financial year reflect, in addition to the ordinary evolution of the business activities, some elements characterizing the evolution of the reference context and the company life:

- the spread in Italy, starting in March 2020, of the pandemic contagion from COVID-19, which determined, in a climate of general uncertainty, impacts on the company's business (related in particular to the drop in market values of assets in client fund portfolios and in the settlement volumes of intermediated payments), which were particularly significant in March and April; starting from the month of May, there were signs, even marked ones, of recovery, which made it possible to bring operating volumes back to the values at the beginning of the year, in line with the impact scenarios of COVID-19 reviewed by the Board and used as a basis for corporate planning;
- the signing, on 13 May 2020, of the Agreement between BFF, Equinova and DEPObank (as defined below) which set certain commitments and limits to DEPObank's operations, in particular, with regard to investments in financial assets, which resulted in the disposal at a loss of part of the HTC Portfolio (as better indicated in Paragraph 1.4 below) and a sub-optimal use of available liquidity. In connection with the evolution of the corporate strategy imposed by the Agreement, as of 7 July 2020, there was also a change in the Bank's top management, with Paolo Testi, formerly Deputy General Manager, taking on the role of CEO (and General Manager) to replace the resigning Fabrizio Viola.

Balance sheet items at 30 September 2020 were in line with those at the end of 2019, with total assets of €9.018 billion; amounts due to customers remained at the same level, at €7.263 billion, while the Government Securities portfolio decreased to €3.693 billion.

The first nine months of 2020 closed with a "Net Loss for the Period" of €24.4 million, burdened with losses, charges and lost revenues related to the commitments undertaken with the signing of the Agreement quantifiable in approximately €49.1 million (gross of taxes).

The changes in capital resulting from the Net Loss for the Period affected the Regulatory Capital Requirements, reducing Equity (corresponding to Core Equity Tier 1) from €369 million at 31 December 2019 to €344 million at 30 September 2020; risk assets remained substantially unchanged (Risk Weighted Assets of €918 million). DEPObank's individual capital ratios show a CET1 ratio and Total capital ratio that remain well above regulatory limits and system averages, at 37.50% (compared to 39.63% at 31 December 2019).

1.3 Reasons for the Merger, management objectives and programs formulated for their achievement

The Merger is part of an elaborate transaction (of which the Merger represents an essential element) that provides, in brief: (i) the acquisition by BFF of a portion of the shares of DEPObank owned by the current controlling shareholder of the latter, Equinova UK Holdco Limited, and the acquisition by BFF of all the shares of DEPObank owned by the minority shareholders of the latter (where these have not been previously acquired by Equinova) (jointly, the "**Acquisition**"), and (ii) immediately following the Acquisition, the Merger (the "**Transaction**").

The Transaction, aimed at creating the first independent operator in Italy in specialty finance, will further boost BFF's activities, and will strengthen the availability of funding and capital at the service of the Group's traditional customers. The Transaction, in particular, strengthens the strategic positioning of BFF as the independent leader in specialty finance, becoming the largest operator in Italy, expanding both the business segments in niche markets where DEPObank is leader, and the funding base, thus allowing the creation of value for all stakeholders. The Transaction will also increase the ability to serve and support BFF's traditional customers, especially at a time of uncertainty such as the one generated by the COVID-19 pandemic, in which their need for liquidity is greater. DEPObank will also be able to benefit from a new ownership, becoming part of a listed, solid Group with a long track-record of profitability, characterized by a low risk profile (given that its exposure is almost entirely to the European public sector), with high standards of operational efficiency and leader in niche sectors not well served by traditional banks (already DEPObank customers).

The Transaction is consistent with the objectives outlined in BFF's Strategic Plan 2019-2023, which provides for expansion - through acquisitions - in other market niches not covered by traditional banks, and with high potential synergies, both funding and operational.

