

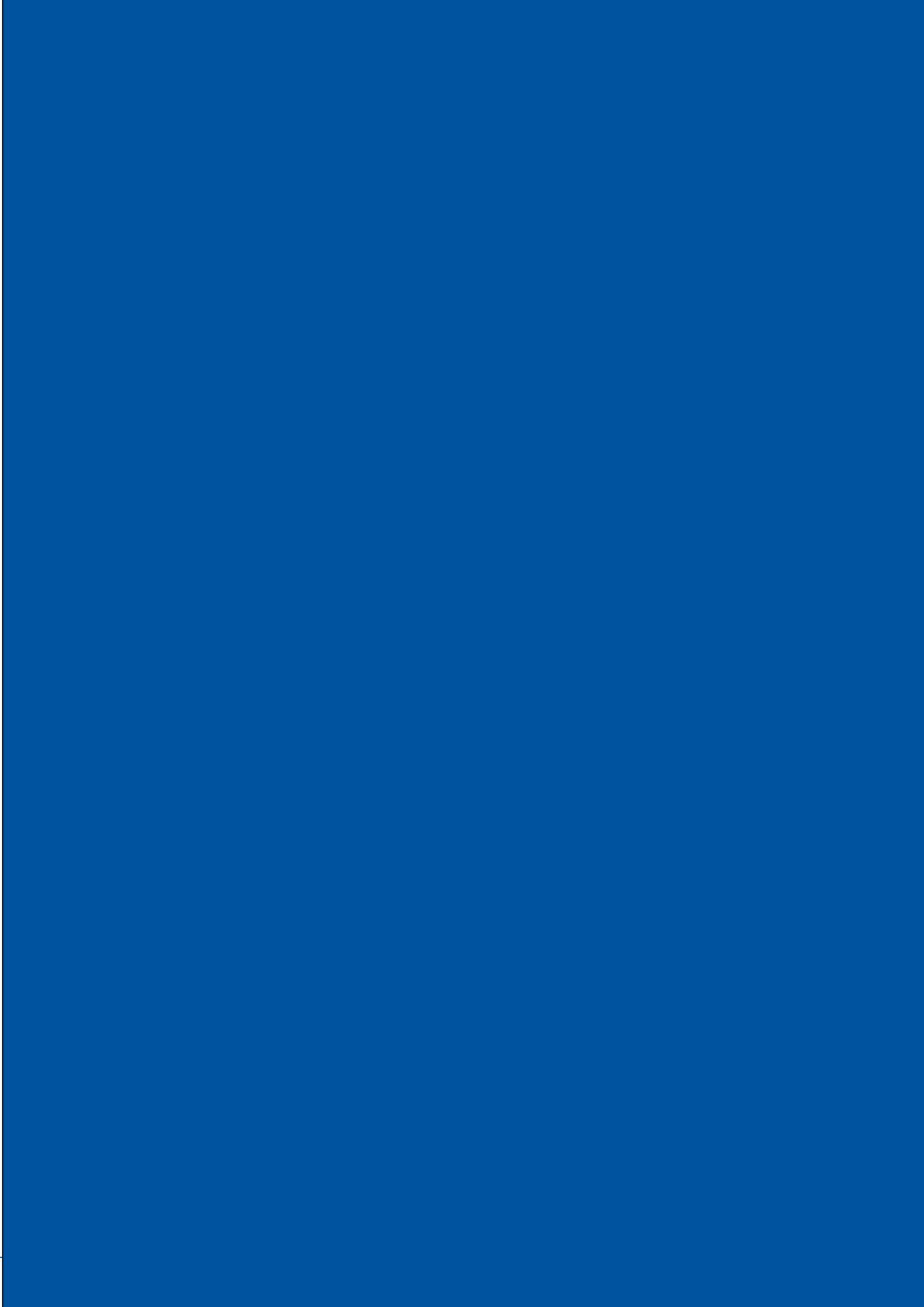
FINECO

B A N K

2019 COMPENSATION POLICY

FINECO. SIMPLIFYING BANKING.

FinecoBank S.p.A. - Member of UniCredit



Contents

LETTER FROM THE CHAIRMAN OF REMUNERATION COMMITTEE	3
SECTION I – EXECUTIVE SUMMARY	5
SECTION II – COMPENSATION POLICY	13
1. Introduction	16
2. Governance	17
3. Fundamentals	19
4. 2019 Compensation Structure	25
SECTION III – ANNUAL COMPENSATION REPORT	31
1. Introduction	
2. Governance & Compliance	34
3. Continuous Monitoring of Market Trends and Practices	35
4. Compensation paid to Members of the Administrative and Auditing Bodies, to General Managers and to other Executives with strategic responsibilities	39 40
5. Compensation Systems	
6. Compensation Data	43 66

2019 Compensation Policy

Letter from the Chairman of the remuneration committee



Dear Shareholders,

as Chairman of the Remuneration Committee, I am pleased to present you the FinecoBank Compensation Policy for 2019.

The document is divided into three sections: an "Executive Summary", which summarizes the features of the new Remuneration Policy and the main results achieved in 2018; the "Compensation Policy", which describes the key principles of our approach to the remuneration and incentive systems for Employees and Financial Advisors in 2019; finally, the "Annual Remuneration Report", which provides detailed information on FinecoBank remuneration practices and the results of the processes implemented in 2018.

Also this year, pursuing the goal of guaranteeing the utmost clarity in remuneration policies, we propose a transparent and easily accessible Policy, oriented towards rewarding merit and promoting the value of diversity and sustainability. Our pillars are based on the concept of transparency, as an element able to protect and strengthen our reputation and to create value over long term, in the interest of all the Bank's stakeholders.

Also 2018 closed for Fineco with particularly positive results, an important element because it was obtained in a challenging and complex context for the financial markets.

The results show how our well-diversified business model is able to face every stage of the market, thanks to a strategy oriented towards a path of long-term sustainable growth and capable of generating value for all our stakeholders. Results are the confirmation of a relational approach with customers guided and inspired by criteria of integrity, transparency, equity and cooperation.

In this context, our Bank is constantly engaged in combining values such as development, responsibility and business activities, which are fundamental for improving risk management and being highly competitive on the market.

The guiding principles of our way of doing business have always been at the base of our Compensation Policy, which - in turn - confirms that it is a key tool for guiding behaviors, both in the short and long term. The goal of our remuneration policy is to attract, motivate and retain the best resources, rewarding merit and talent, ensuring a solid process of performance assessment, while avoiding excessive risk-taking.

In this context we have worked with a view to consolidation and continuous improvement, involving - in the definition phase of the incentive plans - the main corporate Bodies and Functions. Our model of remuneration governance is aimed at ensuring adequate control of all the Bank's remuneration processes, ensuring that informed decisions are taken independently and promptly, in order to avoid conflicts of interest.

In order to better respond to its tasks, the Remuneration Committee took part in each phase of the remuneration processes, including, in fact, the project, with the objective of guaranteeing an architecture suited to the Bank's remuneration strategy, in line with the regulations and consistent with best market practices.

In light of the 25th update of Bank of Italy Circular 285 "Supervisory Provisions for banks", we generally aligned the remuneration policies with the new discipline. In particular, the pay-out mechanism for bonuses for the Identified Staff has been reviewed with regard to short-term systems and the "particularly high" threshold of variable remuneration to which the most prudential rules apply has been identified.

