



AUDITOR'S REPORT ON THE CONSISTENCY OF THE CRITERION PROPOSED BY THE DIRECTORS TO DETERMINE THE ISSUE PRICE OF THE SHARES RELATED TO THE CAPITAL INCREASE EXCLUDING THE SUBSCRIPTION RIGHT PURSUANT TO ARTICLE 2441, PARAGRAPHS FIVE AND SIX, OF THE ITALIAN CIVIL CODE AND ARTICLE 158, PARAGRAPH ONE, OF LEGISLATIVE DECREE 58/98

To the Shareholders of
Banca Farmafactoring SpA

1 Purpose and object of the engagement

In relation to the proposed share capital increase with exclusion of the subscription right pursuant to article 2441, para. five, of the Italian Civil Code and article 158, para. one, of Legislative Decree 58/98 (“TUIF, *Testo Unico in materia di Intermediazione Finanziaria*” – Consolidated Law on Finance), we received from Banca Farmafactoring SpA (hereinafter “BFF” or the “Company”) the report of the Board of Directors dated 19 February 2019 prepared in accordance with article 2441, para. six, of the Italian Civil Code (hereinafter the “Directors’ Report”), which describes and justifies the proposed capital increase with exclusion of the subscription right mentioned above, providing the criteria defined by the Board of Directors to determine the price of the newly issued shares.

The Board of Directors’ proposal, as set out in the Directors’ Report, regards share capital increase for cash in more instalments of BFF, to be carried out through the issue, also in more *Tranches*, within 5 December 2028, of a maximum of 8,960,000 new ordinary shares without par value, in the proportion of one share for every option, up to a maximum nominal value of Euro 6,899,200, plus share premium, pursuant to paragraph five of article 2441 of the Italian Civil Code (the “Share Capital Increase”).

In connection with the transaction described above, the Company engaged us to provide our opinion pursuant to article 2441, paragraphs five and six, of the Italian Civil Code and article 158, para. one, of TUIF, on the consistency of the criterion proposed by the Directors in order to determine the issue price of the new shares of the Company for the Share Capital Increase in favour of the beneficiaries of the Stock Option Plan.

2 Transaction overview

Based on what reported in the Directors’ Report, the Share Capital Increase serves the purpose of the “*Stock Option Plan of the BFF Banking Group*”, approved by the ordinary shareholders’ meeting of 5 December 2016, in relation to which amendments are being proposed to the ordinary shareholders’ meeting of 28 March 2019 (the “Stock Option Plan”); as pointed out in the Directors’ Report, such amendments do not affect the proposed Share Capital Increase.

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The Share Capital Increase is aimed at satisfying the requests to exercise the options under the Stock Option Plan which the Company is likely to receive from all plan beneficiaries, i.e. directors, employees and former employees of the BFF Group; the Share Capital Increase will be approved following the revocation of the capital increase resolved by the Company's extraordinary shareholders' meeting of 5 December 2016.

The Board of Directors deemed it appropriate to propose this new Share Capital Increase, considering that the previous increase, approved on 5 December 2016, was reserved only for the BFF Group's employees who were beneficiaries of the Stock Option Plan. Additionally, given that the Stock Option Plan provides that the options under the plan are assigned to persons identified by the Board of Directors and/or by the Chief Executive Officer from among employees and/or non-independent Directors of the BFF Group and that the options may be also exercised by "good leavers" (i.e. employees or directors who terminated their employment for whatever reason other than dismissal or removal from the office for just cause, respectively), the Board of Directors considered to provide the Company with an instrument designed to fulfil the subscription of the allotted options as part of the Stock Option Plan through newly issued shares.

The Board of Directors of BFF resolved to submit for approval the Share Capital Increase to the Company's extraordinary shareholders' meeting convened in a single call for 28 March 2019, which shall pass resolutions pursuant to article 2441, paragraphs 5 and 6, of the Italian Civil Code.

The Board of Directors proposed to set the deadline for the Share Capital Increase on 5 December 2028.

3 Scope and extent of this report

As set out in the Directors' Report, the issue price of the new shares will be determined by the Board of Directors after the date of issue of this report, based on the criteria identified by the Directors and described in paragraph 5 below.

The purpose of this fairness opinion, which is issued in accordance with article 2441, para. six, of the Italian Civil Code and article 158, para. one, of Legislative Decree No. 58/98, is to substantiate the disclosures to the Shareholders excluded from the subscription right, pursuant to article 2441, para. five, of the Italian Civil Code, with regard to the methods defined by the Directors to determine the issue price of the shares for the planned Share Capital Increase.

Considering the specific features and characteristics of the Share Capital Increase outlined above, as detailed in the Directors' Report, this fairness opinion provides the methods followed by the Directors to define the criterion for the calculation of the issue price of the shares and the difficulties they may have encountered.

