

*Courtesy translation*

**BOARD OF DIRECTORS REPORT ON ITEM 3.3 ON THE AGENDA OF THE GENERAL  
SHAREHOLDERS' MEETING**

**(convened for 28 March 2019 on single call)**

**Proposal for amending the *Stock Option Plan of Banca Farmafactoring Banking Group*. Related and  
resulting resolutions.**

Dear Shareholders,

The Annual General Meeting of Banca Farmafactoring S.p.A. (the “**Company**” or the “**Bank**”) convened to approve certain amendments to the “*Stock Option Plan of Banca Farmafactoring Banking Group*”, approved by the Company’s Shareholders’ Meeting on 5 December 2016 (the “**Stock Option Plan**” or the “**Plan**”).

The Stock Option Plan provides for the allocation of up to a total of 8,960,000 options, which give the right to receive ordinary shares of the Company on a one-to-one ratio, and is serviced with newly issued shares or shares already issued and in the company portfolio at the options exercise date.

Newly issued shares shall derive from a paid capital increase or – subject to the approval of the Extraordinary General Meeting convened on 28 March 2019 – from a free share capital increase, to be resolved in connection with, *inter alia*, *cash-less* exercise of the options as described in this Report.

We recall that on 5 December 2016 the Extraordinary General Meeting had approved a paid capital increase pursuant to Article 2441, paragraph 8, of the Italian Civil Code, for a maximum par value of Euro 6,899,200, with a share premium, by issuing, also in several *tranches*, of a maximum of 8,960,000 new ordinary shares, aimed at servicing the Stock Option Plan, reserved to employees of the Company and/or its Subsidiaries (the “**Aucap 2016**”, and the “**BFF Group**”).

The Board of Directors of 19 February 2019 has submitted for approval by the Extraordinary General Meeting, convened on 28 March 2019, to (i) revoke the resolution of capital increase taken on 5 December 2016 and, simultaneously, (ii) approve, replacing that increase, a new capital increase pursuant to Article 2441, paragraphs 5 and 6, Italian Civil Code, with a maximum par value, a maximum number of shares, severability and duration features, the same share issuance procedures and type of those of the Aucap 2016, but addressed to all Beneficiaries of the Plan and, therefore, not only to BFF Group employees (the “**Increase by Payment**”).

In addition, the Board of Directors of February 19 has submitted for approval by the same Extraordinary Meeting to delegate the Council, under Articles 2443 and 2349 Italian Civil Code, for a period of five years, to free increase the share capital, also in several *tranches*, serving, among other things, the Stock Option Plan (the “**Free Increase**”).

The proposed Increase by Payment and the Free Increase are set out in the Reports, prepared for each increase pursuant to Article 72 and Annex 3A of the Regulation adopted by CONSOB by resolution No. 11971 of May 14, 1999, as subsequently amended and supplemented (the “**Issuers’ Regulations**”). These Reports will be published, in accordance with law, on the Company’s website [www.bffgroup.com](http://www.bffgroup.com), in the “Governance/Shareholders’ Meeting documents” section, as well as at the storage mechanism [www.linfo.it](http://www.linfo.it).

This Report has the purpose of explaining the amendments to the Stock Option Plan and the relating issue on the General Meeting agenda, convened on 28 March 2019, in compliance with the provisions of Articles 114-

*bis* and *125-ter* of Legislative Decree No. 58 of 24 February 1998, as subsequently supplemented and amended (the “TUF”).

### **1. Subject matter of the Plan**

The subject matter of the Plan is not changed. The Plan is composed of three *tranches* and will grant a maximum of 8,960,000 options, which entitle beneficiaries to receive newly issued ordinary shares of the Company, or already issued and owned by the Bank at the time of options' exercise (the “Shares”).

### **2. Plan Beneficiaries**

No changes are proposed in relation to recipients of the Stock Option Plan, which remain the subjects identified by the Board of Directors and/or the Chief Executive Officer at their sole discretion – within applicable law and provisions of the Plan – among employees and/or non-independent Directors of the Company and/or its subsidiaries.

### **3. Reasons motivating Plan amendment**

Firstly, reasons motivating Plan adoption were not changed.

We recall that the Plan is aimed at: (a) promoting employees and *managers* integration, sharing with them corporate results; (b) raising awareness among employees upon the creation of value for BFF Group and shareholders; (c) improve *retention* ability (retention of key resources); (d) improving BFF Group competitiveness on the labour market.

The proposed amendments are aimed at:

- (i) delegating the Board of Directors to grant to Plan beneficiaries, upon their request, the right to cash-less exercise of the options, receiving newly issued shares based on Free Increase (as indicated in paragraph 4 (i)). Cash-less exercise of the options would allow exercising options to recipients who cannot or do not want to incur in the expense associated with payment of the exercise price and its tax burden (*i.e.* advance IRPEF tax). It therefore seems appropriate to maintain incentive effect of the Plan, allowing the recipient to receive the *stock options* benefit without any cash outlay. The incentive and *retention* effect would be increased by giving the Board of Directors the discretion to grant the right to exercise *cash-less* mode;
- (ii) introducing a period of suspension of the exercise of the options as described under the following paragraph 4 (ii). The suspension of the exercise period would be aimed at successfully distributing – in the sole interest of the shareholders – the total profits, sharing them among a certain number of shares outstanding at the date on which the Board of Directors determines the dividend, avoiding

that, at the ex-dividend date, such number is increased as a result of options exercise and related issuances; and

- (iii) aligning the powers of the Board of Directors and the Chief Executive Officer, in allocating options according to the Plan, with the competences assigned to the same bodies by the existing “*Remuneration and Incentive Policy in favour of the Members of Strategic Supervision, Management and Control Bodies, and the Personnel of Banca Farmafactoring Banking Group*” (the “*Policy*”), as better specified in paragraph 4 (iii).