The new provisions also led to the update of the Termination Payments Policy.

In general, in the definition of the 2019 Remuneration Policy we have taken into consideration the sectorial regulations also in light of the company's international developments.

Having said that, in light of the favorable opinion of the shareholders collected by the 2018 Remuneration Policy and taking into account the benchmark analyses, we considered appropriate to maintain the structure of the Remuneration Policy, preserving the main elements and the functioning mechanisms of the incentive systems adopted last year, still considered to be already very effective for the achievement of the results defined in the strategic plan.

On behalf of the Remuneration Committee, I would like to thank you Shareholders for the constant willingness to compare and share each need and point of view, and for the time you will spend reading our 2019 Policy, trusting in your positive appreciation

Sincerely,

GIANMARCO MONTANARI

A handwritten signature in black ink, appearing to read "Gianmarco Montanari".

Chairman of the Remuneration Committee

SECTION I -

EXECUTIVE SUMMARY

FINECO. SIMPLIFYING BANKING.

FincoBank S.p.A. – Member of Unicredit

Our Compensation Policy

The implementation of the principles set in our Compensation Policy provides the framework for the design of reward programs across the Bank.

FincoBank compensation approach, coherent with the regulations, the best market practices and with the approach of the Holding UniCredit S.p.A, guarantees the link to the performance, the market framework, the alignment with business strategy and the long-term shareholders' interest.

The key principles of our Compensation Policy (Section II) reflect the most recent regulations in terms of remuneration and incentive policies and practices, in order to build, year-by-year – in the interest of all stakeholders – remuneration systems aligned with long-term strategies and goals. These are linked with company results and adequately adjusted in order to take into account all risks consistent with capital and liquidity levels needed to support all the activities, and to avoid distorted incentives that could lead to a breach of law or to excessive risk taking.

2019 Compensation Policy

Our 2019 remuneration approach, and main 2018 results

Key elements of 2019 Compensation Policy

Description

1. Fundamentals

- Clear and transparent governance
- Compliance with regulatory requirements and principles of good professional conduct
- Continuous monitoring of market trends and practices
- Sustainable pay for sustainable performance
- Motivation and retention of all staff, with particular focus on talents and mission-critical resources

Details – Section II

- Our Compensation Policy Fundamentals ensure a correct definition of competitive compensation levels, internal equity and transparency
- Compensation Policy is aligned to the national and international regulatory requirements. Full compliance of compensation policies and processes is assured through involvement of Company Control Functions: such as Compliance and Risk Management, that also guarantee the coherence with the Risk Appetite Framework, in line with sector regulations¹

2. Compensation Benchmarking

- Update of the peer group for compensation benchmarking, performed by the independent advisor of the Remuneration Committee

Details – Section III paragraph 3

- The Remuneration Committee, with particular reference to the population of FinecoBank's Identified Staff, through the support of an independent external consultant identifies the peer group, defined considering the main Italian and European peers on which specific comparative analyzes are carried out (Benchmark). As a policy objective, the fixed component of the remuneration for Identified Staff takes as reference the market median, with individual positioning defined taking into account the specific performance, potential and strategic decisions on FinecoBank people and performance over time.

3. Identified Staff definition

- Application of qualitative and quantitative criteria which are common at European level defined by EBA Regulatory Technical Standards

Details – Section III paragraph 5.1

- Also for 2019 the definition of the Identified Staff has followed a structured assessment process both at Group and local level, involving Compliance and Risk Management functions of FinecoBank. The self-evaluation brought to a total number of Identified Staff for 2019 equal to 14 employees and 8 Financial Advisors

4. Ratio between fixed and variable remuneration

- In compliance with the regulatory requirements, the 2:1 ratio represents the maximum limit to the ratio between variable and fixed components of the remuneration for all employees belonging to business functions, including Identified Staff

Details – Section II paragraph 3.1

- In compliance with applicable regulations, the adoption of a maximum ratio between variable and fixed remuneration of 2:1 has not changed for the employees belonging to the business functions. For the rest of the employees, a maximum ratio between the components of remuneration equal to 1:1 is usually adopted, except for the Identified staff of the Company Control Functions², for which it is provided that the variable remuneration cannot exceed 1/3 of the fixed remuneration. For the Head of HR and the Manager in charge for financial statement, the remuneration is predominantly fixed. For the aforementioned Functions the incentive mechanisms are consistent with the assigned tasks as well as independent of results from areas under their control.
- With reference to applicable regulations, regarding the Financial Advisors belonging to Identified Staff, the 2:1 ratio will be adopted between the non-recurring and the recurring component of the remuneration.
- The adoption of a ratio of 2:1 between variable and fixed compensation don't have any implication on bank's capacity to continue to respect all prudential rules, in particular capital requirement.
- This approach allows FinecoBank to maintain a strong link between pay and performance, as well as to avoid the rigidity of the cost structure derived from a possible increase of fixed costs and to guarantee the alignment with multi-year performance, through the deferral of variable compensation

¹ i.e. *Capital Requirement Directive IV (CRD IV); EBA Regulatory Technical Standards (RTS); Bank of Italy "Disposizioni di vigilanza per le Banche"*, 25th update to the Circular n. 285 of 23rd October 2018.

² Meaning *Risk Management, Compliance*. Audit is outsourced in UniCredit S.p.A.

2019 Compensation Policy

5. Short Term Incentive System for Employees Identified Staff

- The FinecoBank 2019 Incentive System, that confirms the “bonus pool” approach, provides for a strong link between remuneration, risk and sustainable profitability
- Such system provides for an overall performance assessment both at individual level and at Group and local level

Details – Section III paragraph 5.3

- Bonus pool whose size is linked to the Bank profitability
- Entry and malus conditions: defined on the basis of performance indicators in terms of profitability, capital and liquidity defined at both Group and local level
- Risk adjustment on the basis of indicators coherent with Fineco's Risk Appetite Framework
- Bonus allocation: incentives are allocated taking into consideration the available bonus pool and the individual performance evaluation based on specific performance indicators
- Pay-out: individual bonuses composed of cash and shares pursuant to law; pay-out over a multi-year period, ensuring alignment with shareholders' interests; each payment is subject to malus and claw-back conditions, as well as to compliance assessment of individual behaviours

6. 2018-2020 Long Term Incentive Plan for Employees

- A share-based Long Term Incentive Plan for the three years performance period 2018-2020, has been defined in 2018, to incentive, motivate and retain selected Employees
- The Plan provides performance goals set at 2020, in terms of Value Creation, Industrial sustainability and Risk, and the payment of a bonus in shares in installments, in a multi-year period

Details – Section III paragraph 5.4

- Performance goals at Bank level set at 2020 considering specific targets and thresholds for EVA (Economic Value Added), C/I (Cost/Income Ratio) and CoR (Cost of Risk on commercial loans) indicators
- Entry and malus conditions: defined on the basis of performance indicators in terms of profitability, capital and liquidity defined at both Group and local level
- Risk adjustment on the basis of indicators coherent with Fineco's Risk Appetite Framework
- Individual bonus payment in Fineco shares, in installments, in a multi-year period, subject to malus and claw-back condition and to compliance assessment of individual behaviours