This fairness opinion includes, *inter alia*, our considerations on the consistency, in terms of reasonableness and non-arbitrariness, in the circumstances, of the criterion identified by the Directors to determine the issue price of the shares based on the specific features of the Stock Option Plan.



In examining the valuation methods adopted by the Directors we did not perform any financial valuation of the Company; this valuation exclusively rests with the Directors.

4 Documentation used

In performing our work the Company directly provided us with the documents and information deemed useful for the circumstances. Specifically, we obtained and analysed the following documentation:

- the explanatory Board of Directors of 19 February 2019, prepared for the proposal for paid share capital increase, with partial subscription permitted, with the exclusion of the subscription right, pursuant to article 2441, para. five and six, of the Italian Civil Code, subject to prior revocation of the resolution to increase the share capital pursuant to article 2441, para. eight, of the Italian Civil Code approved by the extraordinary shareholders' meeting of 5 December 2016 and consequent amendment to article 5 of the Company's By-Laws and article 72 of Consob Regulation no. 11971/99;
- minutes of the Board of Directors' meeting of 19 February 2019, which approved the aforesaid Directors' Report;
- the Company's By-laws;
- last Stock Option Plan of the BFF Group, with the modifications approved by the Board of Directors on 19 February 2019;
- the information document related to the Stock Option Plan drawn up by the Company pursuant to article 84-*bis* of Consob Regulation no. 19771/1999;
- audited statutory and consolidated financial statements for the year ended 31 December 2017, in relation to which we issued the auditors' reports on 14 March 2018;
- half-year consolidated financial report at 30 June 2018, on which we issued a review report dated 8 August 2018;
- the list of BFF shares' market prices recorded from the date of listing of BFF up to the date of the Directors' Report;
- accounting, non-accounting and statistical elements, public information about the Company and the BFF Group, as well as any other information deemed useful for the performance of our engagement.

Additionally, we obtained a specific and explicit representation letter from the Company on 5 March 2019 specifying that, to the Company's best knowledge, no significant changes, events or circumstances have occurred requiring considerable changes to the data and information taken into account in the performance of our analyses and/or which might significantly impact our evaluations.



5 Valuation criteria adopted by the Board of Directors to determine the issue price of the shares

As part of the proposed transaction which, as recalled several times, takes the form, from a legal viewpoint, of a share capital increase with exclusion of the subscription right, pursuant to article 2441, para. five of the Italian Civil Code, the Directors did not provide any pre-set issue price in absolute value in their report, rather they provided the criteria they shall base upon in the subsequent stage of implementation of the share capital increase.

Assuming exclusion of the subscription right pursuant to article 2441, para. five, of the Italian Civil Code, para. six of the same article lays down that the issue price of the shares is determined by the Directors “*on the basis of the equity value, taking into account, for the listed shares, the share price trend in the last six months*”.

As highlighted in the Directors' Report, the Directors deemed it advisable to underline that the shares issued as part of the Capital Increase shall be subscribed by the beneficiaries at the exercise price of the options which will be calculated each time by the Board of Directors on each exercise date of the options, according to the following formulae:

Under the first *Tranche*:

{(Market Cap IPO - cumulative D distributed by the IPO up to the Exercise Date) / (number of BFF shares issued and outstanding on the Exercise Date)} = Exercise Price.

The exercise price for the Options allotted after the first *Tranche* is calculated based on the following formula:

{(Market Cap - D distributed from the allotment date up to the Exercise Date) / (number of BFF shares issued and outstanding on the Exercise Date)} = Exercise Price.

Where:

- **D** is the amount of dividends approved by the BFF Shareholders' Meeting in relation to the previous financial year;
- **Market Cap IPO** is equal to the number of Company Shares multiplied by the IPO price of each Share, plus a simple 8% annual interest calculated from the option allotment date up to the Exercise Date;
- **Market Cap** is the Company capitalization calculated on the basis of the average closing price of BFF's ordinary shares as measured on the *Mercato Telematico Azionario* (the Italian main market, hereinafter MTA) (or other regulated market on which the shares were then traded) in the 60 days preceding the date of allotment of the options, increased by a simple 8% annual interest, calculated starting from the option allotment date up to the Exercise Date;



- **Exercise Date** each date on which the beneficiary of the Stock Option Plan exercises the vested options in accordance with the regulations of the Stock Option Plan.

6 Difficulties in valuation encountered by the Board of Directors

The Directors' Report did not highlight any particular difficulties encountered by the Directors in the valuation referred to in the preceding point.