In addition, the Transaction will allow the BFF Group to:

- increase the diversification and size of its business model, while keeping the credit risk profile unchanged:
  - penetration in sectors indirectly exposed to asset management (i.e. securities services) and retail payments, both characterized by long-term growth rates, which will account for approximately 30% of the combined entity's revenues;
  - the improvement of the revenue mix with a higher contribution from commission income, which will account for approximately 30% of the combined entity's revenue;
  - exposure to a portfolio of receivables from customers, consisting essentially of short-term exposure and public sector exposure, 39% of which is outside Italy at 30/09/2020;
  - the increase to over €120 million in the combined entity's 2019 pro-forma pre-synergy net income.
- access a broad base of low-cost funding, with approximately €7.5 billion in customer deposits, partly invested in Italian government bonds and partly deposited with the ECB at negative interest rates, which can be readily used to finance the growth of BFF's business.
- have an expected neutral impact on the Total Capital Ratio (stable at 15%) and a positive impact of approximately 100 basis points on the Tier 1 Ratio, against a limited dilution for BFF shareholders as:
  - the capital absorption will be offset by the badwill generated by the Transaction and the capital increase to service the Merger, with BFF's *Tier 1* and *CET1 ratio at the* end of 2019 pro-forma equal to 12.0%, compared to the 10.9% published stand-alone (>100 basis points of positive impact)[5];
  - the BFF shares (equivalent to approximately €63 million[6] and 7.6% of the capital) to be issued in favour of Equinova - in the context of the Merger - represent a P/TCE multiple of 0.5x[7] and a 2019 pre-synergies adjusted P/E of t3.2x for a business with a CET1 ratio equal to 15%.
- create value for shareholders through important potential synergies:
  - €15-25 million of synergies in pre-tax funding through the use of the liquidity generated by DEPObank's core businesses to finance BFF's activities;
  - €10 million before taxes of synergies once fully operational on overheads and administrative expenses resulting from business integration, equivalent to 5% of the combined entity's cost base;
  - Strongly augmentative transaction, with an increase of more than 10%, both in terms of Earnings per Share and Dividend per Share, already starting from 2021.

[5] If an AT1 instrument is issued for the Risk Sharing mechanism described below there will be a replacement of CET1 for Tier 1, leaving the Tier 1 level constant.

[6] Number of new shares in favor of Equinova fixed, and equal to #14,043,704, valued at the BFF share price of €4.52 on May 7, 2020.

[7] Calculated on the basis of the price of BFF shares at 7 May 2020 (€ 4.52 per share) multiplied by the number of shares (#14,043,704) to be issued to Equinova at the closing and on tangible equity ("TCE") at 31 December 2019, net of the excess capital over the amount needed to maintain a Common Equity Tier 1 ratio of 15%.

The Merging Company BFF, as a result of the Merger, will change its corporate name to "BFF Bank S.p.A.", and the related banking group resulting from the Merger will be renamed "BFF Banking Group".

1.4 Merger Legal Profiles

The Transaction to be submitted for examination and approval to the extraordinary shareholders' meeting of BFF is the merger by incorporation of DEPObank into BFF.

The Merger falls within the context of the Transaction governed by the framework agreement signed on 13 May 2020 between BFF, Equinova and DEPObank (the "**Agreement**"), which sets forth:

(i) the acquisition by BFF of 10,785,337 shares of DEPObank equal to approximately 76% of the share capital, against an amount paid in cash (the "**Cash Consideration**") equal to the amount of share capital in excess of the CET1 ratio of 15% of the DEPObank banking group at the closing date; and

(ii) the merger by incorporation of DEPObank into BFF effective immediately after the closing of the Acquisition (*i.e.*, the Merger which is the subject of this Report). Following the Merger, Equinova will have a 7.6% stake in the combined group.

If Equinova acquires before the closing all or some of DEPObank's minority shareholders' interests (see paragraph 1.2 above), these will be transferred from Equinova to BFF in the context of the Acquisition. It is understood that these stakes, if not previously acquired by Equinova, will, in any case, be acquired at the closing by BFF under the drag along right provided in favour of the majority shareholder by DEPObank's articles of association.

The Cash Consideration will be determined at the closing of the Transaction as the sum of (i) the excess of DEPObank's share capital over the amount necessary to maintain a Common Equity Tier 1 ratio of 15% at the closing date, excluding the net profit for the period from 1 July 2019, in any case set at a value not exceeding €198 million, and subject to adjustments on the basis of parameters defined by the Agreement, (ii) DEPObank's net profit for the period between 1 July 2019 and the closing date, subject to adjustments on the basis of parameters set out in the Agreement. In addition, the Agreement provides for price adjustment mechanisms (so-called earn-out) to be carried out on a cash basis by BFF linked to (a) any positive extraordinary income components deriving from the release of specific provisions already posted to the financial statements and for a maximum amount of €11 million, therefore, with a zero impact on BFF's post-transaction capital, if paid, and (b) any savings actually made following the renegotiation of certain IT contracts for a maximum amount of €10 million.