7. Share Ownership Guidelines

- Share ownership guidelines are confirmed for the Chief Executive Officer and the other Executives with strategic responsibilities in order to align the Top Management and the Shareholders interests

Details – Section II paragraph 3.5

- The Chief Executive Officer and the other Executives with strategic responsibility, should ensure appropriate levels of personal investment in FinecoBank shares (equal to 100% of fixed remuneration for the Chief Executive Officer and to 50% for the other Executives with strategic responsibility)

8. Severance Payments

- Termination pay-outs take into consideration long-term performance, in terms of shareholder added-value, do not reward failures or abuses and shall not exceed in general 24 months of total compensation (including the indemnity in lieu of notice)

Details – Section II paragraph 3.3

- The update of the Termination Payments Policy – approved by the 2017 AGM – is submitted to the Shareholders' Meeting of April 10th 2019, to implement some amendments to the regulation set forth in the 25th update of Bank of Italy Circular n. 285, issued on October 23th 2018. The changes are mainly related to the introduction of a predefined formula for the calculation of the “severance” and to better specify some elements of detail, while they do not involve changes as regards the main criteria or limits.

9. Performance Measurement

- Review of the “KPI (Key Performance Indicators) Bluebook”, that supports manager and incumbent to define the Performance Screen that refers to the annual Incentive System for the employees Identified Staff

Details – Section III paragraph 5.3.1

- The KPI Bluebook supports the definition of Performance Screens providing a set of performance indicators and guidelines. The categories of the main indicators of financial and non-financial Group performance, annually defined within the KPI Bluebook, are certified with the involvement of Group functions Human Capital, Finance, Risk Management, Compliance, Group Sustainability, Group Stakeholder Insight and Audit, which reflect the Bank's core operating profitability and risk profile. Also this year the KPI Bluebook has been structured and clustered on the basis of the different Group's business

10. Short Term Incentive for Financial Advisors Identified Staff

- The provisions of FinecoBank Compensation Policy also apply to the members of the Financial Advisors Network, in line with the Advisors specific remuneration
- In line with the incentive model provided for the Employees, The 2019 PFA³ System provides for a strong link between remuneration, risk and sustainable profitability
- Such system provides for an overall performance assessment both at individual level and at Group and local level

Details – Section III paragraph 5.5

- Bonus pool whose size is linked to the Bank profitability
- Entry and malus conditions: defined on the basis of performance indicators in terms of profitability, capital and liquidity defined at Group and local level
- Risk adjustment on the basis of indicators coherent with Fineco's Risk Appetite Framework
- Bonus allocation: incentives are allocated taking into consideration the available bonus pool and the individual performance evaluation based on specific performance indicators
- Pay-out: individual bonuses composed of cash and shares, pursuant to law, paid out over a multi-year period, ensuring alignment with shareholders' interests; each payment is subject to malus and claw-back conditions, as well as to compliance assessment of individual behaviours.

11. 2018-2020 Long Term Incentive Plan for Financial Advisors Identified Staff

- A Long Term Incentive Plan for the three years performance period 2018-2020 has been defined in 2018, to incentive, motivate and retain selected Financial Advisors
- The Plan aims at rewarding the extra performance in relation to commercial goals and provides the payment of a bonus in cash and shares in installments, in a multi-year period

Details – Section III paragraph 5.6

- Individual performance goals defined on the basis of commercial targets cumulated within the three-years performance period
- Entry and malus conditions: defined on the basis of performance indicators in terms of profitability, capital and liquidity defined at individual, Bank and both Group level
- Risk adjustment on the basis of indicators coherent with Fineco's Risk Appetite Framework
- Individual bonus payment in cash and Fineco shares, in installments, in a multi-year period. Each payment is subject to malus and claw-back condition and to compliance assessment of individual behaviours.

³ PFA – Personal Financial Advisors.

Our compensation disclosure

The Annual Compensation Report (Section III) - issued pursuant to art. 123-ter of Legislative Decree 58/1998 (Consolidated Text of Finance" - "TUF") - provides the description of our compensation practices and the implementation outcomes of FinecoBank Incentive Systems, as well as remuneration data, with a focus on the Identified Staff, defined in line with regulatory requirements.

Full disclosure on compensation payout amounts, deferrals and ratio between variable and fixed components of remuneration for the Identified staff is provided in the Annual Compensation Report (Section III - paragraph 6.1), including data regarding Directors, General Managers and other Executives with strategic responsibility.

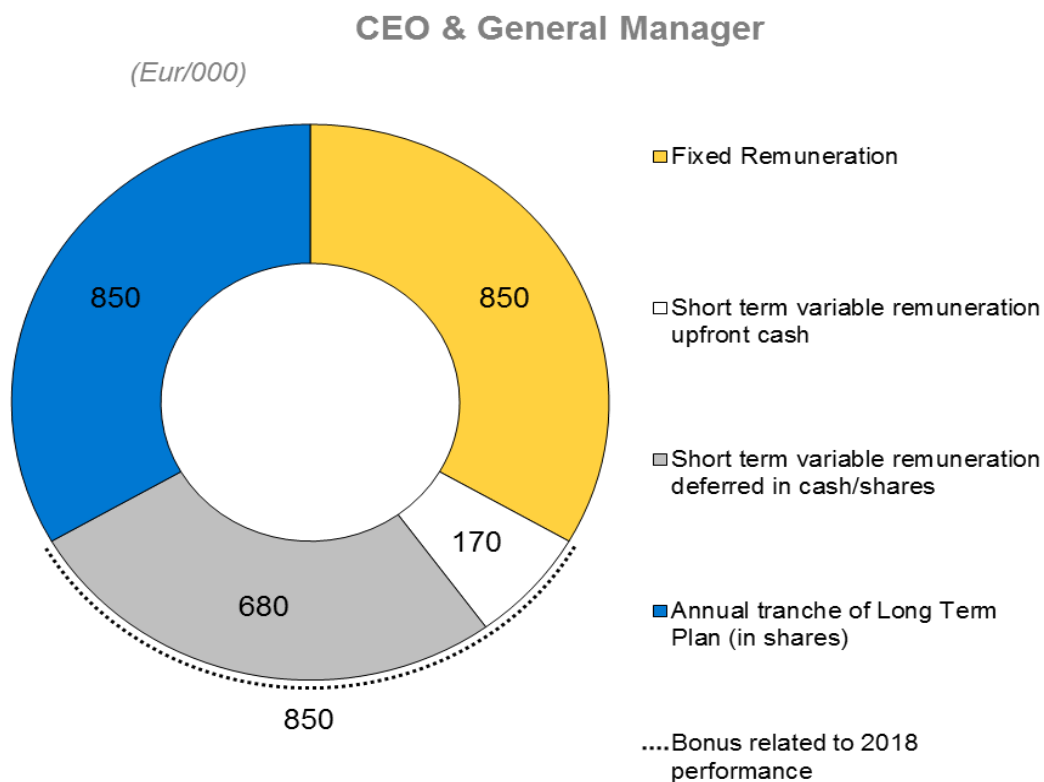
Data pursuant sect. 84-quarter Consob Issuers Regulation Nr. 11971, Compensation report – Section III, as well as the information on incentive systems under 114-bis of legislative decree 58/1998 ("Consolidated Text of Finance" – "TUF") are included in this document as well as in the annexes of the 2019 FinecoBank Compensation Policy.

