



a bank like no other[®]

Pre-AGM Roadshow

2023 Remuneration Policy

March 2023

Executive summary



Dialogue	<ul style="list-style-type: none">▪ Extensive engagement with relevant stakeholders to gather feedback and align to best practices.	Slide 2
General Principles	<ul style="list-style-type: none">• Pay-for-performance, diversity, retention and consistency with long-term vision.	Slide 3
What is new?	<ul style="list-style-type: none">▪ Enhanced ex ante and ex post disclosure, alignment of practices with market recommendations.	Slide 4/6
Peer Group and Pay for Performance	<ul style="list-style-type: none">• Top rank position in the panel of peers when it comes to the correlation between pay and performance	Slide 7
CEO Scorecard	<ul style="list-style-type: none">▪ New ESG KPIs for the STI, disclosure on vesting thresholds and Pay Mix.	Slide 8/9
Annexes	<ol style="list-style-type: none">1) LTI and Other employees remuneration2) FY22 Results Snapshot3) Double Materiality and ESG4) Shareholding	Slide 10/23

Dialogue with Investors and Proxy Advisors

- In continuity with previous years, in 2022 the Company conducted **an extensive engagement activities with institutional investors and proxy advisors** supported by the IR and the Group HR & Organizational Development functions as well as the members of the Remuneration Committee.



- The **dialogue** with BFF's investors and proxy advisors aims at enhancing awareness on Group's remuneration practices and receiving feedback, a useful input for the continuous internal evaluation and review process.

October – November 2022

Off-Season Engagement Goal:

- Look back at the key features of the 2022 Remuneration Policy ("Policy") and gather constructive feedback
- Understand the rationale of negative votes
- Obtain relevant feedbacks for 2023 Remuneration Policy

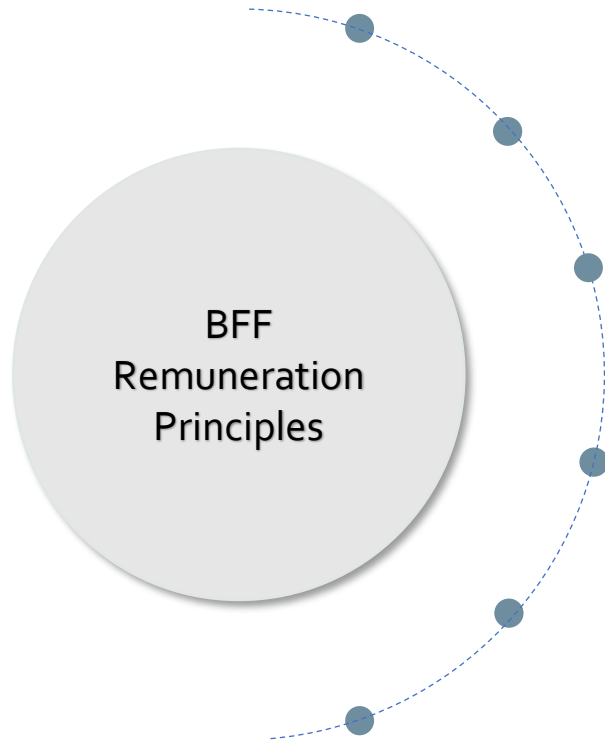
March 2023

Pre-AGM Engagement Goal:

- Present the main features of the 2023 Remuneration Policy
- Ensure the transparent and complete disclosure on Group's remuneration practices
- Gather relevant feedback
- Clarify potential concerns prior to the AGM

AGM
13-April-
2023

BFF's Remuneration Policy is based on the following principles:



Guarantee neutrality with respect to any sort of **diversity***

Be **consistent** with business objectives, governance and overall sustainability

Human capital **development and performance** through a fair and effective remuneration system

Pay for Performance for a sustainable value creation

Retention and long-term sustainability through incentives' **deferral and share-based** awards

* New Diversity & Inclusion Policy approved on Dec. 2022 [available here](#).

Remuneration Framework: What is new?



How our remuneration framework will improve if approved by the AGM

1 GCEO's STI: Multiple ESG performance criteria

New **ESG metrics** in addition to Customer Satisfaction: (i) BFF Foundation's Initiatives and (ii) Gender Pay Gap Reduction.

2 GCEO's STI: Enhanced ex-ante and ex-post disclosure

Detailed disclosure on **vesting thresholds** applicable to the GCEO incentive scheme both ex-ante and ex-post.

3 GCEO Severance: removal of a trigger event

From now on severance will not be paid in case of **change in regulation** significantly impacting GCEO remuneration.

4 Gender Pay Gap in the GCEO STI and ex post disclosure

From shareholder feedback to practice: (i) **Gender Pay Gap** as a KPI in the GCEO STI and (ii) new pay gap ex-post disclosure.

5 GCEO Pay Mix

Graphic disclosure of the **ratio between base salary and variable pay** of the GCEO.

6 Pay-for-Performance model

New peer panel and **Pay-For-Performance** assessment to illustrate the coherence between GCEO remuneration and BFF performance.

7 Update: Double Materiality

New **Materiality** analysis to measure progress in the medium term and ensure a quantitative declination of the ESG metrics.

8 GCEO Pay Ratio

Enhanced disclosure of the **Pay Ratio** between Employees and GCEO.

Responsiveness and alignment with best practices – CEO Pay



- New ESG KPIs for the STI and increased disclosure on vesting thresholds. Severance now not triggered in case of change in regulation.