In addition, with reference to the government securities portfolio held by DEPObank, securities classified as Held-to-Collect (the "**HTC Portfolio**"), the Agreement also provides for:

- BFF's purchase (completed May 13, 2020) of a portion of the HTC Portfolio; and
- on the closing date of the Transaction, a Risk Sharing mechanism with Equinova on the potential absorption of capital in relation to the HTC Portfolio in the scenario in which the fair market value of the same was lower than the book value of DEPObank on that date. In this case, the mechanism envisaged also includes the possible issue of an Additional Tier 1 instrument by BFF in favour of Equinova - or an entity designated by it - for a nominal amount of up to a maximum of €70 million and a fixed interest rate of 7% per annum.

According to the Agreement (and as also detailed in the Merger Project), in the context of the Merger, Equinova will receive 14,043,704 BFF ordinary shares in exchange for its remaining stake in DEPObank. At the effective date of the Merger, Equinova will therefore become the main shareholder of BFF, with an estimated shareholding based on the shareholding structure at the date of this Report, equal to approximately 7.6% of BFF's post-Merger share capital. In the context of the Transaction, Equinova will be the only new shareholder of BFF.

Under the Agreement, BFF shares received in exchange by Equinova are subject to a lock-up period of 1 year, it being understood that the lock-up will cease, inter alia¸ if before that date, Equinova becomes the main shareholder of BFF. On the basis of the information available at the date of this Report, it is expected that Equinova will become the main shareholder of BFF after the Merger and, therefore, if this circumstance is confirmed, the lock-up commitment will cease *ab initio*.

BFF has also undertaken best effort commitments to ensure that, in the event of co-option of a director in the twelve months following the closing or in the event of submission of a list of candidates by BFF's Board of Directors at its first renewal, a person appointed by Equinova who meets the requirements of independence on the basis of the Corporate Governance Code for listed companies drawn up by the Corporate Governance Committee promoted by Borsa Italiana and the TUF, in addition to the necessary integrity and professionalism requirements, is appointed as a director of BFF.

The Merger will be carried out through an increase in BFF's share capital for €10,813,652[8] through the issue of 14,043,704 ordinary shares, with no express par value, to service the Merger and, therefore, to be assigned to Equinova on the basis of the Exchange Ratio (as defined below) indicated in paragraph 2 below.

The legal requirements for the application of the provisions of art. 2501-bis of the Italian Civil Code are not met since BFF has not taken out, nor will it take out prior to the completion of the Acquisition, debts to acquire control of DEPObank.

The implementation of the Merger is subject to the completion of the Acquisition.

Following completion of the Merger, all DEPObank shares representing its entire share capital will be cancelled.

The reference balance sheets pursuant to Article 2501-quater of the Italian Civil Code are as follows: (i) for BFF, the financial statements for the year ended 31 December 2019, approved by the shareholders' meeting of BFF on 2 April 2020, and (ii) for DEPObank, the financial statements for the year ended 31 December 2019, approved by the shareholders' meeting of DEPObank on 7 May 2020 (together, the "**Merger Financial Statements**").

The Merger Project, together with the Merger Financial Statements and the financial statements of BFF and DEPObank for the years ended 31 December 2017 and 2018, is available to the public at the registered office of BFF (Milan, Via Domenichino 5) and at the registered office of DEPObank (Milan, Via Anna Maria Mozzoni 1.1).

1.5 Articles of Association of BFF following the Merger

BFF's articles of association will not be modified as a result of the Merger, except as specified below with regard to the company name and banking group, and the change in share capital and the number of shares issued to service the Exchange Ratio (as defined below).

Company and banking group name

As a result of the Merger, BFF will change its corporate name to "BFF Bank S.p.A.", and the related banking group will be renamed "BFF Banking Group".

Share capital

BFF will increase its share capital by €10,813,652 through the issue of 14,043,704 ordinary shares with no express par value.

[8] Equal to the implied par value for the number of shares issued.

BFF's articles of association, which will take effect on the date of completion of the Merger, are shown as Appendix 2 to this Report.

