

**STATUTORY BOARD OF AUDITORS PROPOSAL ON ITEM SEVEN ON THE
AGENDA FOR THE ANNUAL GENERAL MEETING OF SHAREHOLDERS
(CONVENED FOR 5 APRIL 2018 ON SINGLE CALL)**

***INCREASED AUDIT COMPANY REMUNERATION FOR AUDIT OF THE ACCOUNTS. DEBATE AND
RESOLUTIONS.***

PROPOSAL OF THE STATUTORY BOARD OF AUDITORS

Introduction

Dear Shareholders,

The Annual General Meeting convened to approve the financial statements for the financial year closed on 31 December 2017, held on 5 April 2018 at 11.00 hours in the registered offices of Banca Farmafactoring S.p.A. (the “**Bank**”) in Milan at Via Domenichino No. 5 (the “**Corporate Headquarters**”) on single call (henceforth the “**General Meeting**”), has been called to debate and resolve among other things on the Statutory Board of Auditors’ motion to increase the payment to the Audit Company PricewaterhouseCoopers S.p.A. (the “**Audit Company**”), in the terms of the following provision of the Agenda:

AGENDA

1. *[Omissis]*
2. *[Omissis]*
3. *[Omissis]*
4. *[Omissis]*
 - 4.1. *[Omissis]*
 - 4.2. *[Omissis]*
 - 4.3. *[Omissis]*
5. *[Omissis]*
 - 5.1. *[Omissis]*
 - 5.2. *[Omissis]*
 - 5.3. *[Omissis]*
 - 5.4. *[Omissis]*
 - 5.5. *[Omissis]*
6. *[Omissis]*
 - 6.1. *[Omissis]*
 - 6.2. *[Omissis]*
 - 6.3. *[Omissis]*
7. *To increase the Audit Company’s remuneration for the audit of the accounts. Debate and resolutions.*

According to Article 13 of Legislative Decree No. 39 of 27 January 2010, (“**Decree 39/2010**”), assignment of the audit and determination of the total remuneration for the audit services is subject to the approval of the General Shareholders’ Meeting, on a reasoned motion from the controlling body.

In particular, the assignment of the specific authority to determine the compensation for the audit services to the General Meeting is intended to ensure the impartiality of the auditor’s judgement in relation to the functioning of the administrative body, and so may not be delegated to that body.

Thus any modification to the remuneration while the audit is under way must also be made subject to the procedure in Article 13 of Decree No. 39/2010.

On the matter of that procedure, this Statutory Board of Auditors proposal (the “**Report**”) refers to item seven on Agenda for the General Meeting on the “*Increased Audit Company remuneration for audit of the accounts. Debate and resolutions*”.

This Report was filed with the Registered Offices and Borsa Italiana S.p.A. within the term provided for in Article 125-ter of the TUF, and Shareholders were authorised to obtain a copy. The Report is available among other things at “*Investor Relations/Meeting Documentation*” on the Bank’s website (at www.bffgroup.com, the “**Website**”) and at the centralised storage facility called “1info” managed by Computershare S.p.A., available at www.1info.it.

This Report was approved by the Company’s Statutory Board of Auditors on 21 February 2018.

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A 3 May 2012 resolution of the General Meeting of Banca Farmafactoring S.p.A. (the “**Bank**”) assigned PricewaterhouseCoopers S.p.A. (the “**Audit Company**”) the task of auditing the Bank’s accounts for the 2012-2020 financial years (the “**Assignment**”) with an estimated annual commitment of 770 hours, for compensation of 73,000 euros plus VAT.

During 2015 and 2016, the Assignment involved an additional annual commitment for the drafting of the consolidated financial statements (additional proposal dated 12 January 2015) and for the listing process (additional proposal dated 4 April 2016 motion) amounting to 560 hours for a further annual charge of 55,500 euros plus VAT, bringing the estimated total annual commitment to 1,310 hours for annual remuneration of 128,500 euros plus VAT.