Chief Executive Officer and General Manager variable and fixed compensation data

2018 Performance evaluation of the Chief Executive Officer and General Manager's individual goals resulted excellent ("Exceeds Expectations"), on the basis of elements reported in section III – paragraph 5.2.1 and evaluated by the Remuneration Committee and the Board of Directors of February 1th and 5th, 2019.



In 2018, also considering the excellent business results – the incidence of the short and long term variable remuneration on fixed remuneration for the CEO and General Manager has been equal to 200%.



Here is detailed the remuneration structure of the FinecoBank CEO and General Manager for 2018.



2019 Compensation Policy

Looking forward to 2019, the goals for the Chief Executive Officer and General Manager defined and approved by the Board of Directors are

#	GOAL NAME	PERIMETER	REFERENCE TARGET	LINK TO 5 FUNDAMENTALS	KPI BB/ CUSTOM	RISK CORRELATION SUSTAINABILITY GOAL
1	ROAC / EVA	FinecoBank	vs. budget	Execution & Discipline	●	Ⓢ 
2	New Business EL %	FinecoBank	vs. target	Risk Management	●	Ⓢ 
3	OPEX	FinecoBank	vs. budget Operating costs as reported in reclassified P&L, i.e.: Staff expenses + Other Administrative Expenses (direct + indirect) - Expenses Recovery + Depreciations.	Execution & Discipline	●	
4	Net new clients	FinecoBank	vs. target	Customers First	●	Ⓢ
5	Net sales of Guided Products	FinecoBank	vs. budget	Execution & Discipline	●	
6	New Strategic Plan preparation	FinecoBank	vs. qualitative assessment based on: • contribution to the preparation of the new MYP • development of Proof of Concepts on the effective implementation of new technologies (e.g.: Artificial Intelligence, big data, etc.) in own domain	Execution & Discipline	●	Ⓢ
7	Gender balance and pay gap	FinecoBank	vs. qualitative assessment based on: • Group-wide % of women in EVP roles vs. 2019 target • Y/Y delta on % of women in VP, FVP, SVP roles • Y/Y delta on gender pay-gap	People Development	●	
8	Tone from the top on conduct and compliance culture	FinecoBank	vs. qualitative assessment based on: • Scope, kind and numbers of documented initiatives - pre-committed with EMC, aimed at promoting staff integrity / customer protection / trustworthiness • The overall status of findings or proceedings in place (internal or external) considering the trend, type, severity and the timely completion of the related remediation actions	Risk Management	●	

	Sustainability KPI
Legenda	
	KPI risk adjusted

SECTION II -

COMPENSATION POLICY

FINECO. SIMPLIFYING BANKING.

FinecoBank S.p.A. – Member of Unicredit



SECTION II – COMPENSATION POLICY

1. Introduction	16
2. Governance	17
2.1 Role of the Remuneration Committee	
2.2 Market Benchmark	
2.3 FinecoBank Compensation Policy definition	
2.4 Role of Compliance Function	
2.5 Role of Risk Management Function	
2.6 Role of Audit Function	
3. Fundamentals	19
3.1 Ratio between variable and fixed compensation	
3.2 Sustainability of the variable compensation	
3.2.1 Definition of performance targets	
3.2.2 Performance appraisal	
3.2.3 Payment of the variable compensation	
3.3 Termination payments	
3.4 Non-standard compensation	
3.5 Share ownership guidelines	
3.6 Compliance drivers	
4. Compensation Structure	25
4.1 Employees	
4.1.1 Fixed compensation	
4.1.2 Variable compensation	
4.1.3 Benefit	
4.2 Financial Advisors	
4.2.1 Recurring remuneration	
4.2.2 Non-recurring remuneration	
4.3 Non Executives members of Administrative and Auditing Bodies	

1. Introduction

Our set of values is based on integrity as a condition to transform profit into value for our stakeholders.

By upholding the standards of sustainability behaviours and values which drive our mission, our compensation strategy represents a key enabler to enhance and protect our reputation and to create long-term value for all stakeholders.

Also through appropriate compensation mechanism, we aim to create a work environment which is comprehensive of any form of diversity and which foster and unlock individual potential, to attract, retain and motivate highly qualified employees, capable of creating a competitive advantage and to reward those who reflect our standards of consistently ethical behaviour in conducting sustainable business.

Relying on our governance model, our Compensation Policy sets the framework for a common and coherent design, implementation and monitoring of compensation practices across our Company that reinforce sound risk management policies and our long-term business strategy. In so doing, we most effectively meet the specific and evolving needs of our different businesses and populations, and ensure that business and people strategies are always appropriately aligned with our remuneration approach.

To ensure the competitiveness and effectiveness of remuneration as well as transparency and internal equity, the **key principles** of our Compensation Policy were confirmed:

- **Clear and transparent governance**, through efficient corporate and organizational governance structures, as well as clear and rigorous systems and governance rules.
- **Compliance with regulatory requirements and principles of good professional conduct**, by protecting and enhancing our company reputation, as well as avoiding or managing conflicts of interest between roles within the Bank or towards customers.
- **Continuous monitoring of national and international market trends and practices**, aimed at sound formulation of competitive compensation ensuring transparency and internal equity.
- **Sustainable pay for sustainable performance**, by maintaining consistency between remuneration and performance, and between rewards and value creation, as well as enhancing both the actual result achieved and the way by which they are achieved.
- **Motivation and retention of all staff**, with particular focus on talents and key players, to attract, motivate and retain the best resources capable of achieving our company mission according to Bank's values.

2. Governance

Our compensation governance model aims to assure clearness and reliability in the governance processes related to remuneration through a right control of Company's remuneration practices by ensuring that decisions are made in an independent, informed and timely manner at appropriate levels, avoiding conflicts of interest and guaranteeing appropriate disclosure in full respect of the general principles defined by Regulators.

2.1 Role of the Remuneration Committee

The Board of Directors established a Delegation of Powers system to appropriately regulate effective decision-making processes throughout the organization.

In particular, the Remuneration Committee is vested with the role of providing advice and opinions to the Board of Directors with regard to FinecoBank Remuneration Strategy, also with the support of Risk and Compliance functions, as well as of an independent external advisor, if required and needed, in order to make the incentives underlying the remuneration system consistent with the management of risk, capital and liquidity profiles by the Bank. The main topics discussed by the Committee are also submitted to the attention of the Board of Statutory Auditors, in advance over their submission to the Board of Directors. The Remuneration Committee, consists of 3 non-executive members⁴.

2.2 Market Benchmark

With specific reference to *Identified Staff*, an independent external advisor supports the Remuneration Committee on the definition of a list of selected competitors that represent our peer group with regards to whom compensation benchmarking analysis is performed, considering our main national and European competitors in terms of market capitalization, total assets, business scope and dimension, to assure a competitive alignment with the market of reference.

The results of this analysis will be at FinecoBank Remuneration Committee's disposal, in order to support the formulation of opinions to the Bodies of the Bank responsible for taking such decisions.