Topic		2021	2022	2023
STI	• Multiple performance criteria in addition to EBTDA RA	Single metric	✓	✓
	• ESG performance	×	✓	✓
	• Multiple ESG performance criteria	×	×	✓ NEW
	• Minimum, Target and Maximum thresholds available	×	×	✓ NEW
	• Cap in terms of Fixed Remuneration	100%	100%	100%
	• Deferred component	30%	60%	60%
	• Deferral period	3 years	5 years	5 years
LTI	• Exercise price setting in line with market practice	×	✓	✓
	• Deferral period	3 years + 18 months	3 years + 3 years	3 years + 3 years
	• Cap in terms of Fixed Remuneration	100%	100%	100%
	• Multiple performance criteria	×	✓	✓
	• ESG performance	×	✓	✓
Other bonuses	• Integration Bonus	Yes	No	No
	• Granted only in case of performance to GCEO and top management	✓	✓	✓
Severance	• Calculated based on effective performance	×	✓	✓
	• Not triggered in case of change in regulation impacting GCEO rem	×	×	✓ NEW

Responsiveness and alignment with best practices – Disclosure



- Implementation of gender neutrality principles in the incentive system of the CEO. New disclosure on Pay Mix, Pay-for-Performance and Materiality.

Topic		2021	2022	2023
Principles	• Gender Neutrality	×	✓	✓
	• Gender Pay Gap in the GCEO STI scorecard and ex-post disclosure	×	×	✓ NEW
Disclosure	• Ex-post disclosure of performance criteria for Integration Bonus	×	✓	✓
	• Ex-post disclosure of performance results for STI	×	✓	✓
	• CEO Pay Mix available	×	×	✓ NEW
	• Pay-for-Performance model available	×	×	✓ NEW
	• Employees Average Remuneration	×	✓	✓
	• CEO Pay Ratio	×	×	✓ NEW
	• Details on exceptional deviations from Policy	×	✓	✓
	• ESG Materiality Matrix	×	✓	✓
	• Double Materiality	×	×	✓ NEW

CEO's STI Scorecard and Pay Mix



Functioning:

CEO annual bonus scorecard

- Gate criteria

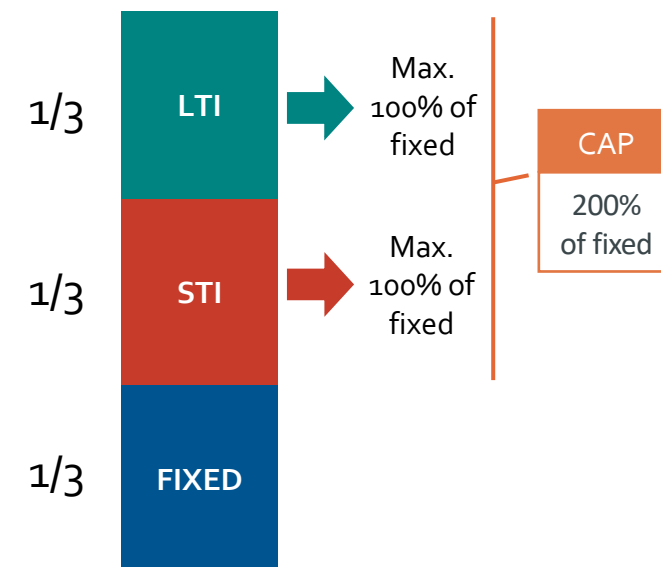
KPIs	Minimum Requirement
<i>Liquidity Coverage Ratio LCR (LCR)</i>	> 0 = risk tolerance (as per RAF)
<i>Total Capital Ratio (TCR)</i>	> 0 = risk tolerance (as per RAF)
EBTDA ^{RA}	> 0
EBTDA ^{RA} / Target EBTDA ^{RA}	> 0 = 100%

- Performance criteria

Type	KPIs	NEW Vesting Thresholds (% of base salary)		
		Minimum	Target	Maximum
Financial	EBTDA ^{RA}	0%	70%	90%
NEW ESG	BFF Foundation's Initiatives	7,5%	15%	19,5%
	<ul style="list-style-type: none"> Promote and support the actions necessary to support the strategic plan of the BFF Foundation 			
ESG	Gender Pay Gap reduction	7,5%	15%	19,5%
	<ul style="list-style-type: none"> Aims to achieve equality and it reflects Gender Neutrality principles 			
ESG	Customer Satisfaction	10%	20%	26%
	<ul style="list-style-type: none"> Measures the value creation in the relation with clients 			