According to Article 4.3 point b, the Assignment allows for) “*Exceptional or unforeseen circumstances*” that “*should exceptional or unforeseen circumstances arise, including awithout prejudice, significant changes to the Company’s structure and activity [], changes to regulations, to the accounting and/or auditing standards, or other circumstances not foreseen on this date requiring more time than specified in this proposal, you will be notified in advance in order for an agreement to be reached to define the action not provided for in this proposal and to assess the associated charges*”.

On 30 November 2017, the Audit Company drew up a proposal to alter the financial terms for the Assignment (the “**Proposed amendment**”) resulting from the additional activity needed following the coming into force of the reform on the auditing of accounts in EU Regulation No. 537/2014 and Directive 2014/56 (transposed into the Italian provisions in Legislative Decree No. 135/2016), and associated activity, among others the introduction of the new IFRS 9 International Financial Reporting Standard and the acquisition of the Magellan group.

The following are the main aspects of the proposed amendment:

- *review of the audit*: the additional actions necessary are essentially the result of the new audit report, the modification of the report to the internal supervisory Committee and the accounting review, and the new provisions in Article 14.2.e) of the 39/2010 Decree, related to the opinion on the management report’s compliance with the legal standards and the highlighting of any possible significant errors, formulated in the light of the evidence and understanding of the business and of the related context arising from the audit of the financial statements;
- *the new International Financial Reporting Standard IFRS 9*: the initial application and enactment of the new accounting standard means, on the one hand, a one-off action involving analysis and an understanding of the approaches followed, and successive testing and verification of procedures and the support system and, on the other, periodic development of new and additional audit procedures;
- *acquisition of the Magellan group*: the acquisition of the Magellan group (comprising Magellan S.A. and its subsidiaries) involved a change in the consolidation perimeter of the Banca Farmafactoring banking group (the “**BFF Group**”) with the resulting extension of the audit of the Group’s consolidated financial statements.

Given the above Additional Activity (jointly the “**Additional Activity**”) the Audit Company proposed an increased total payment (sums shown less VAT and the CONSOB’s supervisory fee) and the following total times for the period 2017-2020.

The table below sets out the detail of the times and remuneration for the Assignment for a single financial year as redefined in the proposed amendment in the light of the above:

2017 financial year

Activity	Total hours*	Fees (euros) *	Integration of proposal		Revised total	
			Hours	Fees	Hours	Fees
Audit of the Bank’s financial statements for the financial year	680	65,000	290	35,000	970	100,000
Monitoring pursuant to Article 14 point 1. b) of Decree 39/2010	190	17,000	-	-	190	17,000
Audit of the BFF Group’s consolidated financial statements	180	18,000	160	17,000	340	35,000
Limited audit of the half-yearly financial statements, drawn up to confirm the half-yearly result to be included in the individual supervisory capital	100	11,000	-	-	100	11,000
Limited audit of the half-yearly consolidated financial statements, drawn up to confirm the half-yearly consolidated result to be included in the consolidated supervisory capital	-	-	-	-	-	-
Limited audit of the BFF Group abridged half-year consolidated financial statements	160	17,500	40	4,500	200	22,000
Total	1,310	128,500	490	56,500	1,800	185,000

2018 financial year

Activity	Total hours*	Fees (euros) *	Integration of proposal		Revised total	
			Hours	Fees	Hours	Fees
Audit of the Bank's financial statements for the financial year	680	65,000	260	31,000	940	96,000
Monitoring pursuant to Article 14 point 1. b) of Decree 39/2010	190	17,000	-	-	190	17,000
Audit of the BFF Group's consolidated financial statements	180	18,000	135	14,000	315	32,000
Limited audit of the half-yearly financial statements, drawn up to confirm the half-yearly result to be included in the individual supervisory capital	100	11,000	-	-	100	11,000
Limited audit of the half-year consolidated financial statements, drawn up to confirm the half-yearly consolidated result to be included in the consolidated supervisory capital	-	-	-	-	-	-
Limited audit of the BFF Group abridged half-year consolidated financial statements	160	17,500	65	7,500	225	25,000
Total	1,310	128,500	460	52,500	1,770	181,000