On the basis of constant benchmarking, we aim at adopting a competitive compensation structure for effective retention and motivation of our critical resources, as well as payments consistent with long-term value for stakeholders.

FinecoBank salary and compensation structures defined on the basis of business or market-specific benchmarking must, in any case, be fully aligned with the general principles of the Group Compensation Policy, with particular reference to the pillars of compliance and sustainability.

2.3 FinecoBank Compensation Policy definition

The FinecoBank Compensation Policy, as drawn up by the Human Resources function, with the involvement of Risk Management, Finance and Network Controls, Monitoring and Service Department functions for all related aspects, is validated by the Compliance and Risk Management functions for all compliance-related aspects, before being submitted to the Remuneration Committee. On annual basis the Compensation Policy, as proposed by the Remuneration Committee, is submitted to the Board of Directors for approval and then presented to the Shareholders' Meeting for approval, in line with the regulatory requirements.

The principles of FinecoBank Compensation Policy, coherently with the Group's ones, are applicable to the entire organization and includes:

- all categories of employees, considering that the Group Compensation Policy, with specific reference to *Identified Staff* defined according to the regulatory requirements of the European Banking Authority (EBA), provides for a centralized, and homogeneous compensation and incentive system guidelines defined at Group level;
- members of the Company's Financial Advisors' Network, in line with the specific pay conditions applicable to them.

2.4 Role of Compliance Function

Compliance function operates in close co-ordination with the *Human Resources* function, in order to support the design and the definition of compensation policy and processes and to evaluate them for the profiles in scope.

In this framework, *Compliance* function verifies the consistency with "the goal of complying with regulations, articles of association and any other code of ethics or other standards of conduct applicable to the bank, so that legal and reputational risks mostly embedded in the relationship with customers are duly contained" (ref. Bank of Italy, 285 Circular).

In particular, *Compliance* function, evaluates, for all aspects that fall within its perimeter, the FinecoBank Compensation Policy and – referring to applicable regulations – the incentive systems for Bank staff as drawn up by *Human Resources* function for the employees and by *PFA Network & Private Banking Department / Network Controls, Monitoring and Service Department* for the Financial Advisors, providing input – as far as it is concerned – for the design of compliant incentive systems. Furthermore, *Compliance* function, for all aspects that fall within its perimeter, is involved in the process for the identification of Bank's risk takers.

In accordance with the regulatory framework and our governance, the guidelines for the definition of the incentive systems for *non-Identified Staff* population are arranged, in collaboration with *Compliance* function:

⁴ For details on composition and activities of the Remuneration Committee, please refer to the specific section of the Annual Compensation Report

- by Human Resources function for the employees
- by PFA Network & Private Banking Department / Network Controls, Monitoring and Service Department for the Financial Advisors

2.5 Role of Risk Management Function

FinecoBank ensures consistency between remuneration and accountable and sustainable risk assumption. This policy is ensured through rigorous governance processes based on informed decisions taken by Corporate Bodies. Compensation plans include the risk adjustment appetite defined through the evaluation of the consistency with the results achieved and the FinecoBank *Risk Appetite Framework*, which is consistent with Group *Risk Appetite Framework*.

The *Risk Management* function is constantly involved in the definition of the remuneration policy, the incentive system and compensation processes as well as in the identification of objectives, in the performance appraisal and in the identification of Bank's Identified Staff. This involvement implies explicit link between the Bank incentive mechanisms, selected metrics of the *Risk Appetite Framework*, the validation of performance and pay, so that the incentives are consistent with the risk assumption identified and approved by the Board of Directors.

2.6 Role of Audit Function

Within the remuneration governance process, the Audit function⁵ yearly verifies the implementation of Fineco policies and practices and carries out controls on data and processes. The function provides a final judgement on remuneration practices, providing recommendations aimed at improving the processes, informing the competent Bodies on the possible findings, in order to adopt the corrective measures.

⁵ Outsourced in UniCredit S.p.A

3. Fundamentals

3.1 Ratio between variable and fixed compensation

- Compensation levels and ratio between fix and variable component of overall remuneration for Identified Staff are managed and monitored based on our business strategy and also aligned with FinecoBank relative performance over time.
- In compliance with the applicable regulations⁶, the adoption of the maximum pay ratio of 2:1⁷ for personnel pertaining to business functions is maintained
- For the rest of the employees, a maximum ratio between the components of remuneration equal to 1:1 is usually adopted, except for the Identified Staff of the Company Control Functions⁸, for which it is provided that the variable remuneration could not exceed 1/3 of the fixed remuneration. For the Head of Human Resources and the Manager in charge for preparing financial statements, the remuneration is predominantly fixed. For the aforementioned Functions, the incentive mechanisms are consistent with the assigned tasks as well as independent of results from areas under their control.
- With reference to applicable regulations, regarding the Financial Advisors belonging to Identified Staff, the 2:1 ratio will be adopted between the non-recurring and the recurring component of the remuneration.
- The adoption of a ratio of 2:1 between variable and fixed compensation doesn't have any implication on bank's capacity to continue to respect all prudential rules, in particular capital requirements.

3.2 Sustainability of the variable compensation

- Performance is evaluated in terms of risk-adjusted profitability and provide for risk-weighted systems and mechanisms.
- Incentive systems must not in any way induce risk-taking behaviours in excess of strategic risk appetite; in particular they should be coherent to the Risk Appetite Framework ("RAF").

3.2.1 Definition of performance Targets

- Consider the customer as the central focus of our mission, placing customer satisfaction in the forefront of all incentive systems, at all levels, both internally and externally;
- design forward-looking incentive plans which balance internal key value driver achievement with external measures of value creation relative to the market;
- consider performance on basis of annual achievements and on their impact over time;
- include elements reflecting the impact of individual's / business units' performance on the overall value creation of related business groups and organization as a whole;
- include both absolute and relative performance measures based on the comparison of the results achieved with those of competitors;
- individual performance appraisal cannot be based only on financial criteria⁹, but should be also based on non-financial criteria, considering the specificity of the various roles;
- maintain an adequate balance between economic and non-economic objectives, also considering performance targets such as risk management, adherence to the Bank's values or other behaviors;
- it is crucial to avoid, in individual scorecards, goals linked to economic results for Company Control Functions (*Risk Management*¹⁰ and *Compliance*.) for the Head of Human Resources and for the Manager in charge for preparing financial statements;
- the approach for Company Control Functions is also recommended where possible conflicts may arise due to the function's activities. In particular, this is the case of functions (if any) performing control activities pursuant to internal / external regulations such as some structures that perform accounting / tax activities;
- assure independence between front and back office functions in order to guarantee the effectiveness of cross-checks and avoid conflict of interest, with a particular focus on trading activities, as well as ensuring the appropriate independence levels for the functions performing control activities;
- set an appropriate mix between short and long-term variable compensation, coherently with the Company strategy, as relevant on the basis of market and business specifics, and in line with long-term interests of the Bank.

⁶ For Fineco Asset Management DAC (FAM) Employees not identified as Bank's risk takers - taking into account the current regulatory framework - the sectorial regulation applies, not providing a pre-determined maximum cap to the variable remuneration.

⁷ As approved by the Fineco Shareholders Meeting on June 5th 2014. The rationales of the originary request did not change, thus no further maximum ratio approval is requested.