Up to max. 50%

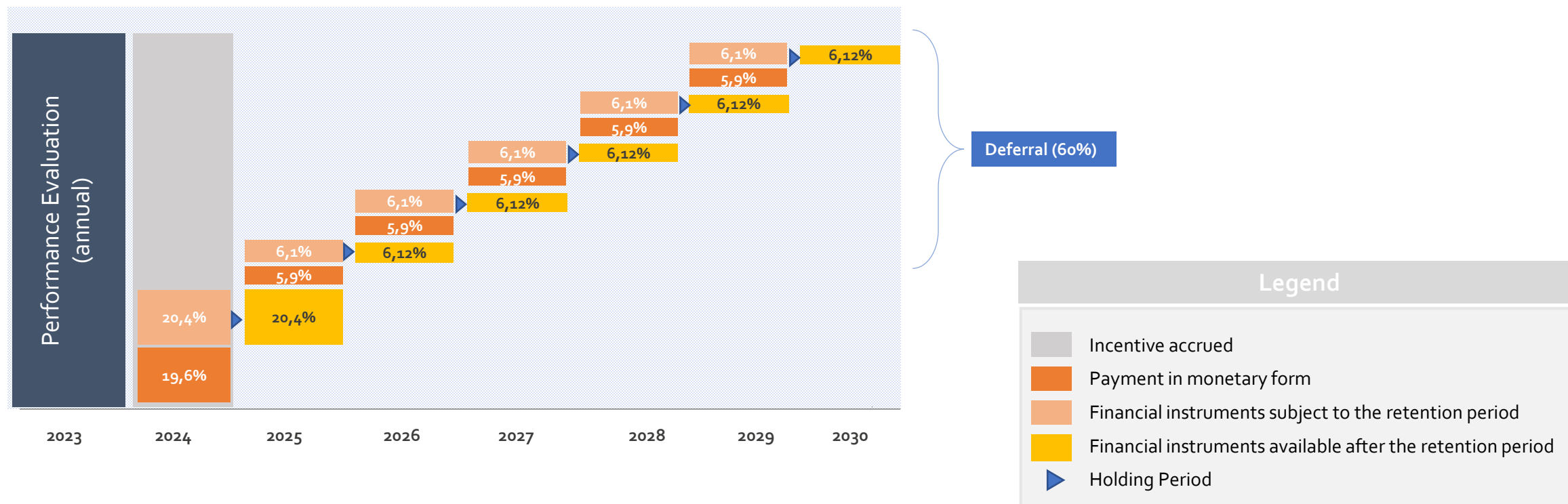
CEO Pay Mix



CEO's STI Functioning

CEO annual bonus is subject to significant deferral, as follows:

- The up-front portion, which is paid following the approval of the Group's financial statements, is 40%, while the remaining 60% is deferred in equal annual instalments over 5 financial years, beginning 12 months after the payment of the up-front portion.
- 51% of both the up-front and deferred portion is paid through financial instruments, subject to a one-year retention period.



- the bonus is subject to malus and claw back clauses.

Peer Group and Pay for Performance

The remuneration benchmarking developed with the support of an independent external consultant shows a high correlation between pay and performance.

Parameters for Peer selection

Industry

Size

Complexity

Governance

Panel

Banca Popolare di Sondrio

Banco BPM

Banco de Sabadell

BPER Banca

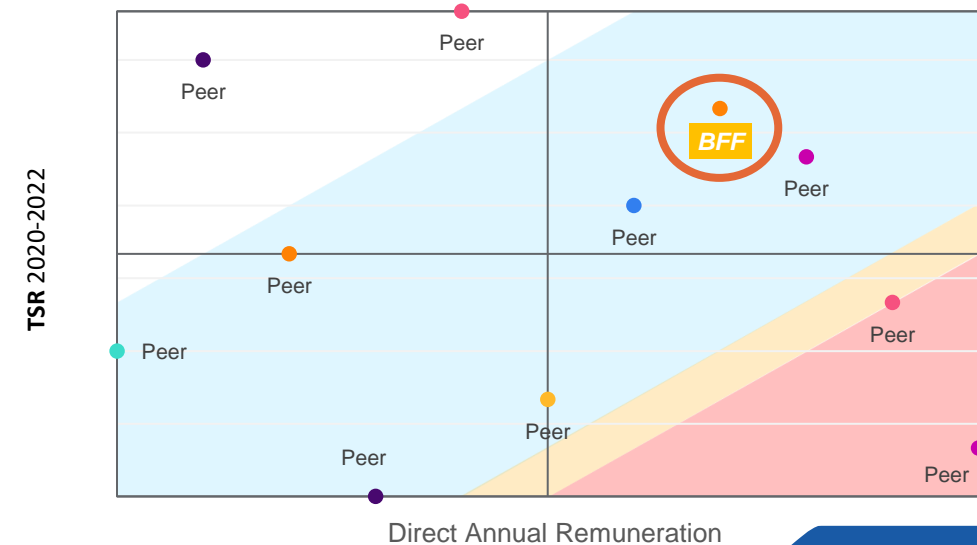
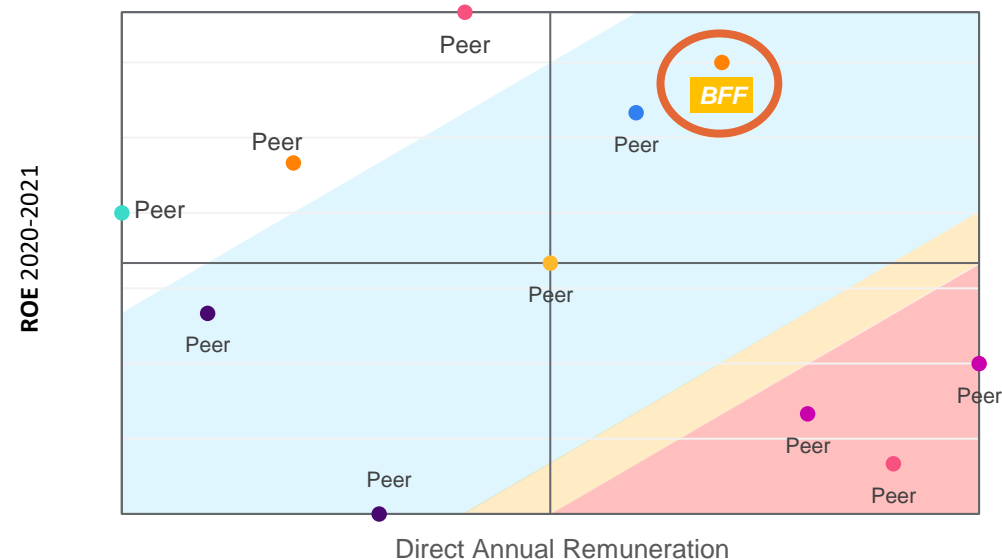
Bankinter