2019 financial year

Activity	Total hours*	Fees (euro) *	Integration of proposal		Revised total	
			Hours	Fees	Hours	Fees
Audit of the Bank's financial statements for the financial year	680	65,000	260	31,000	940	96,000
Monitoring pursuant to Article 14 point 1. b) of Decree 39/2010	190	17,000	-	-	190	17,000
Audit of the BFF Group's consolidated financial statements	180	18,000	135	14,000	315	32,000
Limited audit of the half-yearly financial statements, drawn up to confirm the half-yearly result to be included in the individual supervisory capital	100	11,000	-	-	100	11,000
Limited audit of the half-yearly consolidated financial statements, drawn up to confirm the half-yearly consolidated result to be included in the consolidated supervisory capital	-	-	-	-	-	-
Limited audit of the BFF Group abridged half-year consolidated financial statements	160	17,500	65	7,500	225	25,000
Total	1,310	128,500	460	52,500	1,770	181,000

2020 financial year

Activity	Total hours*	Fees (euro)*	Integration of proposal		Revised total	
			Hours	Fees	Hours	Fees
Audit of the Bank's financial statements for the financial year	680	65,000	225	27,000	905	92,000
Monitoring pursuant to Article 14 point 1. b) of Decree 39/2010	190	17,000	-	-	190	17,000
Audit of the BFF Group's consolidated financial statements	180	18,000	135	14,000	315	32,000
Limited audit of the half-yearly financial statements, drawn up to confirm the half-yearly result to be included in the individual supervisory capital	100	11,000	-	-	100	11,000
Limited audit of the half-yearly consolidated financial statements, drawn up to confirm the half-yearly consolidated result to be included in the consolidated supervisory capital	-	-	-	-	-	-
Limited audit of the BFF Group abridged half-year consolidated financial statements	160	17,500	65	7,500	225	25,000
Total	1,310	128,500	425	48,500	1,735	177,000

*Including the additions as per the 2015 and 2016 proposals referred to above.

As part of the proposed amendment, the Audit Company suggested updating the financial terms resulting from the additional activity considered necessary and summarised above relative to optional assignments (collectively the “**Optional Tasks**”) the Bank may request, and included within the 4 April 2016 proposal. These optional tasks relate to:

- i) A limited audit of the individual and consolidated financial statements prepared to verify inclusion in the individual and consolidated supervisory capital at 31 March;
- ii) A limited audit of the individual and consolidated financial statements prepared to verify inclusion in the individual and consolidated supervisory capital at 30 September.

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The following table sets out the detail of the time and remuneration (stated less VAT and the CONSOB's supervisory fee) entailed in the optional assignments for each individual financial year, redefined in the Proposed amendment in the light of the foregoing:

2017 financial year

Activity	Total hours	Fees (euro)	Integration of proposal		Revised total	
			Hours	Fees	Hours	Fees
Limited audit of the individual and consolidated financial statements, drawn up to confirm the result to be included in the individual and consolidated supervisory capital at 31 March	135	15,000	30	3,000	165	18,000
Limited audit of the individual and consolidated financial statements, drawn up to confirm the result to be included in the individual and consolidated supervisory capital at 30 September	135	15,000	30	3,000	165	18,000
Total	270	30,000	60	6,000	330	36,000

2018 financial year

Activity	Total hours	Fees (euro)	Integration of proposal		Revised total	
			Hours	Fees	Hours	Fees
Limited audit of the individual and consolidated financial statements, drawn up to confirm the result to be included in the individual and consolidated supervisory capital at 31 March	135	15,000	55	6,000	190	21,000
Limited audit of the individual and consolidated financial statements, drawn up to confirm the result to be included in the individual and consolidated supervisory capital at 30 September	135	15,000	35	4,000	170	19,000
Total	270	30,000	90	10,000	360	40,000

2019 financial year

Activity	Total hours	Fees (euro)	Integration of proposal		Revised total	
			Hours	Fees	Hours	Fees
Limited audit of the individual and consolidated financial statements, drawn up to confirm the result to be included in the individual and consolidated supervisory capital at 31 March	135	15,000	40	4,000	175	19,000
Limited audit of the individual and consolidated financial statements, drawn up to confirm the result to be included in the individual and consolidated supervisory capital at 30 September	135	15,000	35	4,000	170	19,000
Total	270	30,000	75	8,000	345	38,000