2. CRITERIA AND METHODS USED TO DETERMINE THE EXCHANGE RATIO

In the context of the Transaction, also on the basis of the Merger Balance Sheet Situations, (as defined *above*) the following exchange ratio was determined (the "**Exchange Ratio**"):

No. 4,2233377 BFF shares every no. 1 DEPObank share

There are no cash balances.

For the purpose of determining the aforementioned Exchange Ratio, BFF's Board of Directors availed itself of the support of evaluations - carried out by the Administration and Finance Department and the Bank's Investor Relator, Strategy and M&A Function - which, after careful examination, it shared and endorsed.

2.1 Foreword

The valuation of the value of the shares of DEPObank and BFF in order to arrive at the Exchange Ratio was carried out with a view to expressing a relative estimate of their values, taking as a reference the information made available as part of the due diligence activity, on the basis of methodologies used in practice for transactions of similar type and entity. The considerations and estimates made must, therefore, be understood in relative terms, and with limited reference to the Merger transaction. In particular, the valuation methodologies have been identified by favouring the principle of homogeneity and comparability of the criteria adopted in order to determine the fairness from a financial point of view of the Exchange Ratio in the context of the Merger. Therefore, in no case are these valuations to be considered as possible indications of the market price or value, current or prospective, in a context other than the one under review.

2.2 Valuation criteria selected by the Directors for determining the Exchange Ratio

The aforesaid Exchange Ratio was determined on the basis of analyses and considerations relating to the Merger Capital and Financial Positions, and takes into account the evolution of the economic and financial prospects of DEPObank and BFF as at 12 May 2020[9].

Moreover, in consideration of the nature of the aforesaid transaction, the valuation analyses carried out here for the determination of the Exchange Ratio were carried out from a comparative perspective, and favouring the principle of relative homogeneity and comparability of the valuation methodologies applied. It should be noted, as already specified in the introduction, that the valuations made are to be understood in relative terms and with exclusive reference to the Merger transaction, therefore, are not to be considered as possible indications of the market price or value, current or prospective, of the two companies taken individually in a context different from that described.

Taking into account the specific characteristics of DEPObank, the type of operations, the reference market in which it operates, the valuation practice in line with national and international standards for unlisted companies, the Dividend Discount Model ("**DDM**"), has been identified as the best applicable methodology to estimate the economic value of the same. In order to determine the Exchange Ratio within the Merger, and in accordance with the principle of homogeneity and fairness mentioned above, the DDM has been selected as the main valuation method also for BBF.

[9] Since BFF's economic and financial performance was considered up to 12 May, BFF's valuations do not take into account the positive impact of BFF's purchase of DEPObank's 15/4/2025 CCT portfolio in the context of the transaction.

This decision is based on the consideration that this methodology allows to appreciate the prospective ability to generate income and cash flows available to shareholders deriving from the economic-financial projections of the two banks over the 2020-2023 time period.

The market multiples method was not considered applicable as the main valuation method since there are no listed companies that are strictly comparable to DEPObank and BFF in terms of size, geographical presence and type of operations. However, it was considered appropriate to use the market multiples of Price/Prospective Profits ("P/E") as a control method in order to verify the results that emerged from the intrinsic valuation of the DDM method with the results of a market method. For this purpose, in order to value both companies consistently with their respective business model, a sample of companies operating globally in the Payments and Security Services business was selected for DEPObank. Similarly, for BFF a set of Italian and European companies have been identified in the specialty finance, consumer finance, debt collection fields, which best represent the core business of the Merging Company. Moreover, in applying this methodology, it should be noted that - given the current market conditions characterized by (i) high volatility, and (ii) downward pressure on the stock market prices of the main financial companies due to uncertainties in relation to the spread of the COVID-19 pandemic - in order to determine the P/E multiples of comparable companies, the average prices for the 12 months prior to the reference date (i.e.May 12, 2020) were considered.

Finally, the multiples method of previous comparable transactions was not considered applicable for the determination of the exchange ratio as the sample of previous transactions comparable in terms of size, geographical presence, DEPObank's business profile and structure of the Transaction is limited.