Cembra Money Bank

International Personal Finance

FinecoBank

Nexi



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APPENDIX 1 – LTI and Other Employees' Remuneration

- **Max Award:** 200% of fixed remuneration in aggregate with other variable remuneration.
- **Recipients:** The Plan is reserved for employees and executive directors of the Company, GCEO included.
- **Dilution:** The Plan consists of three tranches and provides for the allocation of options, up to a maximum of 9,700,000. Potential maximum dilution stemming from the plan corresponds to 2.29% of share capital, determined thanks to the cash-less formula⁽¹⁾ and assuming that 100% of the assignable options of the plan are Options A (equity-settled). Considering all outstanding options from past plans, dilution corresponds to maximum 4.9% of share capital.

The plan provides for two types of options:

- **Options A.** “Equity-settled”, upon exercise the Beneficiary receives a number of ordinary shares of BFF determined in accordance with the following formula:

$$(Total\ Market\ Value\ of\ the\ Opted\ Shares - Total\ Exercise\ Price\ of\ the\ Opted\ Shares - Withholding\ Tax) / Unit\ Market\ Value$$

- **Options B.** “Cash-settled”, upon exercise the Beneficiary is entitled to receive a bonus equal to the value of the phantom shares corresponding to the number of the accrued options convertible in cash in accordance with the following formula:

$$Total\ Market\ Value\ of\ the\ Opted\ Phantom\ Shares - Total\ Exercise\ Price\ of\ the\ Opted\ Phantom\ Shares$$

- **Exercise Price:** calculated on the basis of the average share price during the 30 days preceding the Grant Date, adjusted to take into account the dividends paid during the same 30 days.
- **Recovery Provision:** Malus and clawback clauses, potentially resulting in the withdrawal of the rights granted by the Plan.

(1) All three tranches envisage the cashless formula as the only mode to exercise the options; hence, the option-share ratio is always less than 1 and, in any case, the formula provides for a maximum limit (maximum theoretical market value) determined by the board, which, in fact, constitutes an additional cap to the number of issuable shares.

- Gate criteria: based on the Look Back Period⁽¹⁾ (i) individual performance criteria as per STI (MBO) and (ii) BFF's performance as follows:

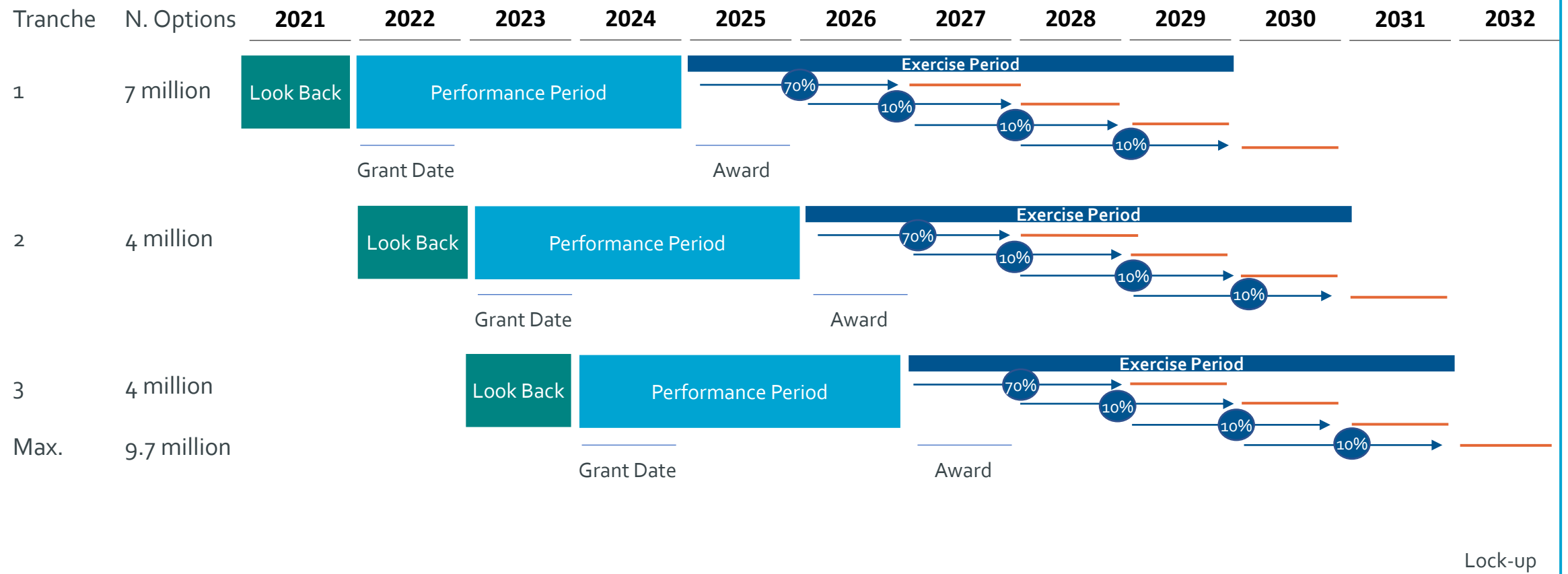
KPI	DESCRIPTION
Liquidity Coverage Ratio (LCR)	> risk tolerance approved by the Board of Directors, and defined within the RAF (Risk Appetite Framework) in place at the closing date of the Look Back Period
Total Capital Ratio (TCR)	> risk tolerance approved by the Board of Directors, and defined within the RAF (Risk Appetite Framework) in place at the closing date of the Look Back Period
EBTDA^{RA}	positive