7 Work performed

Taking into account how the planned Share Capital Increase should be implemented, which plan provided for establishing, from time to time, the issue price of the shares, also through delegated powers to one or more Board members, on the basis of the criteria set out in the report of 19 February 2019, during our work we carried out the following:

- we examined the minutes of the Company Board of Directors' meeting of 19 February 2019;
- we perused the Directors' Report concerning the proposed share capital increase excluding the subscription right in relation to the Stock Option Plan;
- we examined the accounting and non-accounting data and information gathered;
- we analysed, based on discussions with the Directors, the work they performed to identify the criteria for the calculation of the issue price of the new shares so as to verify the consistency of such criteria considered, under the circumstances, reasonable, grounded and non-arbitrary;
- we verified the completeness and consistency of the reasons provided by the Board of Directors regarding the valuation criterion they adopted to determine the issue price of the shares;
- we considered the elements necessary to assess whether such criterion was technically appropriate, under the specific circumstances, to determine the issue price of the new shares;
- we carried out controls on the changes in the BFF shares' market value in different time intervals, beginning from the date of listing of BFF shares on the MTA on 7 April 2017;
- we performed sensitivity analyses on the performance of the BFF shares' prices, calculating the average price of the shares in different time intervals, beginning from the date of listing of BFF shares on the MTA;
- in order to verify the significance of the Company's share prices, we performed a liquidity analysis of the BFF shares in terms of volumes and values;



- we collected, through interviews of the Company's management, information about events which might have taken place after the Directors' Report, with reference to facts or circumstances which can significantly impact on the data and information considered in the performance of our analyses, as well as on the results of the valuations;
- we received a formal representation from the Company's legal representatives as to the valuation elements provided to us and the fact that, to the best of their knowledge, at the date of this report there were no significant changes to be made to the data referred to the Share Capital Increase and to the other elements considered.

8 Comments and clarifications on the consistency of the valuation criteria adopted by the Directors for the determination of the issue price of the shares

The report prepared by the Directors to explain the Share Capital Increase under analysis describes the reasons underlying the methodological choices made and the logical process followed by them in order to choose the criterion for the determination of the issue price of the shares for the abovementioned share capital increase.

In this regard, considering the characteristics of the transaction, we report below our considerations on the consistency, in terms of reasonableness and non-arbitrariness, of the valuation criterion adopted by the Directors.

On the assumption of a Share Capital Increase excluding the subscription right pursuant to article 2441, para. five, of the Italian Civil Code, para. six of the same article sets down that the issue price of the shares must be determined on the basis of the equity value, taking into account, for the listed companies, the share price trend in the last six months.

With reference to the use of market price method, we note that according to such regulation the Directors, in preparing their proposal to the Shareholder's Meeting, are free to choose the value that they deem to be representative of the market trends, without being necessarily bound to comply with average values.

The Directors deemed that the Stock Exchange prices method has to be considered appropriate for the purposes of the determination of the issue price of the shares within the context of the share capital increase for cash in the context of the implementation of the Stock Option Plan.

The Board of Directors did not set the subscription price of the new shares that will be issued, but it established the criterion for the determination of the future issue price, accordingly, the object of our fairness opinion is necessarily to provide a statement on the compliance with the Law of the criterion proposed and not on a defined price.

Having said that, with reference to the adoption by the Directors of such criterion, we deem appropriate to comment on as follows:



- According to what envisaged by article 2441, para. six, of the Italian Civil Code, the issue price of the shares, in case of exclusion of the subscription right, must be determined “*on the basis of the equity value, taking into account, for those listed shares, also the price trend in the last six months*”. According to the general practice, the wording “*equity value*” used by the lawmaker does not refer to the shareholders’ equity in its accounting meaning, but to the current value of the economic capital of the company. General rules and practice consider that the “*price trend of the last six months*” does not necessarily refer to an average of the prices in the last six months, but also to more limited periods, according to the circumstances and specific characteristics of the stock, still with the aim of identifying the current value of the issuing company. In this case, the Directors considered that the issue price of the shares takes into account the average of the official closing prices in the 60 days preceding the option allotment;
- Making reference to the Stock Exchange prices, as identified by the Directors, is commonly accepted and used both at national and international level and is in line with the standard professional practice, inasmuch as the company is listed on regulated markets. As a rule, Stock Exchange prices, in an efficient market, express the value attributed by the market to the shares traded and accordingly provide significant information about the value of the company to which the shares refer, since prices reflect the information available to analysts and investors, as well as the latter’s expectations on the Company’s economic and financial performance. Furthermore, we point out that such methodology becomes important when the share prices of the company under analysis are significant, that is in the case in which the volumes and prices traded for the companies’ stocks under evaluation are the result of a high and continuous number of stocks freely traded by shareholders and investors operating in the market without external conditioning. In order to verify the significance of the share prices of the Company, we carried out a liquidity analysis on the BFF stock both in terms of volumes and values;
- However, Stock Exchange prices can be conditioned by external factors and the stock trend may result to be less significant in case of anomalous circumstances and/or speculative pressure. Within this context, an average value is used to identify the market value in an attempt to reduce the impact of precise anomalous situations and is to be considered precautionary for the current shareholders and thus adequate to the circumstances;
- For the options assigned under the first *Tranche*, the Directors deemed it proper to consider significant the IPO price of the single share and this is consistent considering that the first tranche provides for the assignment within the 30 days subsequent to the beginning of the trading of the BFF shares on the MTA market. Therefore, the criterion used is basically based on the “recent transactions” method, with reference to the price defined for the same stocks valued during the initial quotation process of the shares, that is a process characterised by a transparent and regulated price formation;
- The Stock Exchange price criterion is based on surveying the Company’s prices in different time periods. For the options assigned under the subsequent *Tranches*, the Directors deemed it adequate to consider significant the value resulting from the calculation of the average of the BFF share prices registered on the MTA in the 60



