
EXPLANATORY REPORT OF THE BOARD OF DIRECTORS ON ITEM 7 ON THE AGENDA OF THE ORDINARY SHAREHOLDERS' MEETING

(PREPARED PURSUANT TO ARTICLE 125-TER OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998.

AS AMENDED AND SUPPLEMENTED)

(CONVENED FOR 17 APRIL 2025 IN A SINGLE CALL)

7. Proposal for the adoption of the BFF Banking Group Incentive Plan "INCENTIVE PLAN 2025". Related and consequent resolutions.
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Dear Shareholders,

you have been called to attend the Ordinary Shareholders' Meeting of BFF Bank S.p.A. (the "**Company**" or "**Bank**") to deliberate on the proposal to adopt an incentive plan for employees and executive directors of the Company and/or its subsidiaries, called the "*BFF Banking Group Incentive Plan - Incentive Plan 2025*" (the "*BFF Banking Group Incentive Plan 2025*"). The adoption of the Plan is proposed in order to innovate the Bank's incentive policies, in addition to the incentive plans approved and implemented in previous years (*i.e.*, the "*Stock Option Plan of the Banca Famafactoring Banking Group*" approved by the Ordinary Shareholders' Meeting of 5 December 2016 as amended by the Ordinary Shareholders' Meeting of 28 March 2019 (the "**SOP 2016**"), the "*Stock Option Plan of the Banca Famafactoring Banking Group SOP 2020*" (the "**SOP 2020**") approved by the Ordinary Shareholders' Meeting of 2 April 2020, and the "*Incentive Plan of the BFF Banking Group 'Incentive Plan 2022'*" (the "**LTIP 2022**"), approved by the Ordinary Shareholders' Meeting of 31 March 2022.

The Plan provides for the assignment of a maximum total of 12,000,000 options, of two different types: some options (the "**A Options**") grant the right to directly receive ordinary shares of the Company, while others (the "**B Options**" and, together with A Options, the "**Options**") are settled on a "*cash settled*" basis, through the attribution of a *bonus* in cash liquidated on the basis of the total market value of a number of shares (*phantom shares*), determined on the date of conversion into bonuses, less the relevant exercise price. In total quantities, terms and conditions established in the Plan regulations and described in the information document prepared pursuant to art. 84-bis of the Issuers' Regulation, attached to this Report (the "**Information Document**").

With reference to the exercise of Options A, the Plan may be served both with newly issued shares and with shares already issued in the Company's portfolio at the date of exercise of the Options.

The newly issued shares may come from the free share capital increase approved by the Extraordinary Shareholders' Meeting on 2 April 2020 or – if necessary – from a further capital increase of the Bank that may be resolved in the future by the Shareholders' Meeting on the proposal of the Board of Directors.

It should be noted that the allocation decisions under the Plan may be adopted by the competent management bodies of the Plan only after the temporary prohibition on resolving or implementing the payment of the variable part of the remuneration imposed by the Bank of Italy (the "**Constraint**") and communicated to the market on 9 May 2024 has been lifted.

The purpose of this Report is to provide an illustration of the Plan and the related proposal on the agenda of the Ordinary Shareholders' Meeting called on 17 April 2025, 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**").

The terms indicated with capital letters in this report have the same meaning as in the Information Document.

1. Object of the Plan

The Plan provides for the assignment – only after the revocation of the Constraint – of maximum overall no. 12,000,000 options, which - as anticipated in the introduction - are of two different types: Options A and Options B. In total quantities, terms and conditions established in the Plan regulations and described in the Information Document.

The assignment of the Options will be carried out in three *tranches* (*First Tranche*, *Second Tranche* and *Third Tranche*), respectively for the calendar year in which the Restriction is lifted and the following two years.

The assignment to the beneficiary of Options belonging to the three *tranches* is subject to the prior verification by the Management Body of the Plan on the positive assessment of performance (both at the collective level, with reference to the Bank, and at the individual level, for the potential beneficiary) with regard to the so-called "*Look Back Period*", i.e. the year prior to the assignment of the Options.

The Options may be exercised in compliance with the exercise conditions set out in the Plan, which are represented by the permanence of the employment relationship or the office as director for 3 years from the date of assignment, as well as the achievement of certain company "KPIs".

For a description of how to exercise the Options, 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, in their capacity as the management body of the Plan, at their sole discretion among the employees and/or directors with executive positions of the Company and/or its subsidiaries, taking into account the "*Remuneration and Incentive Policy for the members of the strategic supervisory bodies, management and control, and of the personnel of the BFF*

Banking Group" in force (the "**Policy**") and after consulting – for the Personnel of the Board of Directors – the Remuneration Committee.

3. **Reasons for the adoption of the Plan**

In order to ensure constant innovation and improvement of the incentive policies already pursued with the 2016 SOP, the 2020 SOP and the 2022 LTIP and in line with the current Policy, the Plan aims to: (a) encourage the integration of personnel, making them participants in the company's results; (b) raise personnel awareness about the creation of value for the Bank and shareholders; (c) increase the *retention* capacity of personnel by reducing the propensity of valuable professionals to resign from the Group; (d) to improve the competitiveness and good governance of the Group on the labour 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 sustainability of the Bank in the medium to long term, and ensure that remuneration is based on the results actually achieved.

4. **Features of the Plan**

For a detailed description of the Plan, please refer to the Information Document.

5. **Resolution proposal**

Considering the above, the Board of Directors proposes to adopt the following resolution:

"The Shareholders' Meeting of BFF Bank S.p.A., in relation to item seven on the agenda of the ordinary meeting:

- *having examined the Board of Directors' explanatory report 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**")*;

resolution

*1) to approve the "BFF Banking Group Incentive Plan - Incentive Plan 2025" (the "**Plan**") within the terms indicated in the Information Document;*

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

Milan, 12/03/2025

For the Board of Directors

THE PRESIDENT

(Dr. Ranieri De Marchis)