- Option exercise and accrual conditions: (i) permanence of employment and (ii) performance criteria, which serve as accrual conditions, set by the Board and weighted as follows:

TYPE	KPI	WEIGHT	DESCRIPTION
Financial	EBTDA RA	50%	$EBTDA\ RA = EBTDA - (RWA\ M * TCR\ Target * Ke)$
	EPS	20%	Adjusted consolidated net income divided by share outstanding
	C/I	20%	OPEX and D&A / Net Banking Income and Other operating income
ESG	Carbon Footprint	5%	Direct CO ₂ Emissions in the last year of the Performance Period / (Direct CO ₂ Emissions Look Back Period - 1%)
	Customer Satisfaction	5%	Survey's result on the "Degree of Satisfaction" of the Bank's customers

(1) The Look Back Period corresponds to the year before the Grant Date (e.g., 2021, for the first Tranche to be allocated in 2022) in relation to which the individual performance of the Beneficiary and the Bank is assessed.

- **Vesting conditions:** 3 years of vesting, overall 6-year deferral period for Risk Takers (3 years for Non-Risk Takers) running from the date of granting of the Options, 1-year lock-up period running from the end of the deferral period.



Other Employees' Remuneration

COMPONENT	DESCRIPTION
FIXED	Fixed Remuneration is related to the experience and professional skills of the people working in the company and is also based on the roles held. Principles: Fairness, Competitiveness, Market benchmarks, Meritocracy and Consistency over time.
MBO	<ul style="list-style-type: none"> ▪ Max Award: 100% of the Fixed Remuneration (excluding benefits), with different levels for seniority. ▪ Gate criteria: (i) LCR compliant with RAF; (ii) TCR compliant with RAF; (iii) EBTDA Risk Adjusted = Target (> 0 for deferred portion) ▪ Performance criteria (Senior Executives or Executives): <ul style="list-style-type: none"> ➢ individual scorecard (quantitative 70% and qualitative 30%) ▪ Multiplier: <ul style="list-style-type: none"> ➢ EBTDA RA - Guarantees economic sustainability paying attention to risk and cost of capital; ➢ Customer Satisfaction - as long-term element of business sustainability.
LTI	2022-24 Stock Option Plan as previously illustrated. Max Award: 100% of the Fixed Remuneration

Termination Payments

Severance does not exceed the limit of 24 months of the Overall Remuneration. In any event, these amounts may not exceed:

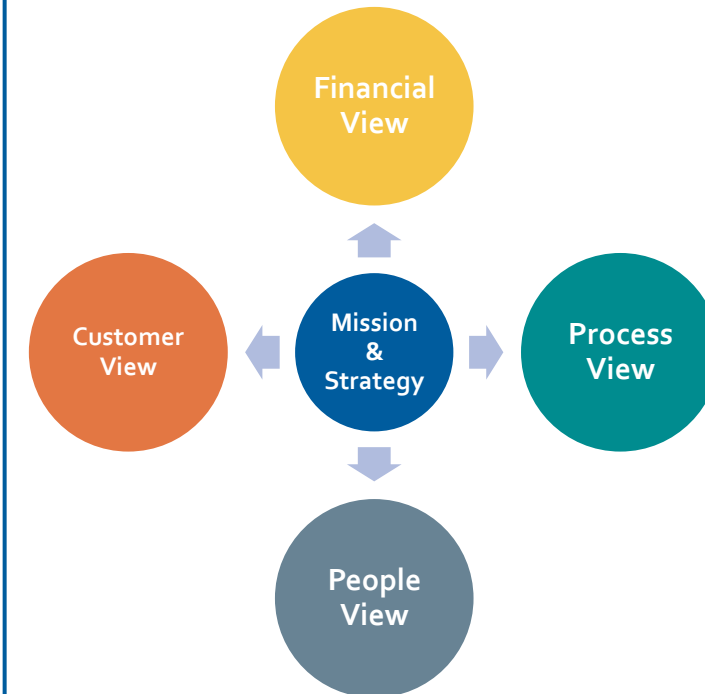
a) for Employees, €1,100,000

b) for Personnel other than employees, €4,500,000

The amounts recognised in compliance with legal obligations (e.g. severance pay, indemnity in lieu of notice) or for court settlements are excluded from the calculation of the aforementioned limits.

Non-compete agreement can be signed depending on the employee profile.

Model of Group Performance Management



(1) Except for the Heads of Corporate Control Functions (33%) and Human Resources and Organisational Development Function and the Chief Financial Officer (50%).

2

APPENDIX 2 – FY 2022 RESULTS

What 2022 will be remembered for...

