

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

(convened for 25 March 2021 in single call)

Allocation of profits for the year 2020. Related and consequent resolutions.

Dear Shareholders,

the Board of Directors has convened the general meeting in ordinary session on Thursday **25 March 2021** at **11.00 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 the proposed allocation of profit for the year 2020.

It should be noted that at the Shareholders' Meeting of 28 January 2021, 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 – held on December 22, 2020 – to comply with the recommendations issued by the ECB on December 15, 2020 (the "**ECB Recommendation**") for the most significant banks, and the similar recommendation made public by the Bank of Italy on December 16, 2020, which also extended the effects of the Recommendation to banks subject to the supervision of the National Authority ("**BoI Recommendation**") in order to guarantee, in any case, the adoption of a prudent approach, inspired by the principles of compliance with supervisory regulations.

Following discussions with the Bank of Italy, and because of the completion of the exit of BFF Luxembourg S.à r.l. ("**BFF Lux**") from the Bank's share capital - with the consequent forthcoming termination of the CRR Banking Group headed by BFF Lux - the Bank has learned that it may proceed to distribute profits in the amount of Euro 3,231,388, calculated in compliance with the BoI Recommendation. This measure is significantly less than 15% of 2019-2020 cumulative profits (amounting to approximately Euro 27,6 million); consequently, the proposed distribution is for an amount of Euro 3,231,388 million, corresponding to a profit, gross of withholding taxes, of Euro 0.018935 for each of the 170,650,642 ordinary BFF shares currently in circulation. Following the execution of the capital increase in favor of Equinova to service the merger by incorporation of DEPObank - Banca Depositaria Italiana S.p.A. into Banca Farmafactoring S.p.A. (the "**Merger**") resolved by the Shareholders' Meeting of January 28, 2021, the unit dividend will be equal to Euro 0.017495 for each of the 184,694,346 ordinary shares of BFF.

The Bank confirms its intention to allocate to its Shareholders, as soon as possible and in compliance with the restrictions on the distribution of profit as a result of the economic emergency following the COVID-19 pandemic, a total amount of dividends equal to Euro 168.5 million ("**2019-2020 Total Dividend Payout**") corresponding to the sum of: (i) the 2019 individual profit of Euro 12.4 million (corresponding to the first portion of the 2019 Dividend Payout); (ii) the 2020 individual profit of Euro 143.3 million (including the second and remaining portion of Euro 58.5 million of the 2019 Dividend Payout); as well as (iii) a further amount of Euro 12.8 million corresponding to distributable reserves already present in the financial statements as at 31 December 2020), thus undertaking to call an Ordinary Shareholders' Meeting as soon as possible, in compliance with the recommendations of the Supervisory Authority and, therefore, predictably after 30 September 2021, in order to resolve on the distribution of the remaining amount of Euro 165,3 million.

With regard to the proposed date of payment of the dividend, it should be noted that, pursuant to art. 2.6.2 of the Regulations of the Markets organized and managed by Borsa Italiana S.p.A. and art. IA.2 .1.2 of the related

Instructions, the Company is obliged to inform the public of the proposed date for the detachment of the dividend (*ex-date*), the date of legitimation for the payment pursuant to art. 83-terdecies of Legislative Decree no. 58/1998 - which is established on the day following the detachment date - (*record date*), and the proposed date for the payment of the dividend (*payment date*). It is noted that at least one open market day must elapse between the date of the meeting of the body that resolves on the distribution of the dividend and the ex-dividend date.

In compliance with the market calendar of Borsa Italiana (according to which the ex-dividend date coincides with the first trading day of each week), since the financial calendar indicates the Shareholders' Meeting on Thursday 25 March 2021, it is proposed to set Monday 29 March 2021 as ex-dividend date for coupon no. 3, Tuesday 30 March 2021 as *record date* and Wednesday 31 March 2021 as *payment date*.

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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 allocate, in compliance with the limitations by the Bank of Italy, to the distribution to the Shareholders of a portion of the net profit for the year, equal to Euro 3,231,388, corresponding, gross of withholding taxes, to Euro 0.018935 for each of the 170,650,642 ordinary shares in circulation at the coupon detachment date (no. 3) on 29 March 2021 (so called ex-date). If the capital increase to service the Merger is carried out, the unit dividend will be equal to Euro 0.017495 for each of the 184,694,346 BFF ordinary shares. This dividend includes the portion attributable to any treasury shares held by the company on the “record date”. Pursuant to art. 83-terdecies of Legislative Decree no. 58 of 24 February 1998 (Consolidated Law on Finance), the entitlement to the payment of the dividend is determined with reference to the evidence of the accounts of the intermediary referred to in art. 83-quater, paragraph 3 of the Consolidated Law on Finance, at the end of the accounting day of 30 March 2021 (so called record date);*
- ii) to allocate to the "Retained Earnings Reserve" the remaining part of the profit for the year, amounting to Euro 140,049,858, without prejudice to the commitment of the Bank's Board of Directors to convene as soon as possible, in compliance with the recommendations of the Regulator dictated following the economic emergency resulting from the COVID-19 pandemic and therefore, predictably, after September 30, 2021, an ordinary shareholders' meeting to resolve on the distribution of the residual 2019 - 2020 Comprehensive Dividend Payout amounting to Euro 165,275,418;*

iii) to pay the said dividend as from 31 March 2021 (so called payment date). The payment shall be made through the authorized intermediaries with whom the shares are registered in the Monte Titoli system.

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Milan, February 17, 2021

On behalf of the Board of Directors:

THE CHAIRMAN

(Salvatore Messina)