⁸ Meaning *Risk Management and Compliance*. Audit is outsourced in UniCredit S.p.A..

⁹ As provided by the CRDIV art 94, 1 a) financial criteria includes performance indicators reported in the annual financial report and in particular linked with the profit and loss report, the balance sheet and relevant components or indicators.

¹⁰ Where CRO roles cover both *Underwriting* and *Risk Management* functions, goals assigned must not represent a source of conflict of interest between Risk Management and Underwriting activities.

3.2.2 Performance appraisal

- Base performance evaluation upon profitability, financial strength and other drivers of sustainable business with particular reference to risk, cost of capital and efficiency;
- design flexible incentive systems such as to manage pay-out levels in consideration of Group and FinecoBank performance results and individual achievements, adopting a meritocratic approach to selective performance-based reward;
- design incentive systems to set minimum performance thresholds below which zero bonus will be paid. With regard to the Company Control Functions and in order to maintain the adequate independence level and provide a maximum threshold for the progressive reduction of the bonus pool, which can be phased out to zero only in presence of an exceptionally negative situation¹¹, within an approval process including a governance step in the Board of Directors;
- guarantee that evaluations and appraisals linked to compensation are, as far as possible, available for the scrutiny of independent checks and controls;
- assess all incentive systems, programs and plans against in order to avoid the risk that our Company reputation may be jeopardized.

3.2.3 Payment of the variable compensation

- Defer, as foreseen by regulatory requirements, performance-based incentive pay-out to coincide with the risk timeframe of such performance by subjecting the pay-out of any deferred component of performance-based compensation to the actual sustainable performance demonstrated and maintained over the deferral timeframe, so that the variable remuneration takes into account the time trend of the risks assumed by the Bank (e.g. *malus* mechanisms);
- consider claw-back actions as legally enforceable on any performance-based incentive paid out on the basis of a pretext subsequently proven to be erroneous;
- include clauses for zero bonus in circumstances of non-compliant behaviour or qualified disciplinary action, subjecting pay-out to the absence of any proceeding undertaken by the company for irregular activities or misconduct of the employee with particular reference to risk underwriting, sales processes of banking and financial products and services, internal code of conduct or values breach;
- Employees are required to undertake not to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Such obligation is also reported in the detailed rules of Incentive Systems. In order to ensure compliance with this provision, the Corporate Control and HR Departments conduct random checks on the internal custody or administration accounts for the most important personnel and request the communication of the existence of custody and administration accounts with other intermediaries and any transactions and financial investments made.

Focus on compliance breach, individual Malus and Claw-Back

Fineco reserves the right to activate malus and claw-back mechanisms, meaning respectively the reduction/cancellation and the return of any form of variable compensation.

The malus mechanisms, (i.e. the reduction/cancellation of all or part of the variable remuneration) can be activated with reference to the variable remuneration to be paid or awarded but not already paid, related to the performance period in which the compliance "violation" is referable. In case the variable pay affected is not enough to ensure an adequate malus application, the reduction can be referred also to other components of variable remuneration.

The claw-back mechanisms, (i.e. the restitution of all or part of the variable remuneration) can be activated with reference to the overall variable remuneration already paid, awarded for the performance period to which the "violation" is referable, without prejudice to more restrictive local laws or provisions.

The claw-back mechanisms can be activated for a period up to 5 years after the payment of each tranche, also after the termination of the employment relationship and/or of the role and take into account of the legal, pension and tax aspects and the time limits provided by law and practices locally applicable.

The claw-back mechanisms can be activated, in the case of verification of behaviours adopted in the reference period for which the variable remuneration has been awarded (performance period), in which the employee for which the employee¹²:

- contributed with fraudulent behaviour or gross negligence to incurring significant financial losses, or by his conduct had a negative impact on the risk profile or on other regulatory requirements at Group or Bank level;
- engaged in misconduct and/or fails to take expected actions which contributed to significant reputational harm to the Group or the Bank, or which were subject to disciplinary measures by the Authority;

¹¹ For instance: *Common Equity Tier 1 Ratio* dropping under the minimum regulatory limit, in a persistent "recession" scenario.

¹² Employees and Personal Financial Advisors.

2019 Compensation Policy

- is the subject of disciplinary measures and initiatives envisaged in respect of fraudulent behaviour or characterized by gross negligence during the reference period;
- infringed the requirements set out by articles 26 TUB and 53 TUB, where applicable, or the obligations regarding remuneration and incentives.

Moreover, the malus mechanisms are activated to take into account the performance adjusted for the risks actually taken and the liquidity and capital conditions of the bank.

In the year 2018 the Compliance Breaches Committee was established¹³, composed of the Chief Executive Officer and General Manager, the Head of Human Resources and the Head of Compliance¹⁴.

With reference to Fineco's Identified Staff, the Committee has the function of assessing the severity of any anomalous behavior / violations due to non-compliance by the parties involved, following notification by Bank or Internal Audit structures. On the basis of the analyzes carried out and in relation to the seriousness of the violation, the Committee proposes to the Remuneration Committee and to the Board of Directors - on the basis of the established governance - the consequent measures to be adopted with reference to the variable remuneration of the Identified Staff (reduction / cancellation - *malus* - or return - *clawback*). The establishment of the Committee and the functioning process respond to the guidelines defined by UniCredit.

3.3 Termination Payments

- In compliance with the regulatory provisions contained in Circular no. 285 of the Bank of Italy, a specific remuneration policy in the event of early termination of the employment relationship ("Severance Payments Policy" - so-called "Severance") has been approved by the Shareholders' Meeting in 2017, updating the document original approved in 2015.
- On October 23, 2018, the Bank of Italy published the 25th update of Circular 285 which, among other things, establishes that the amounts agreed in sight or upon the early termination of the relationship - with the exception of the notice required by law and Severance Payments - constitute variable remuneration and should therefore be included in the calculation of the variable remuneration limit for the most important personnel, with the exception of:
 - fees for non-competition agreements that do not exceed a fixed annual remuneration for each year of the term of the agreement;
 - amounts for the settlement of a current or potential litigation related to the termination of the employment relationship, if calculated on the basis of a predefined formula in the Policy.

As a consequence, a further update of the policy of payments for severance pay is submitted to the Shareholders' Meeting on 10 April 2019 which, without changing the main criteria and limits, incorporates the new regulations, providing - among other things - a predefined formula for the calculation of severances that, if used, allows not to compute them within the maximum limit set for variable remuneration.

Reference is made to the aforementioned Policy regarding criteria, limits and authorization processes in relation to termination payments:

- Generally speaking, the calculation of any severance pay-outs prescribed or suggested by the specific market of reference takes into consideration the long-term performance in terms of shareholder added-value, as well as any local legal requirements, collective / individual contractual provisions, and any individual circumstances, including the reason for termination.
- According to the Severance Policy, it is provided that the maximum limit of termination payments - inclusive of the indemnity in lieu of notice - is equal to 24 months of total compensation¹⁵, calculated considering the average of the incentives actually received in the 3 years preceding the termination, after the application of the malus and claw-back clauses. In any case, the termination payments do not exceeds the limits foreseen by the laws and collective labour agreements.
- As a rule, discretionary pension benefits are not granted and, in any case, even if they may be provided in the context of local practices and/or, exceptionally, within individual agreements, they are paid consistently with the specific and applicable laws and regulations.
- The individual contracts must not contain clauses envisaging the payment of indemnities, or the right to keep post-retirement benefits, in the event of resignations or dismissal / revocation without just cause or if the employment relationship is terminated following a public purchase offer. In case of early termination of the mandate, the ordinary law provisions would therefore apply.

