



**EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ON ITEM 5.2 ON THE AGENDA
OF THE ORDINARY SHAREHOLDERS' MEETING**

(convened for 2 April 2020 in single call)

**Proposal to adopt the “*Stock Option Plan of the Banca Farmafactoring Banking Group - SOP 2020*”.
Related resolutions.**

Dear Shareholders,

you have been convened to the Ordinary Shareholders' Meeting of Banca Farmafactoring S.p.A. (the "**Company**" or "**Bank**") to resolve upon the proposal to adopt an incentive plan for employees and executive directors of the Company and/or its subsidiaries, called "Stock Option Plan of the Banca Farmafactoring Banking Group - SOP 2020". (the "**SOP 2020**" or the "**Plan**"). The adoption of the Plan is proposed in line with the Bank's incentive policies, as the option allocation phase under the current "Banca Farmafactoring Banking Group Stock Option Plan", approved by the Ordinary Shareholders' Meeting of December 5th, 2016 and amended by the Ordinary Shareholders' Meeting of 28 March 2019 (the "**SOP 2016**"), has been completed.

The SOP 2020 provides for the assignment of a maximum total number of 8,960,000 options, which grants the right to receive ordinary shares of the Company according to the terms and conditions set out in the regulations of the Plan and described in the information document prepared pursuant to article 84-bis of the regulations adopted by CONSOB with resolution no. 11971 of 14 May 1999, and subsequent amendments and additions (the "**Issuers' Regulations**"), attached to this Report (the "**Information Document**").

The Plan may be served either with newly issued shares or with shares already issued and in the Company's portfolio on the date the options are exercised.

The newly issued shares may arise from a share capital increase without payment. In this regard, it should be noted that the proposal to introduce a bonus share capital increase in the Bank's by-laws pursuant to Article 2349 of the Italian Civil Code, in place of the existing share capital increases, is illustrated in the report prepared pursuant to Article 72 and Annex 3A of the Issuers' Regulations on the first item on the agenda of the Extraordinary Shareholders' Meeting called for April 2nd, 2020; this report will be made available to the public, in accordance with law, through the publication on the Company's website www.bffgroup.com, in the "Governance/Documentation of Shareholders' Meetings" section, as well as at the storage mechanism www.linfo.it.

The purpose of this report is to provide an illustration of the SOP 2020 and the proposed adoption of the plan itself on the agenda of the Ordinary Shareholders' Meeting called for April 2nd, 2020, in accordance 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 SOP 2020 provides for the allocation of options according to the terms and conditions described in the Information Document. It consists of three tranches and provides for the assignment to the beneficiaries of a maximum total number of 8,960,000 options, which grant the beneficiaries the right to receive ordinary shares of the Company, newly issued or already issued and held by the Bank at the time the options are

exercised, in a number that may be determined in accordance with the Plan regulations. For a description of the cash-less exercise of the options and the dilutive effect of the Plan, please refer to the Information Document.

2. **Recipients of the Plan**

The beneficiaries will be identified by the Board of Directors and/or the Chief Executive Officer at their sole discretion – within the limits provided for by the applicable regulations and the Plan – among the employees and/or Directors with executive responsibilities of the Company and/or its subsidiaries.

3. **Reasons for adopting the Plan**

In line with the SOP 2016 and consistent with the “Remuneration and incentive policy for the members of the strategic supervisory, management and control bodies and the personnel of the Banca Farmafactoring Banking Group” in force, the SOP 2020 is intended to (a) encourage the integration of management, making them share in the company’s results; (b) raise management’s awareness on the creation of value for the Bank and the shareholders; (c) strengthen the retention policy for key resources; (d) improve the Group’s competitiveness and good governance on the labor market by making it more attractive to the best talents on the market, with professionalism and skills appropriate to the needs of the Bank and the Group; (e) promote the Bank’s sustainability in the medium to long term, and ensure that remuneration is based on results actually achieved.

4. **Plan Features**

For a description of the SOP 2020, please refer to the Information Document.

5. **Proposed resolution**

In light of the above, the Board of Directors proposes that you adopt the following resolution:

“The Shareholders’ Meeting of Banca Farmafactoring S.p.A., in relation to item 5.2 on the ordinary part of the agenda,

- *having reviewed the illustrative report of the Board of Directors on the proposed resolution (the “**Report**”); and*
- *having examined the information document prepared pursuant to Article 84-bis of the regulation adopted by Consob with resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented (the “**Information Document**”),*

resolved

1) to approve the “Stock Option Plan of the Banca Farmafactoring Banking Group - SOP 2020” (the “**Plan**”) within the terms indicated in the Information Document;

2) to grant the Board of Directors, and on its behalf the Chief Executive Officer, with the right to sub-delegate, all powers necessary to implement this resolution, including the right to introduce any amendments or additions that may be necessary in order to comply with legal requirements and obligations in the resolution adopted and in the regulations of the Plan”.

Milan, February 25th, 2020

For the Board of Directors

THE CHAIRMAN
(Salvatore Messina)