days before the date of allotment of the options. Such choice is in line with the evaluation procedure used for the same type of transactions and also with the general practice; in this regard, a shorter time horizon could reflect events of an extraordinary or speculative nature, while choosing a longer time horizon could imply the risk of taking into account information that is not sufficiently updated on the company under evaluation and on the relevant context. Moreover, the method proposed by the Board of Directors is also supported by the provisions of tax regulations, which identify the standard value of the options attributed to the beneficiary of the Stock Option Plan on the basis of the same criterion;

- The Directors then set an increase in the issue price of the shares, including in the numerator of the formula for the calculation of the strike price a mark-up on the Market Cap of a simple annual interest equal to 8%, calculated starting from the date of allotment of the option up until the exercise date (for further details please refer to paragraph 5); this represents another guarantee and protection in favour of the current shareholders;
- As anticipated, the Directors did not use valuation methods other than the Stock Exchange price method, either as the main methodology or with control purposes. In this case, such decision does not appear to be arbitrary, because it takes into consideration that the proposed share capital increase falls in the scope of the Stock Option Plan and is also in line with the consolidated practice for this kind of transactions.

The aspects commented on above have been taken into due consideration for the purposes of the issue of this fairness opinion.

9 Specific limits met by the auditor and other relevant aspects (if any) in performing the present engagement

As to the difficulties and limits encountered during the performance of our engagement, it should be pointed out that:

- the proposal for the Share Capital Increase made by the Board of Directors, once defined the maximum number of shares that will be issued, does not show the issue price of the abovementioned shares, but the criterion for its calculation. Therefore, the object of this report is not the agreement with the market value of the issue price of the shares, which cannot be defined yet because it relates to share that will be issued in the future, but rather the consistency of the criterion proposed by the Board of Directors to determine an issue price of the shares corresponding to their market value when the options are assigned to the beneficiaries of the Stock Option Plan;
- Stock Exchange prices and the financial market performance, although representing values expressed by the market, are subject to fluctuations, also significant, due to the market volatility and the speculative pressure, as well as to extraordinary and unpredictable external factors, independent of the economic and financial outlook of each company. Therefore, the evaluation based on Stock Exchange prices could be affected by such fluctuations.



10 Conclusions

On the basis of the documentation examined and of the procedures indicated above, and considering the scope and extent of our work as illustrated in this Report, without prejudice to what is specified in paragraph 9 above, we deem that the valuation criterion adopted by the Directors is consistent, because it is reasonable and not arbitrary under the circumstances, for the calculation of the issue price of a maximum of 8,960,000 new ordinary shares of BFF as part of the share capital increase excluding the subscription right connected with the Stock Option Plan for the directors, employees, former-employees of the group headed by BFF, and it is in accordance with article 2441, para. five and six, of the Italian Civil Code.

Milan, 5 March 2019

PricewaterhouseCoopers SpA

Signed by

Giovanni Ferraioli
(Partner)

This report has been translated into English from the Italian original solely for the convenience of international readers.

**BOARD OF DIRECTORS REPORT ON THE THIRD ITEM ON THE AGENDA OF THE
EXTRAORDINARY SHAREHOLDERS' MEETING**

(convened for 28 March 2019 on single call)

Proposal for paid share capital increase, with partial subscription permitted, with the exclusion of the subscription right, pursuant to art. 2441, paragraphs 5 and 6 of the Italian Civil Code, subject to prior revocation of the resolution to increase the share capital pursuant to art. 2441, paragraph 8, of the Italian Civil Code approved by the Extraordinary Shareholders' Meeting of 5 December 2016 and consequent amendment of art. 5 of the By-Laws. Related and consequent resolutions.

Shareholders,

you have been convened to this extraordinary Shareholders' Meeting in order to vote on the proposal to increase the share capital of Banca Farmafactoring S.p.A. (the “**Company**” or “**BFF**”), for valuable consideration and divisible, to be executed in one or more *tranches*, within 5 December 2028 and with the exclusion of the subscription right pursuant to art. 2441, paragraphs 5 and 6, of the Italian Civil Code, for a maximum nominal amount of Euro 6,899,200, through the issue, also in several *tranches*, of up to 8,960,000 shares without par value (the “**Share Capital Increase**”), to fund the “*Banca Farmafactoring Banking Group Stock Option Plan*”, approved by the Ordinary Shareholders’ Meeting of 5 December 2016, the amendment of which is proposed to the Ordinary Shareholders’ Meeting of 28 March 2019 (the “**Stock Option Plan**”).

