

**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ON THE SECOND ITEM
ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING
(convened for 28 March 2019 in single call)**

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

Shareholders,

the Board of Directors has convened the general meeting in ordinary session on Thursday **28 March 2019** 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, *inter alia*, the proposed allocation of profit for the year.

The financial statements of the Company as at 31 December 2018, submitted to the Shareholders' Meeting for approval, report a profit of €73,389,737, which we propose to allocate as follows:

- i) €399,658 to Retained earnings;
- ii) €72,990,079 to the Shareholders.

Furthermore, we propose to allocate €18,763,155 to the shareholders, to be withdrawn from the "Profit reserve", so that the total dividend to be distributed shall amount to €91,753,234.

Therefore, the Shareholders will be entitled to a dividend of €0.539 for each of the 170,107,400 shares, with ex-dividend date (no. 2) on 1 April 2019 (*ex date*).

Pursuant to Article 83- *terdecies* of Legislative Decree no. 58 of 24 February 1998, as amended (the "**TUF**"), entitlement to the payment of dividend is determined based on the records of the intermediary's accounts pursuant to article 83- *quater*, paragraph 3 of the TUF, at the end of the accounting day of 2 April 2019 ("*Record date*").

The payment of the aforementioned dividend, gross of withholding taxes, is scheduled to commence on 3 April 2019 (*payment date*).

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We therefore submit for your approval the following proposed resolution:

"The Shareholders' Meeting of Banca Farmafactoring S.p.A., having examined the Board of Directors' explanatory report,

resolves

- i) *to draw €18,763,155 from the "Profit reserve" to be distributed to the shareholders; after this allocation, the "Profit reserve" will be reduced to €66,565,157;*
- ii) *to allocate a portion of the net profit for the year, in the amount of €72,990,079, to the distribution to the shareholders, together with €18,763,155 drawn from the "Profit Reserve", for a total amount of dividends to be distributed of €91,753.234, corresponding, gross of*

withholding taxes, to € 0.539 for each of the 170,107,400 ordinary shares outstanding as at the ex-dividend date (no. 2) on 1 April 2019 (ex-date). This dividend includes the portion attributable to any treasury shares held by the company as at "record date". Pursuant to Article 83- terdecies of Legislative Decree no. 58 of 24 February 1998, ("TUF"), entitlement to the payment of dividend is determined based on the records of the intermediary's accounts pursuant to article 83- quater, paragraph 3 of the TUF, at the end of the accounting day of 2 April 2019 ("record date");

- iii) to allocate the remaining part of the profit for the year, amounting to € 399,658, to "Retained earnings";*
- iv) to pay the aforementioned dividend as of 3 April 2019 (payment date). The payment will be made through authorized intermediaries with which the shares are registered within the Monte Titoli system.*

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Milan, 19 February 2019

On behalf of the Board of Directors:
THE CHAIRMAN
(Salvatore Messina)