#### **4. Implementation procedures and clauses for the Plan**

##### **(i) Introduction of operating *cash-less* mode.**

The draft resolution of this item on the agenda shall introduce in the Plan to allow the Board of Directors to authorize *cash-less* exercise of the options, without prejudice to the fact that this faculty will be granted by the CEO to beneficiaries falling within its authority under the *Policy* (as by articulation of the powers referred to in paragraph (iii)).

Each Beneficiary will be entitled to exercise all or part of the vested options in one of the following ways:

- a) *cash-less* mode without paying the Withholding Tax.

The beneficiary, after exercising options, will receive, without having to pay the exercise price or the Withholding Tax, a number of shares determined according to the following formula:  $(Total\ Market\ Value\ of\ Opted\ Shares - Total\ Exercise\ Price\ of\ Opted\ Shares - Withholding\ Tax) / Market\ Unit\ Value\ of\ Shares$ ; or

- b) *cash-less* mode paying a Withholding Tax.

The beneficiary, after exercising options, will receive, without paying the exercise price, a number of shares determined according to the following formula:  $(Total\ Market\ Value\ of\ Opted\ Shares - Total\ Exercise\ Price\ of\ Opted\ Shares) / Market\ Unit\ Value\ of\ Shares$ , subject to Withholding Tax payment as a condition for delivery of Shares.

Where:

- *Opted Shares* means the Shares that would be granted to the Beneficiary exercising options in ordinary mode;
- *Withholding Tax* is the amount of the IRPEF Tax set by the Normal Value of Opted Shares.
- *Market Value* is the official price of Opted Shares at the closing date of the trading day preceding the exercise date;
- *Normal Value* of Opted Shares is the value set in accordance with Article 9 of Presidential Decree No. 917 of 22 December 1986 (TUIR);
- *Market Unit Value* is the official price of a Share at the exercise date.

**(ii) Introducing a period of suspension on the exercise of the options**

The Board of Directors proposes to include in the Plan a provision setting out the suspension of the right of beneficiaries to exercise options during the period beginning (s) the eighth calendar day preceding the date of the Board of Directors of the Bank that is called to approve the accounts relating to each financial year, and ending, (ii) in the event of distributing dividends for the period, at the date of entitlement to the payment of such dividends set under art. 83-terdecies of the TUF (the so-called *record date*, preceding the dividend payment date), or, in the event that the General Meeting does not approve the distribution of any dividend, on the date of such meeting.

**(iii) Aligning the Plan with the division of the powers provided for by the Policy on remuneration of Group personnel**

The Board of Directors proposes to specify in the plan that – without prejudice to the powers of the Board of Directors regarding allocation of the total number of options under each *tranche*, identification of beneficiaries and allocation of options in relation to Directors, *Senior Executives* and *Executives* reporting directly to the Chief Executive Officer – the CEO may decide to assign options not assigned by the Board of Directors to other Beneficiaries whose remuneration falls within its authority under the *Policy*.

**5. Subscription pricing policy Plan action**

The Plan amendment does not affect determination of the subscription price of the shares servicing the Plan.

**6. Limits on transfer of Options**

The Plan amendment does not affect non-transferable Options.

**7. Resolution proposal**

In light of the above, the Board of Directors proposes to the General Shareholders' Meeting the following resolution:

*“The General Meeting of the company Banca Farmafactoring S.p.A., with reference to the point 3.3 of the ordinary meeting part of the agenda:*

- *having examined the Board of Directors Report on the draft resolution (the “Report”); and*
- *having examined the information document prepared in accordance with Article 84-bis of the Consob regulation adopted pursuant to Resolution No. 11971 dated 14 May 1999, as subsequently amended and extended (the “Information Document”);*

*resolves to*

*1) approve amendments to the “Stock Option Plan of Banca Farmafactoring Banking Group” (the “Plan”), as described under paragraph 4 of the Report, and indicated in the Information Document, and, specifically, those relating to cash-less exercise of the options, subject to approval, by the Extraordinary Shareholders' Meeting of 28 March 2019, of the delegation to the Board of Directors, pursuant to Article 2443 of Italian Civil Code, for a free capital increase pursuant to Article 2349 of Italian Civil Code, referred to in item 2 on the agenda of this Extraordinary General Meeting;*

*2) confer to the Board of Directors and on its behalf to the CEO, with the right to sub-delegate, all powers necessary to implement this resolution, including the right to amend and/or to supplement the resolution passed and the Plan regulation, whenever required, in order to fulfil the legal obligations or other obligations.”*

Milan, 19 February 2018

For the Board of Directors  
THE CHAIRMAN  
(Mr. Salvatore Messina)