2.3 Main limits and difficulties of evaluation analysis

It should be noted that the valuation analyses carried out for the purpose of determining the Exchange Ratio have presented some limitations and difficulties, among which:

- the economic-financial projections, by their nature, present elements of uncertainty and subjectivity, and depend on the actual realization of the assumptions used in the formulation of the forecasts;
- since DEPObank's shares are not listed on regulated markets, there are no market prices or forecasts of expected results;
- absence of listed companies strictly comparable to DEPObank in terms of size and type of operations. Therefore, with reference to the application of the market multiples control method, companies operating at a global level in the Payments and Security Services business have been selected in order to value DEPObank consistently with its business model;
- absence, for most of the peers selected for BFF, of prospective estimates by research analysts on 2022net profit.

It should also be noted that in relation to BFF, the valuation methodology used was based on prospective estimates by research analysts as at 12 May 2020, which are by their nature uncertain, especially in the current context. Therefore, the valuations could also vary significantly in relation to market trends and the expectations of research analysts after that date.

2.4 Description of the valuation method: DDM

Below is a brief description of the DDM method. This method is based on the assumption that the economic value of a company is equal to the sum of the present value of:

- cash flows of potential future dividends distributable to shareholders generated over the chosen time horizon;

- long-term value of the company (so-called "Terminal Value") calculated as the present value of a perpetual annuity estimated on the basis of a normalized, economically sustainable, distributable cash flow consistent with a long-term growth rate.
  - In synthetic terms, the above can be formally represented as follows:

W = FCAa + VTa

  - where:
    - "**W**" represents the economic value of the company being valued
    - "**FCAa**" represents the present value of future cash flows distributable to shareholders in a given period.
    - "**VTa**" represents the current Terminal Value, and has been estimated using the "**exit multiples**" method:

$$\text{Terminal Value} = \frac{\left(1 - \frac{\text{LTG}}{\text{RoAE}_n}\right)}{(\text{K}_e - \text{LTG})} \times \text{Risultato netto}_n$$

  - where:
    - "**RoAEn**" represents the return on long-term capital;
    - "**Net Profit**" represents the long-term normalized net profit.
    - "**Ke**" represents the opportunity cost of capital estimated by applying the Capital Asset Pricing Model formula.

In order to define the valuation range highlighted below, a sensitivity analysis was carried out for (i) BFF with respect to the Ke and the long-term growth rate, and (ii) for DEPObank with respect to the Ke, the long-term growth rate and the leverage ratio.

It should also be noted that in applying this methodology:

- for BFF, the DDM was used on the basis of projections of future dividends as estimated by the consensus of research analysts;
- for DEPObank, in the absence of estimates by research analysts as it is an unlisted company, the DDM was used on the basis of future dividends, estimated as a more prudential excess capital on the basis of the bank's target common equity tier 1 and leverage ratio from a standalone perspective;
- for both BFF and DEPObank, and for valuation purposes only, scenarios were also considered in order to include potential impacts on future dividend distributions arising from the Bank of Italy's "Recommendation on the distribution of dividends and variable remuneration policies of banks" ("Recommendation")[10] issued on 16 December 2020;
- the cost of capital used for the valuation of BFF and DEPObank was estimated using the Capital Asset Pricing Model *("***CAPM**") methodology applied to Italian banks and global custodian banks respectively,

[10] On 27 March 2020, the Bank of Italy, considering the pandemic emergency, recommended that less significant Italian banks not pay dividends and refrain from share buybacks until 1 October 2020; it also recalled the need to adopt a prudent and forward-looking approach in remuneration policies. On 28 July 2020, in view of the continuing economic uncertainty, the Bank of Italy updated the guidance, extending its scope and duration. In particular, less significant banks and SIMs subject to CRR/CRD IV rules were recommended, at least until 1 January 2021, to: i) not pay dividends and not make any irrevocable commitment to pay dividends, ii) not proceed with share repurchases aimed at remunerating shareholders, iii) adopt an extremely prudent approach also with reference to policies on variable remuneration. On 16 December 2020, the Bank of Italy issued a new recommendation limiting dividend payments and potential share buybacks to a minimum of 15% of 2019-2020 profits and 20bps of CET1 until September 2021.

identifying a range of valuations based on a sensitivity on the cost of capital to take into account the specific characteristics of each individual entity;

- the estimate of the long-term growth rate is based on expected inflation forecasts drawn up by the main international monetary-financial research agencies endorsed by the inflation implicit in Italian government bonds.

As noted above, the projections used for the application of the methodology were derived from (i) the estimates of research analysts for BFF, and (ii) the 2019-2023 Strategic Plan prepared by DEPObank management.