For more information on the Stock Option Plan, please see the information document, published on the Company's website www.bffgroup.com, in the “Governance / Shareholders’ Meeting documentation” section, and in the www.linfo.it storage mechanism. In any case, it should be noted that the proposed amendments to the Stock Option Plan - for a description of which, reference is made to the Board of Directors’ report on the third item on the agenda of the Ordinary Shareholders’ Meeting of 28 March 2019, also published on the Company’s website www.bffgroup.com, in the “Governance / Shareholders’ Meeting documentation” section, and the storage mechanism www.linfo.it - they are not relevant for the purposes of the proposed Share Capital Increase referred to in this Report, as they do not concern any of the elements described in paragraph 5 of the Report itself.

The purpose of this Report is to describe the reasons underlying the Share Capital Increase and the related proposal on the agenda, in compliance with the provisions of art. 125-*ter* of Italian Legislative Decree No. 58 of 24 February 1998, as amended (the “**TUF**”), and of art. 72 and Annex 3A of the Regulation adopted by Consob resolution no. 11971 of May 14, 1999, as amended (the “**Issuers’ Regulation**”).

It should be noted that the Bank of Italy, by ruling no. 1468492, dated 14 December 2018, ascertained, pursuant to articles 56 and 61 of Italian Legislative Decree no. 385/1993, that the statutory amendment described in this Report does not conflict with the principle of sound and prudent management.

1. Reasons for and intended use of the share capital increase

The Share Capital Increase which is submitted for your approval is intended to fund the requests to exercise the options under the Stock Option Plan which may be received by the Company from all the beneficiaries, i.e. directors, employees and former employees of the group headed by BFF (the “**BFF Group**”).

Considering that pursuant to the Stock Option Plan, the options under the plan are granted to the persons identified by the Board of Directors and/or the CEO from among the employees and/or the non-independent Directors of the BFF Group, and that the options may also be exercised by the “*good leavers*” (employees or

directors who leave the group for any reason other than, respectively, dismissal or revocation for just cause), it is considered necessary to provide the Company with an instrument that can cover, through newly issued shares, the subscription of options granted to both the directors and the employees and former employees of the Company and its subsidiaries pursuant to the Stock Option Plan.

In this regard, it is recalled that on 5 December 2016 the Extraordinary Shareholders' Meeting had approved a paid share capital increase with exclusion of the subscription right and solely reserved, pursuant to art. 2441, paragraph 8, of the Italian Civil Code, for BFF Group employees who are beneficiaries of the Stock Option Plan (the “**2016 Share Capital Increase**”). The pertinent resolution has never been implemented.

The purpose of the proposed Share Capital Increase, which is the subject of this Report, is to revoke the 2016 Share Capital Increase resolution and, as replacement, to approve a paid share capital increase, pursuant to art. 2441, paragraphs 5 and 6, of the Italian Civil Code, the terms of which with regard to (i) maximum number of shares, (ii) maximum nominal amount, (iii) timing and partial subscription characteristics, as well as (iv) methods of issue and type of shares, are equal to those of the 2016 Share Capital Increase, but with a broader purpose, namely to fund the exercise of options under the Stock Option Plan by all the beneficiaries (directors, employees and former employees).

Therefore, the Board of Directors submits the following proposals to the Extraordinary Shareholders' Meeting called for 28 March 2019:

- (i) to eliminate from art. 5 of the current By-Laws the provisions set forth in paragraphs 6, 7 and 8, which were introduced by resolution of the Extraordinary Shareholders' Meeting of 5 December 2016;
- (ii) to introduce in art. 5 of the current By-Laws a new paragraph [7] concerning the Share Capital Increase;
- (iii) to introduce a new paragraph [8] in art. 5 of the current By-Laws, in order to specify the terms of execution of the Share Capital increase, by providing that:
 - if not fully subscribed within the final deadline, said capital increase shall stand to the extent of the subscriptions collected up to that date; and
 - the Board of Directors be granted full powers to establish
 - (a) the portion of the price to be recognized as capital and the portion to be recognized as share premium, and
 - (b) including by granting powers to one or more Directors, from time to time (x) the issue price of the shares (including the share premium), and (y) the other terms and conditions for execution of the share capital increase in compliance with the provisions of the Stock Option

Plan, as well as to make the ensuing amendments to art. 5 of the By-Laws, in order to adjust the share capital amount following the execution of the Stock Option Plan.