- **War** in Ukraine and energy shock
- Fastest increase of **interest rates** of the last decades
- Highest **inflation** since the '80s
- Monetary tightening and **end of TLTRO** at negative rates
- Volatility of **Sovereign Spread**
- FTSE Italia **Mid Cap down** -21% in 2022

...and how BFF dealt with 2022

- **ROE**: 32%
- **TCR**: 22.3% and **CET1**: 16.9%
- **Loan book** at historical high, +45% YoY
- Upward revision of 2023 **Net Income Target**
- **Stock performance** +4.5% in 2022

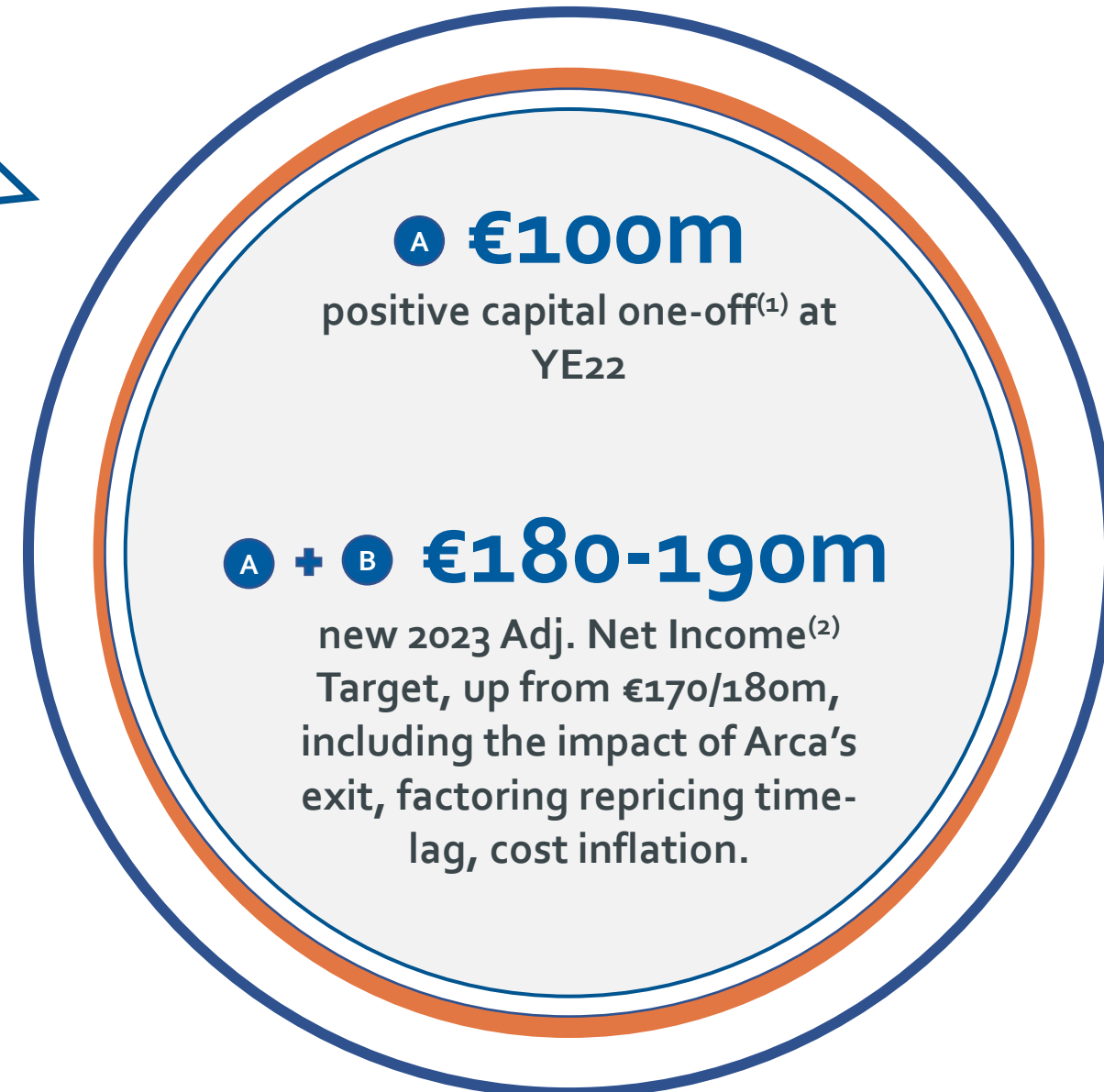
One-off Capital step-up and higher 2023 projected Net Income

Slide from
FY 2022 Results Presentation



- A** From 31-Dec-22:
 - i. “Recovery cost” rights accounted on an accrual basis (previously cash accounted) with a 50% recovery rate;
 - ii. LPIs accounted at 50% accrual rate (from previous 45%), at 2,100 days based on new long-term collection trends.

- B** From 1-Jan-23, Eurozone LPI rate on overdue invoices increased to 10.5% from previous 8%. Expected a further increase to 11.75% from 1-Jul-23, of which 11% already locked in (see pg. 27).



(1) Mainly due to (i) “Recovery Cost” rights accounted on an accrual basis, and (ii) change in LPI’s recovery rate accrual to 50% from 45%.

(2) Adjusted Net Income excluding stock options costs and other exceptionals.

Best-in-Class capital ratios. €201m of excess capital, €146m of 2022 dividends, €77.5m to be paid in Apr-23