The above valuation methodology has been applied on an individual and business continuity basis for both BFF and DEPObank, on a stand-alone basis.

It should also be noted that the DDM methodology reflects an intrinsic evaluation of the fundamentals of the company being evaluated from a long-term and going-concern perspective, therefore both the theoretical cost of equity (K_e) and the long-term growth rate (LTG) have been determined according to this logic and therefore may differ significantly from the values of the same that can be implicitly inferred from the market prices of both BFF and other financial companies in the current adverse macroeconomic scenario.

2.5 Control method: market multiples

Below is a brief description of the market multiples method. According to this method, the value of a company is determined by taking as a reference the indications provided by the stock market with regard to companies with similar characteristics to the one being valued.

The criterion is based on the determination of multiples calculated as the ratio between stock market values and the economic, equity and financial figures of a selected sample of comparable companies. The multiples thus determined are applied, with appropriate additions and adjustments, to the corresponding values of the company being valued, in order to estimate a range of values. For the purposes of applying this methodology, we focused on the Price/Net Profit ("**P/E**") multiple for the projection years. The choice is in line with the recent orientation of market analysts, who are more focused on prospective profitability than asset levels. In this case, it was considered appropriate to apply the average P/E multiple taken from the sample of comparable listed companies, considering for DEPObank a blended multiple from companies operating in the Securities Services and Banking Payments business, and for BFF a multiple from comparable Italian and European companies in the specialty finance, consumer finance and debt collection business. The market multiples were applied for the companies subject to valuation with reference to:

- the prospective estimates of research analysts updated to 12 May 2020 on 2020 and 2021 net profit, for BFF;
- the 2020 and 2021 net profit projections provided by the DEPObank management team, which incorporate the effects of the Covid-19 impact for DEPObank.

In order to normalize the multiples from momentary market distortions, the average prices of the 12 months prior to the valuation date were used.

2.6 Conclusions

From the comparison of BFF and DEPObank's valuation analysis on a stand-alone and business continuity basis, within the Merger Project, the Board of Directors were able to identify an exchange ratio range between 3.94x and 4.42x using the previously illustrated methodology of the Dividend Discount Model. The control method, based on market multiples, confirms this range, since it is between 3.06x and 4.46x. Therefore, within the range of values indicated above, the Exchange Ratio has been identified, equal to 4.2233377 BFF shares for every 1 DEPObank.

With reference to the estimate in question, the DDM method used referred, with regard to the possible distribution of dividends to shareholders, to the provisions of the Bank of Italy's Recommendation of 27 March 2011 and was therefore based on an ex-dividend approach. Considering the subsequent Bank of Italy Recommendation of 16 December 2020, and solely for the purposes of valuation verification, a sensitivity analysis was a sensitivity analysis was then carried out considering the impacts of a restrictive application of the Recommendation in relation to dividends from 2019 and 2020 profits for both BFF and DEPObank, and, also in this case, the valuation method used includes the Exchange Ratio negotiated in the Agreement between the Merging Company and the Merged Company.

3. BFF SHARES ALLOCATION METHOD

The DEPObank shares held, at the effective date of the Merger, by shareholders other than BFF (and, therefore, the 3,325,262 shares held by Equinova) will be exchanged for ordinary shares of BFF on the basis of the Exchange Ratio.

Following completion of the Merger, all DEPObank shares representing its entire share capital will be cancelled.

Since the application of the Exchange Ratio to the 3,325,262 DEPObank shares held by Equinova downstream of the Acquisition would lead to a non-integer number of shares, this number will be rounded down to the nearest lower unit. As a result, the Merging Company will proceed with the assignment of 14,043,704 newly issued ordinary BFF shares.

The BFF shares serving the Exchange Ratio will be made available on the effective date of the Merger according to the forms of centralized management of the shares by Monte Titoli S.p.A. in dematerialized form.

To service the Exchange Ratio, BFF will increase its share capital by €10,813,652 through the issue of 14,043,704 ordinary shares with no express par value. In addition, in the context of the Merger, BFF will increase its equity reserves, for a variable amount such that the sum of the share capital increase and equity reserves will be equal to the product between the number of newly issued shares (No. 14,043,704) and the stock market price of BFF shares at the close of the business day prior to the Acquisition date, up to a maximum amount of €472,587,600 (i.e., equal to DEPObank's equity as resulting from its financial statements at December 31, 2019).