2. Potential involvement of underwriting and / or placement syndicates and other types of placement

No placement and/or underwriting syndicates are expected to be involved with regard to the shares covered by the Share Capital Increase.

Since the Share Capital Increase is functional to the actual implementation of the Stock Option Plan, the shares issued under the Share Capital Increase will be subscribed directly by the beneficiaries (whether they are directors, employees or former employees of the BFF Group) upon exercise of the options granted to them pursuant to the plan.

3. Criteria for determining the issue price of the new shares and expected allocation ratio

Since the Share Capital Increase is functional to the actual implementation of the Stock Option Plan, the shares issued under the Share Capital Increase will be subscribed directly by the beneficiaries of the Stock Option Plan at the option exercise price as determined under the Plan.

In this regard, it should be noted that the Stock Option Plan is divided into three *tranches*: (i) the first *tranche* provides for the allocation within 30 days following the start of trading of BFF shares on the Mercato Telematico Azionario; (ii) the second *tranche* provides for the allocation by 31 December 2018; and (iii) the third *tranche* provides for the allocation by 31 December 2019. The exercise price for the options allocated under the first *tranche* will be determined from time to time at each option exercise date, according to the following formula:

{(Market Cap IPO - cumulative D distributed by the IPO up to the Exercise Date) / (number of BFF shares issued and outstanding on the Exercise Date)} = Exercise Price.

The exercise price for the options allotted after the *First Tranche* will be calculated based on the following formula:

{(Market Cap - D distributed from the allotment date up to the Exercise Date) / (number of Bank shares issued and outstanding on the Exercise Date)} = Exercise Price.

where:

- **D** is the amount of dividends approved by BFF shareholders' meeting in relation to the previous financial year;
- **Market Cap** is BFF capitalization calculated on the basis of the average closing price of BFF ordinary shares as measured on the Mercato Telematico Azionario (or other regulated market on which the shares

were then traded) in the 60 days preceding the date of allotment of the options, increased by a simple 8% annual interest, calculated starting from the option allotment date up to the Exercise Date;

- **Market Cap IPO** is equal to the number of Company shares multiplied by the IPO price of each share, plus a simple 8% annual interest calculated from the option allotment date up to the Exercise Date.
- **Exercise Date** means each date on which the beneficiary of the *Stock Option* Plan may exercise the vested options in accordance with the provisions of the *Stock Option* Plan.

The Stock Option Plan provides for the allotment of up to 8,960,000 options overall, which give the right to receive, at the terms and conditions specified therein, ordinary shares of the Company according to 1 share to 1 option ratio, if options are exercised according to the ordinary method. It is recalled that - as mentioned in the introduction - some amendments to the Stock Option Plan were submitted to the Ordinary Shareholders' Meeting on 28 March 2019, in order to introduce, inter alia, the *cash-less* operating method, as an alternative to the ordinary one.

4. Shareholders who have expressed their willingness to subscribe to the paid share capital increase

Not applicable as the Share Capital Increase is reserved for beneficiaries of the Stock Option Plan.

5. Period for the execution of the paid share capital increase

As the Share Capital Increase is intended to replace the 2016 Share Capital Increase which is to be revoked, the execution deadline will be the same as the 2016 Share Capital Increase, i.e. 5 December 2028.

6. Dividend entitlement date of the newly issued shares

The Company's shares allotted to the Stock Option Plan beneficiaries in execution of the Share Capital Increase will automatically be admitted to trading on the Mercato Telematico Azionario and credited to the securities accounts of the beneficiaries after specific requests are submitted by the Company to Monte Titoli S.p.A. and Borsa Italiana S.p.A.; said shares will have regular entitlement and will guarantee their holders the same rights as the ordinary BFF shares outstanding as at that date.

7. Amendments to the By-Laws

Given the foregoing, it is proposed that art. 5 of the Company's By-Laws be amended as shown in the following table, which shows side by side the wording of the aforementioned art. 5 as stated in the current By-Laws and that which would result from the approval of the proposed amendments.

To facilitate the identification of the amendments to the By-Laws, for each provision which is the subject of the proposed amendment, the following steps were taken:

- the wording of the current By-Laws is shown in the left column of the table;
- the wording to be adopted according to the proposal is shown in the right column of the table, and the added parts are underlined.