2020 financial year

Activity	Total hours	Fees (euro)	Integration of proposal		Revised total	
			Hours	Fees	Hours	Fees
Limited audit of the individual and consolidated financial statements, drawn up to confirm the result to be included in the individual and consolidated supervisory capital at 31 March	135	15,000	40	4,000	175	19,000
Limited audit of the individual and consolidated financial statements, drawn up to confirm the result to be included in the individual and consolidated supervisory capital at 30 September	135	15,000	35	4,000	170	19,000
Total	270,000	30,000	75	8,000	345	38,000

Therefore, pursuant to Article 13 of Decree No. 39/2010, the Statutory Board of Auditors has reviewed the Proposed amendment and, on the basis of its assessments and checks run directly with the Audit Company, in the matter of the content of the Additional Activity and Optional Tasks, has found that it is (a) in line with the current audit process (b) adequate given the new audit activity related to the reform, and (c) consistent with the professional commitment demanded.

The Statutory Board of Auditors has also verified compliance with the requisites of independence and professionalism, and that there is no cause of incompatibility relative to the Audit Company and with reference to the additional activity in the Proposed amendment.

Given these considerations, the Statutory Board of Auditors proposes acceptance of the modification of the final terms for the Assignment pursuant to the amendment Proposal, subject however to approval of the following motion:

“The General Meeting of Banca Farmafactoring S.p.A.:

- i) in the light of the terms of Article 13 of the 2010 Legislative Decree No. 39;*
- ii) in the light of the resolution of the General Meeting of 3 May 2012 and successive additions and with note taken insofar as not specified in this proposal, the audit commitments endorsed by the General Meeting in the aforesaid resolutions remain in place;*
- iii) in the light of the content of the assignment on the audit of the accounts assigned to PricewaterhouseCoopers S.p.A. on 7 May 2012 along with the possibility of amending the associated charges for the audit services in exceptional or unforeseen circumstances that demand more hours or a variation in the professional commitment;*
- iv) on examination of the proposal from the Statutory Board of Auditors concerning the report from that Board to today’s General Meeting on this item on the Agenda, to increase the Audit Company’s remuneration for auditing the accounts;*

hereby resolves as follows

to approve the 30 November 2017 proposed amendment concerning the financial terms for the assignment entrusted to PricewaterhouseCoopers S.p.A. for the period 2017 – 2020, for total annual remuneration of 221,000 euros (for 2,130 hours), comprising the optional tasks for the financial year to 31 December 2017 of 221,000 euros (for 2,130 hours), comprising the optional tasks for 40,000 euros (for 360 hours) for the financial year to 31 December 2018, of 219,000 euros (for 2,115 hours), comprising the optional tasks for 38,000 euros (for 345 hours) for the financial year to 31 December 2019, and 215,000 euros (for 2,080 hours)) comprising the optional tasks for 38,000 euros (for 345 hours) for the financial year to 31 December 2020, the proposed amendment for inclusion in the assignment: i) the additional activity deemed necessary among other things following approval of the account audit reform in the 2016 Legislative Decree No. 135, together with the activity associated with the introduction of new International Financial Reporting Standard IFRS 9 and the acquisition of the Magellan group; ii) the updating of the financial terms for optional tasks which may be requested by the Bank related to the limited review of the individual

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and consolidated financial statements, to verify the result of inclusion in the capital for individual and consolidated supervision to 31 March and 30 September, said sums stated less VAT and the CONSOB's supervisory fees.

All the conditions, terms and compensations in the Statutory Board of Auditors' proposal referred to in this item on the Agenda grant the Chairman of the Board of Directors and the CEO, individually and through representatives entrusted thereto, the broadest powers to sign the associated mandate, with confirmation as necessary of the term of their nine-year appointment for the 2012 – 2020 financial years, until the General Meeting convened to approve the financial statements for the financial year ending 31 December 2020.”

Milan, 21 February 2018

For the Statutory Board of Auditors

The Chairman

Marco Lori