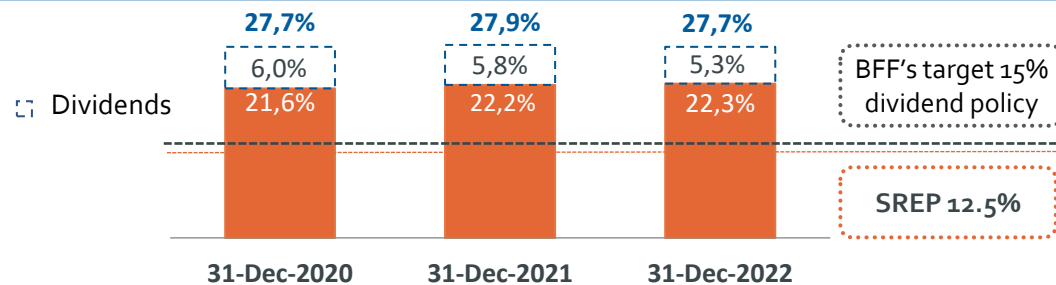


Slide from
FY 2022 Results Presentation

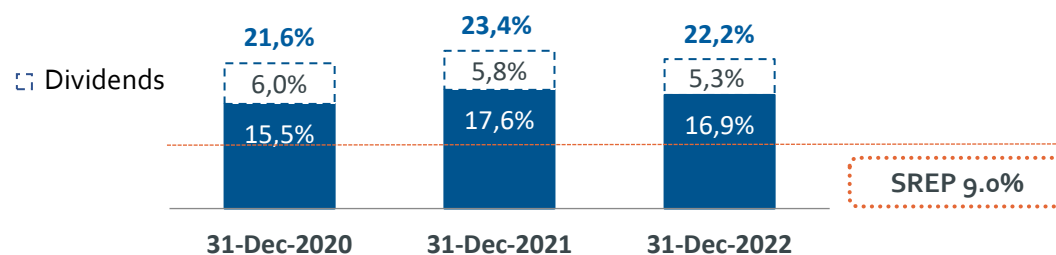
- Total Capital ratio at 22.3% and CET1 ratio at 16.9% with €201m of capital in excess of 15.0% TC ratio target.
- Growth in loan book drove decline in RWA density vs. 2021, despite new DoD implementation.

RWAs €m	1,616	2,171	2,740
RWAs density	39%	45%	42%

Total Capital ratio

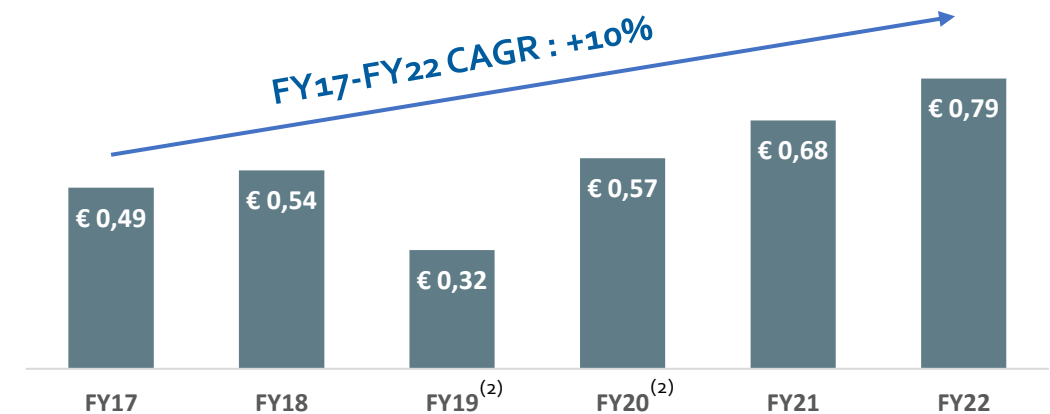


Common Equity Tier 1 ratio



- FY22 dividends at €146.0m, including €68.5m of interim dividend paid in Aug-22. €77.5m⁽¹⁾ final 2022 dividend (approx. €0.42 per share) to be paid in April 2023.
- Upcoming 2023 interim dividend in Aug-23 based on 1H23 Results.
- >€615m of dividends paid to shareholders since 2017 IPO, c. 77% of BFF market cap at IPO.

Dividend per share



(1) Subject to shareholders' approval. (2) Paid in 2021.

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APPENDIX 3 – DOUBLE MATERIALITY AND ESG

Double Materiality

- Attention to sustainability is considered a key and strategic element for the medium-long term development of the Group
- BFF aims at raising awareness among its Personnel of a corporate culture that is increasingly inclusive, sustainable and attentive to attracting, developing and retaining talent.

✓ Alignment with GRI 3 and EFRAG guidelines

BFF has revised its impact assessments from an «**inside-out**» perspective and in an «**outside-in**» and defined the material topics considering the impacts produced by the Group on them.



Double Materiality

- Impact Materiality
- Financial Materiality

- Innovation and technology

IMPACT MATERIALITY

- Privacy and data security
- Human Resources management
- Customer satisfaction and transparency of information on products and services
- Protection of labour and workers' rights

IMPACT AND FINANCIAL MATERIALITY

- Economic performance
- Climate changes and transition towards a sustainable economy
- Anti-corruption and business ethics
- Supply chains
- Governance and decisional processes
- Health and safety in the workplace
- Diversity, inclusion, equal opportunities and remuneration
- Human Rights

