

*Courtesy translation*

**BOARD OF DIRECTORS REPORT ON ITEM 3.4 ON THE AGENDA OF THE GENERAL  
SHAREHOLDERS' MEETING**

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

**Proposal for a stock grant plan to Group employees. Related and resulting resolutions.**

Dear Shareholders,

The Annual General Meeting of Banca Farmafactoring S.p.A. (the “**Company**” or the “**Bank**”) convened to approve a free *one-off* grant of Bank's shares (the “**One-off Grant**” and the “**Shares**”, respectively) to employees of the Company and/or its subsidiaries (the “**BFF Group**”).

The One-off Grant shall be serviced with newly issued Shares resulting from a free capital increase pursuant to Article 2349 of the Italian Civil Code, delegated to the Board of Directors under Article 2443 of the Italian Civil Code, submitted for approval to the Extraordinary Shareholders' Meeting convened on March 28, 2019 (the “**Free Capital Increase**”).

The proposed Free Capital Increase is set out in the report prepared by the Board of Directors of the Bank pursuant to Article 72 and Annex 3 of the Regulation adopted by CONSOB by resolution No. 11971 of May 14, 1999, as subsequently amended and supplemented (the “**Issuers’ Regulations**”). This report 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 is aimed at explaining the features of the One-off Grant and the relating issue on the agenda, 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. Purpose and implementing procedures of the One-off Grant**

One-off Grant provides that each Beneficiary (as defined below) has the right to receive free Shares of the Company. The shares shall be allocated, in a lump sum, at the date the Board of Directors sets before 31 December 2019, but in any event after 2 April 2019 (*record date* for dividend payment under Article 83-*terdecies* of the TUF) (the “**Grant Date**”).

Each beneficiary shall receive at the Grant Date (as defined below) a number of shares (corresponding to a total maximum equity value of Euro 2,065.00 per beneficiary) to be identified on the basis of the market value of shares at the Grant Date, to be fixed, in accordance with the criteria provided for by tax legislation, based on to the arithmetical average of the prices recorded during the last month before the Grant Date. “Last month” means the period from the Grant Date to the same day in the previous calendar month. For the purposes of calculating the average it is necessary to take only the actual share quotation days.

Nevertheless, the maximum total number of Shares that the Company will give to all Beneficiaries within the One-off Grant shall be 240,000.

One-off Grant is not tied to *performance* parameters.

## **2. One-off Grant Beneficiaries**

One-off Grant is addressed indistinctly to all individuals (employees, managers or executives), who, at the Grant Date, are related to the Company and/or Group Companies by a permanent employment relationship – including *part-time* contract – (the “**Beneficiaries**”) and:

- (i) they must not receive from the Company or one of its Group Companies notice of termination of employment or of withdrawal;
- (ii) they have not mutually agreed termination of the employment relationship;
- (iii) against whom no disciplinary proceedings are pending from which results the termination of employment;
- (iv) they have not fulfilled the probationary period or must not be serving a period of “resignation notice”;
- (v) they have not been convicted in first instance as a result of work-related legal proceedings
  - (a) which results the termination of employment, or
  - (b) related to facts constituting the infringement of the principles of the Group Code of Ethics.

### **3. Reasons motivating One-off Grant approval**

One-off Grant is intended to motivate the beneficiaries, while building their loyalty, strengthening the sense of belonging to the BFF Group and increasing their participation in the strategies adopted by the Bank.

One-off Grant, by features and size, is a marginal benefit granted to the Personnel of the Bank and BFF Group on a non-discretionary basis – covered by the Bank's remuneration policy – which has no effect on the risk profile of the Bank.

### **4. Limits on transfer of shares**

There is no commitment from the Beneficiaries not to transfer the shares towards the Bank.

### **5. 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 3.4 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 84bis of the Consob regulation adopted pursuant to Resolution n. 11971 dated 14 May 1999, as subsequently amended and extended (the “Information Document”);*

*resolves to*

*1) approve, pursuant to Article 114-bis of Legislative Decree No. 58/1998, the one-off free grant of Bank shares to employees of the Company and/or its Subsidiaries, as indicated by the Report and the Information Document, subject to approval, by the Extraordinary Shareholders' Meeting of 28 March 2019, of delegation to the Board of Directors, pursuant to Article 2443 of the Italian Civil Code, for a Free Capital Increase pursuant to Article 2349 of the Italian Civil Code, referred to in point 2 of the agenda of this Extraordinary General Meeting;*

*2) confer to the Board of Directors, and on its behalf the CEO, with the right to sub-delegate, all powers necessary to implement this resolution, including, by way of example and without limitation, (i) any power to determine the quantity of ordinary shares to be allocated to each beneficiary and to grant them, and (ii) the right to amend and or to supplement the resolution passed and the One-off Regulation, whenever required, in order to fulfill the legal obligations or other obligations.”*

Milan, 19 February 2019

For the Board of Directors  
The Chairman  
(Mr. Salvatore Messina)