Current By-Laws	Amendments to the current By-Laws
ARTICLE 5 - SHARE CAPITAL	ARTICLE 5 - SHARE CAPITAL
<p>1. The fully subscribed and paid in share capital is equal to Euro 130,982,698.00, represented by 170,107,400 ordinary shares without nominal value and in dematerialisation regime.</p> <p>2. The share capital may, by a resolution of the extraordinary Shareholders' Meeting, be increased by one or more tranches, also by way of delegation to the Board of Directors.</p> <p>3. In capital increase resolutions for consideration, option right may be excluded up to a maximum amount of 10% of the pre-existing share capital, provided that the new shares issue price corresponds to the market value of outstanding shares, and this is confirmed by a specific report of an external legal auditor or legal audit firm.</p> <p>4. Contributions due in execution of capital increases may consist of assets in kind and receivables.</p> <p>5. The extraordinary Meeting may approve the issuance of warrants - within the limits and in accordance with the conditions set forth by the Bank of Italy - entitling to the right to subscribe for Bank shares, provided that such right is exercised within five years of the respective issuance.</p> <p>6. On December 5, 2016, the extraordinary Shareholders' meeting resolved to increase the share capital for consideration, in one or more issues, to service the implementation of the "<i>Stock Option Plan</i>" in favour of directors and employees of the Company and subsidiaries thereof, as approved by the Company Shareholders' Meeting on the same date, up to a maximum of € 6,899,200.</p> <p>7. Said capital increase is to be executed by the issuance, in one or more tranches, of a maximum of 8,960,000 new shares, at an issue price to be determined in accordance with the aforementioned "<i>Stock Option Plan</i>".</p> <p>8. The extraordinary Company Shareholders'</p>	<p>Unchanged</p> <p>Unchanged</p> <p>Unchanged</p> <p>Unchanged</p> <p>Unchanged</p> <p>6. On December 5, 2016, the extraordinary Shareholders' meeting resolved to increase the share capital for consideration, in one or more issues, to service the implementation of the "<i>Stock Option Plan</i>" in favour of directors and employees of the Company and subsidiaries thereof, as approved by the Company Shareholders' Meeting on the same date, up to a maximum of € 6,899,200.</p> <p>7. Said capital increase is to be executed by the issuance, in one or more tranches, of a maximum of 8,960,000 new shares, at an issue price to be determined in accordance with the aforementioned "<i>Stock Option Plan</i>".</p> <p>8. The extraordinary Company Shareholders'</p>

Meeting further determined that (i) where not fully subscribed for by the deadline of the expiry of the 12th year after the date on which the aforementioned meeting resolution has been adopted, said capital increase shall remain confirmed within the limits of the subscriptions collected until said date, and (ii) the Board of Directors is granted with every broadest power to determine, from time to time, the shares issue price (including share premium), as well as the other terms and conditions for the execution of the capital increase in accordance with the provisions laid down in the “*Stock Option Plan*”, as well as to perform the consequent amendments to this article, for the purpose of adjusting the share capital amount after the execution of the “*Stock Option Plan*”.

9. Should special category shares be outstanding at the time these By-Laws enter into force, said shares will automatically and immediately be converted into ordinary shares, according to the ratio of no. 1 ordinary shares per each no. 1 special category share. In this case, the conversion is immediately effective and the Board of Directors shall immediately put in place all formalities necessary to execute said conversion and every other fulfilment laid down by the applicable provisions of law and regulations.

~~Meeting further determined that (i) where not fully subscribed for by the deadline of the expiry of the 12th year after the date on which the aforementioned meeting resolution has been adopted, said capital increase shall remain confirmed within the limits of the subscriptions collected until said date, and (ii) the Board of Directors is granted with every broadest power to determine, from time to time, the shares issue price (including share premium), as well as the other terms and conditions for the execution of the capital increase in accordance with the provisions laid down in the “*Stock Option Plan*”, as well as to perform the consequent amendments to this article, for the purpose of adjusting the share capital amount after the execution of the “*Stock Option Plan*”.~~
Unchanged.

[7]. The Extraordinary Shareholders' Meeting of the Company resolved to increase the share capital for valuable consideration, with partial subscription permitted, within the final deadline of 5 December 2028, with exclusion of the subscription right pursuant to art. 2441, fifth and sixth paragraphs, of the Italian Civil Code, to fund the implementation of "*Banca Farmafactoring Banking Group Stock Option Plan*" for a maximum nominal value of Euro 6,899,200, plus the share premium, through the issue, in one or more tranches, of up to 8,960,000 new ordinary shares without par value, at an issue price to be determined in accordance with the aforementioned "*Banca Farmafactoring Banking Group Stock Option Plan*".

[8]. The Extraordinary Shareholders' Meeting of the Company also established that (i) if not fully subscribed by the final deadline of 5 December 2028, said capital increase shall stand to the extent of the subscriptions collected up to that date, and (ii) the Board of Directors is granted full powers (a) to establish the portion of the price to be recognized as capital and the portion to be recognized as share premium and (b) to establish, including by granting powers to one or more Directors, from time to time, the issue price of the shares (including the share

premium), and the other terms and conditions for execution of the share capital increase in compliance with “*Banca Farmafactoring Banking Group Stock Option Plan*” and to make the ensuing amendments to this article, in order to adjust the share capital amount following the execution of the “*Banca Farmafactoring Banking Group Stock Option Plan*”.