3.4 Non-standard compensation

- Non-standard compensation are those compensation elements not usually provided under our Compensation Policy and are considered exceptions (for instance welcome bonus, guaranteed bonus, special award, retention bonus).

¹³ For the PFA Identified Staff, the functions of Compliance Breaches Committee are made by the competente Disciplinary Committee

¹⁴ The Head of Audit (outsourced in UniCredit S.p.A.) is permanent guest of the Committee, without any voting rights.

¹⁵ In any case, the amount of payments in addition to the indemnity in lieu of notice does not exceed 18 months of total compensation

- These awards are limited only to specific situations related to hiring phases, launch of special projects, achievement of extraordinary results, high risk of leaving for critical / strategic people / roles.
- Moreover, these awards must in any case be in accordance with regulations time to time in force (e.g. cap on the ratio between variable and fix remuneration, technical features fixed by regulation where applicable for bonus pay-out) and subject to Group and FinecoBank governance processes, periodically monitored and disclosed and must be subject to malus conditions and claw-back actions, as legally enforceable.

3.5 Share Ownership Guidelines

Share ownership guidelines set minimum levels for company share ownership by covered Executives, aiming to align managerial interests to those of shareholders by assuring appropriate levels of personal investment in FinecoBank shares over time. As part of our total compensation approach, we offer equity incentives that provide for opportunities of share ownership, in compliance with the applicable laws.

The ownership of shares by our Company leaders is a meaningful and visible way to show our investors, clients and employees that we believe in our Company.

FinecoBank's Board of Directors approved in 2017 specific share ownership guidelines, as shown in the following table, for the Chief Executive Officer and General Manager and for the other Executives with strategic responsibilities, in order to reinforce the alignment between managerial and shareholders' interests in the achievement of goals.

<i>Population</i>	<i>Share ownership</i>
CEO/General Manager	<i>1 x annual fixed pay</i>
Executives with strategic responsibilities	<i>0,5 x annual fixed pay</i>

The established levels described in the above table, should be reached, as a rule, within 5 years from first appointment in the covered role and they should be maintained for the entire duration of the role covered.

The established levels should be reached through a linear pro-rata approach during the 5-year period, providing for a minimum portion every year.

Involved Executives are also expected to refrain from entering into schemes or arrangements that specifically protect the unvested value of equity granted under incentive plans ("*hedging*").

Any violation of the share ownership guidelines and any form of hedging, shall be considered in breach of compliance rules with such consequences as provided for under enforceable rules, provisions and procedures.

2019 Compensation Policy

3.6 Compliance Drivers

TO SUPPORT THE DESIGN OF REMUNERATION AND INCENTIVE SYSTEMS, THE FOLLOWING “COMPLIANCE DRIVERS” HAVE BEEN DEFINED:	
<ul style="list-style-type: none"> ▪ maintenance of an adequate ratio between economic and non-economic goals, depending on the role (in general, at least one goal should be non-economic) 	<ul style="list-style-type: none"> ▪ qualitative measures must be accompanied by an ex-ante indication of objective parameters to be considered in the evaluation, the descriptions of expected performance and the person in charge for the evaluation
<ul style="list-style-type: none"> ▪ non-economic quantitative measures should be related to an area for which the employee perceives a direct link between her/his performance and the trend of the indicator 	<ul style="list-style-type: none"> ▪ among the non-financial goals (quantitative and qualitative), include, where relevant, goals related to Risk as well as to Compliance (e.g. credit quality, operational risks, application of MIFID principles, products sale quality, respect of the customer, Anti Money Laundering requirements fulfillment)
<ul style="list-style-type: none"> ▪ set and communicate <i>ex-ante</i> clear and pre-defined parameters as drivers of individual performance 	<ul style="list-style-type: none"> ▪ avoidance of incentives with excessively short timeframes (e.g. less than three months)
<ul style="list-style-type: none"> ▪ promotion of a customer-centric approach which places customer needs and satisfaction at the forefront and which will not constitute an incentive to sell unsuitable products to clients 	<ul style="list-style-type: none"> ▪ take into account, even in remuneration systems of the external networks (Financial Advisors), the principles of fairness in relation with customers, management of legal and reputational risks, protection and loyalty of customers, compliance with the provisions of law, regulatory requirements, and applicable self-regulations
<ul style="list-style-type: none"> ▪ create incentives that are appropriate in avoiding potential conflicts of interest with customers, considering fairness in dealing with customers and the endorsement of appropriate business conduct 	<ul style="list-style-type: none"> ▪ for Control Functions¹⁶, HR and Manager in charge for preparing financial statements, economic goals must be avoided and individual goals set for employees in these functions shall reflect primarily the performance of their own function and be independent of results of monitored areas, in order to avoid conflict of interest
<ul style="list-style-type: none"> ▪ define – for personnel providing investment services and activities – incentives that are not only based on financial parameters, but also take into account the qualitative aspects of the performance; this in order to avoid potential conflicts of interest in the relationship with customers¹⁷ 	<ul style="list-style-type: none"> ▪ the approach for Company Control Functions is also recommended where possible conflicts may arise due to function’s activities. This is the case in particular of functions of the Company (if any) performing control activities pursuant to internal/external regulations¹⁸
<ul style="list-style-type: none"> ▪ avoidance of incentives on a single product / financial instrument or specific categories of financial instruments, as well as single banking product 	<ul style="list-style-type: none"> ▪ for the purpose of granting incentive, take also into account any disciplinary sanctions and/or sanctions by regulatory authorities imposed on the resource. In the presence of these measures, the possible allocation of the incentive will require a written explanation, which will make possible a case-by-case verification of the managerial decisions
<ul style="list-style-type: none"> ▪ for Commercial Network Roles, goals shall be defined including drivers on quality / riskiness / sustainability of the products sold, in line with client risk profiles. Particular attention shall be paid to the provision of non-economics goals for customer facing roles selling products covered by MiFID Directive; for those roles, incentives must be set in order to avoid potential conflict of interest with customers 	<ul style="list-style-type: none"> ▪ all rewarding system communication and reporting phases shall clearly indicate that the final evaluation of the employee achievements will also rely, according to local requirements on qualitative criteria such as: <ul style="list-style-type: none"> - compliance to external (i.e. laws / regulations) and internal rules (i.e. policies) and company values - mandatory training completion

¹⁶ Company Control Functions meaning *Risk Management and Compliance*. Where CRO covers both *Underwriting* and *Risk Management* activities, the goals assigned shall not be source of conflict of interests between *Underwriting* and *Risk Management*. Audit function is outsourced in UniCredit S.p.A.

¹⁷ For instance

- ESMA Guidelines on remuneration policies and practices- MiFID;
- ESMA *Technical Advice* on MiFID II (Final Report 2014/1569);
- MiFID II Directive provisions for remuneration/incentives of *relevant subjects*.