The newly issued shares of BFF assigned in exchange will be listed on a par with the ordinary shares already outstanding.

On the effective date of the Merger, by virtue of the Exchange Ratio and as a result of the rounding off mentioned above, the only shareholder of DEPObank (other than BFF), *i.e.* Equinova, will have a total of 14,043,704 ordinary shares of BFF, equal to approximately 7.6% of the share capital of the latter post Merger.

4. EFFECTIVE DATE OF THE MERGER AND ALLOCATION DATE OF DEPOBANK'S OPERATIONS TO BFF'S FINANCIAL STATEMENTS

Pursuant to art. 2504-bis, para. 2, of the Italian Civil Code, the Merger will be effective from the last of the registrations prescribed by art. 2504 of the Italian Civil Code, or from the different date that will be provided in the Merger deed. Starting from that date, BFF will take over all the active and passive legal relations belonging to DEPObank.

The accounting and tax effects of the Merger will commence from the date of completion of the Acquisition.

The shares of BFF that will be issued to service the exchange under the Merger will have regular dividend entitlement and will participate in the profits of BFF from the date of completion of the Acquisition.

5. TAX IMPLICATIONS OF THE MERGER

With regard to the tax effects, it should be noted that the merger by incorporation is a tax-neutral operation, which does not generate capital losses or capital gains that are relevant for tax purposes. The assets and liabilities of DEPObank are allocated to the financial statements of BFF on a tax continuity basis (Article 172, paragraphs 1 and 2 of the Consolidated Income Tax Act). As far as the shareholders are concerned, the exchange of the shareholdings held in the Merged Company does not constitute realization of the securities themselves, but rather a mere replacement of the securities of the Merged Company (which will be cancelled as a result of the Merger) with the securities of the Merging Company.

For the purposes of indirect taxes, the Merger constitutes a transaction which falls outside of the scope of VAT, pursuant to art. 2, paragraph 3, letter f) of Presidential Decree no. 633/1972. According to this provision, in fact, the transfer of goods as a result of mergers of companies is not considered relevant for VAT purposes. This deed, therefore, is subject to registration tax in the amount of €200.00 pursuant to art. 4, letter b) of part one of the tariff attached to Presidential Decree no. 131 of 26 April 1986. Also for the purposes of mortgage and cadastral taxes, a fixed amount of €200.00 is expressly provided for, respectively by art. 4 of the tariff attached to Legislative Decree no. 347 of 31 October 1990 and art. 10, second paragraph, of Legislative Decree no. 347 of 31 October 1990.

6. FORECASTS ON THE COMPOSITION OF THE RELEVANT SHAREHOLDING STRUCTURE AND THE CONTROL STRUCTURE OF BFF FOLLOWING THE MERGER

The following table illustrates the effects of the Merger on BFF's significant shareholding structure, taking into account the number of newly issued BFF shares that will be issued to service the Merger exchange of 14,043,704 ordinary shares, and assuming that there will be no change in BFF's current shareholding structure:

Name	Percentage on capital
BFF Luxembourg S.à. r.l.	7.34
Equinova UK Holdco Limited	7.60
Market	81.05
Management [11]	4.00
Total	**100.00**

7. EFFECTS OF THE MERGER ON RELEVANT SHAREHOLDERS' AGREEMENTS PURSUANT TO ARTICLE 122 OF THE CONSOLIDATED LAW ON FINANCE.

As at the date of this Report, no shareholders' agreements were in place.

[11] Shares held as at 31/12/2019 by the CEO, his Close Associates and 6 other executives with strategic responsibilities.

8. RIGHT OF WITHDRAWAL

There are no grounds for the occurrence of a cause for withdrawal pursuant to and for the effects of Article 2437 of the Italian Civil Code and/or other legal provisions as a result of the Merger.

9. TREATMENT RESERVED FOR PARTICULAR CATEGORIES OF SHAREHOLDERS AND HOLDERS OF SECURITIES OTHER THAN SHARES - SPECIAL BENEFITS FOR THE DIRECTORS OF THE COMPANIES PARTICIPATING IN THE MERGER

The Transaction does not provide any particular benefit to the directors of the companies participating in the Merger.

