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

**(PURSUANT TO ARTICLE 125-TER OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998, AS AMENDED
AND SUBSEQUENT AMENDMENTS AND ADDITIONS)**

(CONVENEND FOR 7 SEPTEMBER 2023 IN SINGLE CALL)

- 1. Proposed distribution of part of the Retained Earnings Reserve recorded in the
Bank's balance sheet. Related resolution.**
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BFF Bank S.p.A.

Via Domenichino 5 - 20149 Milan

Tax code and VAT n. 07960110158

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Dear Shareholders,

you have been convened at the Shareholders' Meeting to consider and approve the proposed distribution in your favor of a maximum total amount of €27,487,349.74 as an ordinary dividend (the "**Dividend**"), to be drawn from the "retained earnings" reserve recorded in the financial statements of BFF Bank S.p.A. ("BFF" or the "**Bank**") as of December 31, 2022.

First of all, the Board of Directors points out that:

- the Dividend Distribution Policy of the BFF Banking Group (the "**Dividend Policy**") provides: (i) that the Bank shall distribute the amount of normalized consolidated net income generated during the year, in excess of a level of primary tier 1 capital ratio (CET 1 ratio) of 12.00%, (subject to compliance with all other current and prospective regulatory indicators), (ii) the frequency of dividend distribution semi-annually, with one payment based on normalized consolidated earnings for the first half of the year, and one payment at the end of the year based on normalized consolidated earnings for the year;
- the transaction aims to ensure adequate remuneration to its shareholders for their investment in the Bank, and does not compromise BFF's balance sheet, financial and economic equilibrium, given its high financial and capital strength;
- the Bank has recorded available and relevant reserves in the balance sheet, sufficient to cover the dividend payments;
- on August 3, 2023, the Board of Directors itself resolved to distribute an interim dividend in the amount of 54,451,024.78 euro pursuant to Article 2433-bis of the Civil Code, which together with the proposed distribution of reserves, would allow the distribution of the normalized Group result for the period in accordance with the Dividend Policy;
- the Bank, on the basis of the estimates of the result being formed as of December 31, 2023, does not fall under the case referred to in Article 2433 third paragraph of the Civil Code.

As of December 31, 2022, the amount of the Bank's capital and reserves (excluding Net Income and AT1 Capital Instruments) was represented as follows:

- - subscribed and paid-up capital amounted to 142,870,383 euro;
- - the legal reserve amounted to 28,538,553 euro, which does not incorporate the 47,410 euro of 2022 earnings allocated to the legal reserve as per the shareholders'

resolution of April 13, 2023;

- - the share premium reserve amounted to 66,277,204 Euro;
- - the valuation reserve amounted to 5,421,320 euro;
- - the treasury stock reserve amounted to a negative 3,883,976 Euro;
- - other reserves amounted to 10,507,970 Euro;
- - the retained earnings reserve amounted to 141,581,059 Euro, which does not incorporate the 115,361,074 Euro of 2022 earnings allocated to retained earnings reserve as per the shareholders' resolution of April 13, 2023;

For a total amount of 391,312,513 Euro.

The Dividend, as described above, will be drawn from the reserve called "Retained Earnings Reserve".

It should also be noted, that as a result of the distribution, the amount of the Bank's capital and reserves (excluding the Profit for the period already allocated to interim dividend and capital instruments AT1), in view of the values outstanding as of June 30, 2023 and net of only the previously mentioned distribution would be as follows:

- - subscribed and paid-up capital amounts to 143,604,966 Euro;
- - the legal reserve amounts to 28,585,963 Euro
- - the share premium reserve amounts to 66,277,204 Euro;
- - the valuation reserve amounts to 5,214,083 Euro;
- - the reserve from treasury stock amounts to negative 4,392,046 Euro;
- - other reserves amount to 10,070,188 Euro;
- - the retained earnings reserve amounts to 250,529,291 Euro, which, net of the previously mentioned distribution, would become 223,041,940 Euro.

for a total amount of 499,889,649 Euro, which net of the previously mentioned distribution would become 472,402,299 Euro.

Finally, it should be noted that also as a result of the above distribution, individual regulatory capital ratios CET1, Tier 1 Capital Ratio and Total Capital Ratio stand at 11.3%, 15.5% and 15.5%, respectively, and consolidated capital ratios stand at 15.6%, 20.8% and 20.8%, respectively, thus well above regulatory limits.

The Board of Directors hereby proposes to you, therefore, the distribution of a maximum total amount of EUR 27,487,349.74 to be drawn from the Retained Earnings Reserve from the financial statements for the year 2022, through the payment of a Dividend of EUR 0.147 per share, with an ex-dividend date of the current No. 8 coupon on September 11, 2023, entitlement to payment on September 12, 2023 (record date) and payment of the dividend on September 13, 2023. This amount, together with the interim dividend resolved by the Board of Directors on August 3, would bring the dividend to be distributed on September 13

to an amount of 0.438 Euro per share.

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We therefore submit the following proposed resolution for your approval:

"The Shareholders' Meeting of BFF Bank S.p.A., having examined the illustrative report of the Board of Directors,

- Noted that the share capital and reserves emerging from the balance sheet as of December 31, 2022, and in particular the Bank's "Retained Earnings" reserve are to be considered existing;
- Considering, therefore, the existence of available reserves to a capacious extent;
- Considering that the Bank, as attested by the Board of Statutory Auditors, does not fall under the cases referred to in Article 2433, third paragraph, of the Italian Civil Code, and noting the opinion of the same regarding the legitimacy of the proposal formulated

resolution

- i) to allocate for distribution to the Shareholders a Unit Dividend in the amount of up to 27,487,349.74 Euro in accordance with the terms set forth in this Report, using a portion from the Retained Earnings Reserve, to distribute, gross of statutory withholdings, to 0.147 Euro for each of the ordinary shares outstanding on the record date, with an ex-dividend date (No. 8) September 11, 2023 (so-called ex date). This dividend includes the portion attributable to any treasury shares held by the company on the "record date." Pursuant to Article 83-terdecies of Legislative Decree No. 58 of February 24, 1998 (TUF), the entitlement to payment of the dividend is determined with reference to the evidence of the accounts of the intermediary referred to in Article 83-quater, paragraph 3, of the TUF, at the end of the accounting day of September 12, 2023 (so-called record date);
- ii) to pay the above dividend on September 13, 2023 (so-called payment date). The payment will be made through the authorized intermediaries with whom the shares are registered in the Monte Titoli system.

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For the Board of Directors

THE CHAIRMAN

(Salvatore Messina)

Milan, 3 August 2023