Please note that the final wording of art. 5 will also contain any further approved amendments to the By-Laws as submitted to the Extraordinary Shareholders’ Meeting convened on 28 March 2019 and highlighted in the Board of Directors’ explanatory report on the second item on the agenda, which can be found on the Company’s website www.bffgroup.com, in the "Governance /Shareholders' Meeting documentation" section, and in the storage mechanism www.linfo.it.

8. Assessment of the applicability of the right to withdraw

The proposed amendment to the By-Laws does not fall within any of the cases of withdrawal envisaged by the By-Laws and by the applicable laws and regulations.

9. Proposed resolution

In light of the above, the Board of Directors proposes to take the following resolution:

“In relation to the third item on the agenda for the extraordinary session, the Extraordinary Shareholders’ Meeting of the company Banca Farmafactoring S.p.A.,

- having acknowledged that on 14 December 2018 the Bank of Italy issued assessment ruling no. 1468492, with regard to the proposed amendments to the By-Laws as stated hereinafter;

- having examined the Board of Directors’ explanatory report on the proposed resolution; and

- having acknowledged the certification of the Board of Statutory Auditors pursuant to art. 2438 of the Italian Civil Code; and

- having acknowledged the opinion of the independent auditors PricewaterhouseCoopers S.p.A. pursuant to art. 158 of Legislative Decree No. 58 of 24 February 1998;

resolves

1) to revoke the resolution to increase the share capital approved by the Extraordinary Shareholders’ Meeting of 5 December 2016;

2) to increase the share capital for valuable consideration, with partial subscription permitted and in one or more tranches, for a maximum nominal value of Euro 6,899,200 (six million eight hundred ninety nine thousand two hundred), through the issue of up to 8,960,000 (eight million, nine hundred and sixty thousand) new ordinary shares with no par value, regular entitlement, with exclusion of the subscription right pursuant to art. 2441, paragraphs 5 and 6 of the Italian Civil Code, to be reserved to beneficiaries of "Banca Farmafactoring Banking Group Stock Option Plan" (the "Stock Option Plan") approved by the Ordinary Shareholders' Meeting of 5 December 2016, as amended, at a price per share, inclusive of the share premium, to be determined by the Bank's Board of Directors upon exercise of the options in an amount equal to the formulas set out in the Stock Option Plan;

3) to set the date of 5 December 2028 as deadline for subscribing the shares referred to in paragraph 2), it being understood that, if the capital increase is not fully subscribed upon expiry of this deadline, the capital will be deemed to have been increased by an amount equal to the subscriptions hitherto collected, pursuant to art. 2439, paragraph 2, of the Italian Civil Code;

4) to amend art. 5 (five) of the By-Laws, by eliminating the current paragraphs 6, 7 and 8 and by inserting the following paragraphs [7] and [8]:

“[7]. The Extraordinary Shareholders' Meeting of the Company resolved to increase the share capital for valuable consideration, with partial subscription permitted, within the final deadline of 5 December 2028, with exclusion of the subscription right pursuant to art. 2441, fifth and sixth paragraphs, of the Italian Civil Code, to fund the implementation of "Banca Farmafactoring Banking Group Stock Option Plan" for a maximum nominal value of Euro 6,899,200, plus the share premium, through the issue, in one or more tranches, of up to 8,960,000 new ordinary shares without par value, at an issue price to be determined in accordance with the aforementioned "Banca Farmafactoring Banking Group Stock Option Plan".

“[8]. The Extraordinary Shareholders' Meeting of the Company also established that (i) if not fully subscribed by the final deadline of 5 December 2028, said capital increase shall stand to the extent of the subscriptions collected up to that date, and (ii) the Board of Directors is granted full powers (a) to establish the portion of the price to be recognized as capital and the portion to be recognized as share premium and (b) to establish, including by granting powers to one or more Directors, from time to time, the issue price of the shares (including the share premium), and the other terms and conditions for execution of the share capital increase in compliance with "Banca Farmafactoring Banking Group Stock Option Plan" and to make the ensuing amendments to this article, in order to adjust the share capital amount following the execution of the "Banca Farmafactoring Banking Group Stock Option Plan".

5) to grant to the Board of Directors, and, on its behalf, to its Deputy Chairman and to the pro-tempore CEO in office, to be exercised separately including through attorneys-in-fact appointed for this specific purpose, any and all powers to carry out all the deeds and transactions as may be necessary and appropriate to

implement the above resolutions and to amend from time to time art. 5 (five) of the By-Laws as a result of the execution and completion of the capital increase, and, for this purpose, to perform all the obligations and all the disclosures envisaged by law, as well as to carry out all the necessary formalities for registration of the capital modifications in the relevant Register of Companies, and to incorporate in these resolutions any amendments or additions that may prove necessary or merely appropriate or that may be requested by the competent authorities, as well as any power to carry out the regulatory obligations that ensue the adopted resolutions.”

Milan, 19 February 2019

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