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PROPOSED RESOLUTION

OF THE EXTRAORDINARY SHAREHOLDERS' MEETING

"*The shareholders' meeting of Banca Farmafactoring S.p.A. met in extraordinary session,*

(i) *having regard to the plan for the merger by incorporation of DEPObank - Banca Depositaria Italiana S.p.A. into Banca Farmafactoring S.p.A., approved by the boards of directors of the companies participating in the merger on 24 June 2020, registered with the Milan-Monza-Brianza-Lodi company register pursuant to article 2501-ter, paragraph 3, of the Italian Civil Code on 10 December 2020, and filed with the registered office of Banca Farmafactoring S.p.A.;*

(ii) *noted the issuance by the Bank of Italy on 10 December 2020 of the prescribed authorization measure pursuant to Articles 56 and 57 of Legislative Decree 385/1993 concerning the Merger and the amendments to BFF's articles of association resulting from the Merger;*

(iii) *having taken note of the reference balance sheets pursuant to Article 2501-quater of the Italian Civil Code represented by (i) for BFF, the financial statements for the year ended 31 December 2019, approved by the shareholders' meeting of BFF on 2 April 2020, and (ii) for DEPObank, the financial statements for the year ended 31 December 2019, approved by the shareholders' meeting of DEPObank on 7 May 2020;*

(iv) *examined the illustrative report of the Board of Directors on the merger project mentioned above, prepared pursuant to article 2501-quinquies of the Italian Civil Code, as well as article 70, paragraph 2, of the regulations adopted by Consob resolution no. 11971 of 14 May 1999, in compliance with scheme no. 1 of the relative attachment 3A;*

(v) *having regard to the report on the fairness of the exchange ratio drawn up by EY S.p.A., as joint expert appointed pursuant to article 2501-sexies of the Civil Code by the Court of Milan on 3 July 2020;*

(vi) *given that the aforementioned documents have been published and made available in accordance with applicable laws and regulations;*

resolved

1) to approve, pursuant to Article 2502 of the Italian Civil Code, the merger plan in its entirety (including the related annexes) and, consequently, to proceed - under the terms and conditions set forth therein - with the merger by incorporation of DEPObank - Banca Depositaria Italiana S.p.A. into Banca Farmafactoring S.p.A., in accordance with all the procedures set out in the project and therefore, inter *alia, by means of an increase in BFF's share capital by €10,813,652 through the issue of 14,043,704 ordinary shares, with no express par value, to service the Merger, and therefore to be assigned on the basis of the relevant Exchange Ratio;*

2) *to approve the following amendments to the articles of association, with effect from the effective date of the merger referred to in point 1) above:*

- *change of the company name to "BFF Bank S.p.A." and change of the name of the relevant banking group to "BFF Banking Group" (articles 1 and 4 of the articles of association*);
- *increase in share capital for €10,813,652 and increase in the number of ordinary shares for 14,043,704 (art. 5 of the articles of association);*

3) *finally, to acknowledge that the completion and effectiveness of the merger is subject to the fulfilment of the legal requirements and to the fulfilment of each of the conditions set out in the merger plan; and*

4) *to grant the Chairman of the Board of Directors and the Chief Operating Officer, severally and also by means of special attorneys, within the limits of the law, the widest possible powers to implement the resolved merger, and therefore, inter alia: (i) fulfil all the formalities required for the relevant shareholders' resolutions to be registered with the competent Companies' Register with the power - in particular - to make any non-material amendments, deletions and additions to the resolutions that may be required by the competent authorities or for the purposes of registration, (ii) draw up and sign the merger deed, also through special proxies, in compliance with the law and regulations, establishing the conditions, terms and conditions and clauses thereof, determining the effective date within the limits allowed by law and in accordance with the merger plan, allowing for any necessary transfers and transcriptions in relation to the assets and, in any case, to the asset and liability items included in DEPObank's assets and liabilities, stipulate any implementing, reconnaissance, supplementary and/or amending acts that may be necessary or appropriate for the purposes of executing the resolved merger, establishing clauses, terms and procedures, and to carry out all that is necessary or even only appropriate for the successful completion of the transaction, as well as (iii) to provide for all the publicity obligations connected with the merger and to carry out any other act and/or activity necessary or useful to implement the merger".*

ANNEXES:

1 - Merger Project

2 - BFF Articles of Association that will come into force on the effective date of the Merger

Milan, 22 December 2020

Banca Farmafactoring S.p.A.

The legal representative

Massimiliano Belingheri

Group CEO