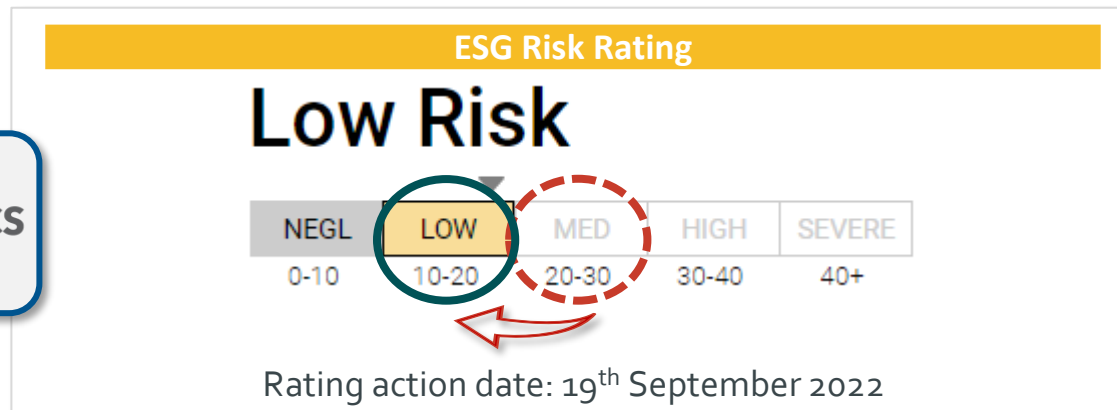
«CORE» THEMES

- Energy

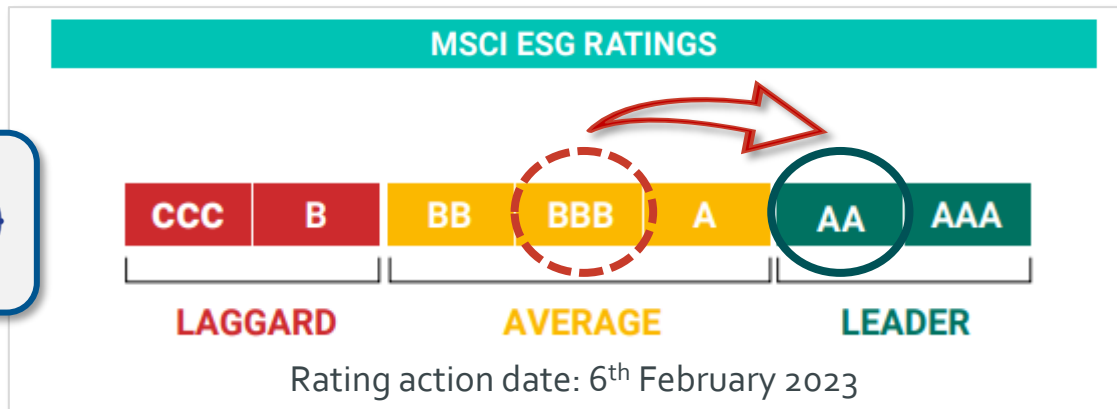
FINANCIAL MATERIALITY

Upgraded ESG scores from leading ESG Rating companies

- On the 19th of September 2022, Sustainalytics moved the ESG rating of BFF from “Medium Risk” to “Low Risk”.
- On the 6th of February 2023, MSCI upgraded the ESG rating of BFF from “BBB” to “AA”. MSCI places BFF Bank on excellence levels for governance issues, in the highest score range compared to global peers.



Sustainalytics’ rating contributes to enhancing transparency and visibility on BFF’s sustainability path, measures the Group’s exposure to industry-specific material ESG risks, and assesses the management behaviour in addressing those risks.



MSCI rating acknowledges:

Governance

- Board independent majority
- Split of Chair and CEO roles
- Strong oversight of management

Talent Management Initiatives

- Development of regular employee engagement surveys
- Staff training programs

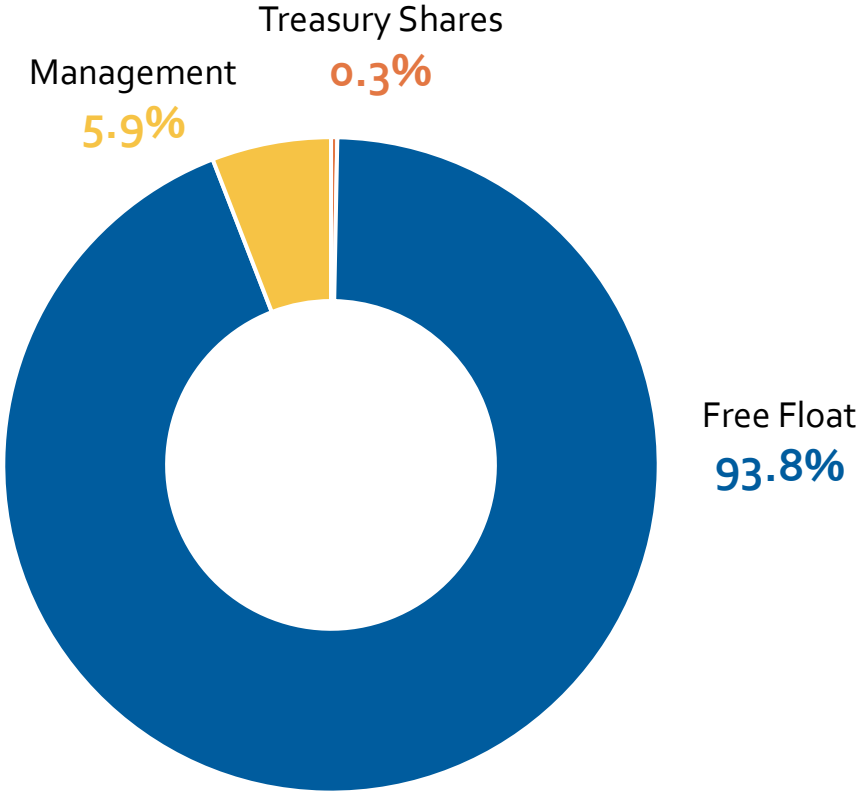
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APPENDIX 4 – SHAREHOLDINGS

A true Public Company with Management owning c. 5.9%



Slide from
FY 2022 Results Presentation



Total Number of shares as of 31/12/2022: 185,545,952

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