¹⁸ For instance, functions covering accounting and tax functions.

2019 Compensation Policy

	- existence of disciplinary procedures officially activated and/or disciplinary sanctions actually applied
<ul style="list-style-type: none"> ▪ maintenance of adequate balance of fixed and variable compensation elements also with due regard to the role and the nature of the business performed. The fix portion is maintained sufficiently high in order to allow the variable part to decrease, and in some extreme cases to drop down to zero 	<ul style="list-style-type: none"> ▪ the entire evaluation process must be conveniently put in writing and documented
<ul style="list-style-type: none"> ▪ in case of individual performance evaluation systems are fully or partially focused on a managerial discretionary approach, the evaluation parameters should be defined <i>ex-ante</i>, should be clear and documented to the manager at the beginning of the evaluation period. Such parameters should reflect all applicable regulation requirements¹⁹. The results of managerial discretionary evaluation should be formalized for the adequate and predefined monitoring process by the proper functions 	

Within network roles incentive systems, particular attention is put on all commercial initiatives that involve the Personal Financial Advisor network²⁰.

Such initiatives may be organized after the evaluation and authorization of the competent Company's Bodies. They represent business actions aimed at providing guidance to the sales network towards the achievement of the period's commercial targets (also intermediate) and with a direct impact on the budget and related incentive systems.

Among the distinctive features of the initiatives, there is the expectation of an award - in cash or non-monetary reward. The initiatives can also have the function to accelerate the achievement of certain objectives of the incentive system. The grant of awards related to the initiatives will be subordinated to behaviours compliant with the external and internal regulations.

Under no circumstances may the system of remuneration and evaluation of the sales network employees constitute an incentive to sell products unsuitable to the financial needs of the clients.

In particular the following "compliance drivers" have been defined:

- setting-up of the incentive mechanisms using criteria which are consistent with the best interest of the client and which avoid in any case conditions of potential conflicts of interest with customers, and coherently with relevant regulatory provisions (e.g. MiFID);
- ensuring consistency with the AML regulation;
- ensuring consistency between an initiative's objectives with the objectives set when defining the budget and when assigning targets to the sales network;
- avoidance of initiatives on a single product / financial instrument, or on a single Banking product;
- inclusion of clauses for zero bonus payment in case of relevant non-compliant behaviour or qualified disciplinary actions;
- avoidance of initiatives which – not being grounded on an objective and customer interests related basis – may directly or indirectly lead to breaching the rules of conduct regarding clients;
- avoidance of initiatives lacking a clear indication of the targets and of the maximum level of incentive to be granted for achieving those targets;
- avoidance – in general – of initiatives that link incentives not only to the targets assigned to specific roles / structures but also to higher hierarchical levels or to the budget of the higher territorial structure.

¹⁹ Also in line with the regulation references reported in the note above

²⁰ As described in paragraph 4.2.2

4. Compensation Structure

4.1 Employees

Within the framework provided by the “FinecoBank Compensation Policy”, FinecoBank is committed to ensure fair treatment in terms of compensation and benefits regardless of age, race, culture, gender, disability, sexual orientation, religion, political belief and marital status.

Our total compensation approach provides for a balanced package of fix and variable, monetary and non-monetary elements, each designed to impact in a specific manner the motivation and retention of employees.

In line with the applicable regulations, particular attention is paid to avoid incentive elements in variable compensation which may induce behaviours not aligned with the company’s sustainable business results and risk appetite.

As policy target, fix compensation for *Identified Staff* considers as a reference the market median, with individual positioning being defined on the basis of specific performance, potential and people strategy decisions.

With particular reference to *Identified Staff* – within the governance defined according to the applicable laws and regulations - the Board of Directors, upon proposal of the Remuneration Committee, establishes the compensation structure for top positions, defining the mix of fix and variable compensation elements, consistently with market trends and internal analyses performed.

Moreover, the Board of Directors annually approves the criteria and features of *Identified Staff* incentive plans, ensuring the appropriate balance of variable reward opportunities within the pay-mix structure.

TYPE OF REMUNERATION	PURPOSES	FEATURES
4.1.1. FIXED COMPENSATION		
<p>The fixed compensation is the part of the remuneration which is stable and unrevocable, pre-determined and payed on the basis of predefined and non discretionary criteria such as in particular the professional experience and responsibilities, and does not create incentive to risk assumptions and does not depend on the Bank’s performance.</p>	<p><i>Fixed salary is appropriately defined for the specific business in which an individual works and for the talent, skills and competencies that the individual brings to the Bank.</i></p> <p><i>The relevance of fixed compensation weight is sufficient to reward the activity rendered even if the variable part of the remuneration package is not paid due to non-achievement of performance goals such as to reduce the risk of excessively risk-oriented behaviours, to discourage initiatives focused on short-term results and to allow a flexible bonus approach.</i></p>	<p>Specific pay-mix guidelines for the weight of fix versus variable compensation are defined with respect to each target of employee population.</p> <p>With particular reference to <i>Identified Staff</i>, the Remuneration Committee proposes to the Board of Directors:</p> <ul style="list-style-type: none"> ▪ the criteria and guidelines to perform market benchmarking analysis for each position in terms of compensation levels and pay-mix structure, including the definition of a specific peer group at local level and the identification of an external consultant to provide “executive compensation” services ▪ the positioning in terms of compensation, in line with relevant market’s competitive levels, defining operational guidelines to perform individual compensation reviews as necessary. <p>For the <i>Identified Staff</i> in Control Functions, it is foreseen the introduction of specific Role Based Allowance (or RBA) in cash, defined ex ante on the basis of the “band”²¹ and Function, pursuant to UniCredit S.p.A Guidelines.</p> <p>In case of changes in the banding, the RBAs can be increased, decreased or zeroed.</p> <p>RBAs are not linked to performance and consequently cannot be discretionally reduced, suspended or cancelled as far as the employee covers a specific roles providing the allowance.</p> <p>Pursuant to law the RBA are considered fixed remuneration. The RBA are introduced in 2019 and assigned individually to the employees upon the appointment in the Control Function Role and revoked in case of movement to position for which no RBA is provided.</p>

²¹ Pursuant to the Global Job Model: an advanced organizational system that describes, standardizes and calibrates all the roles within UniCredit Group. The “Banding” system (Global Banding Structure) is one of the elements of the Global Job Model and it is constituted by 9 bands.

4.1.2. VARIABLE COMPENSATION		
<p>The variable compensation includes payments depending on performance, independently from how it is measured (profitability goals, volumes, etc.) or on other parameters (e.g. length of service), discretionary pension benefits and amounts agreed between the bank and personnel in view or upon the early termination of the employment or office (excluding termination benefits and indemnity in lieu of notice), carried interests and more generally any other form of remuneration that is not uniquely qualifiable as fixed remuneration.</p>	<p><i>Variable compensation aims to remunerate achievements by directly linking pay to performance outcomes in the short, medium and long-term, and risk adjusted.</i></p> <p><i>To strengthen the alignment of shareholders' interest and the interests of management and employees, performance measurement reflects the actual results of the Company overall, the business unit of reference and the individual. As such, variable compensation constitutes a mechanism of meritocratic differentiation and selectivity.</i></p>	<ul style="list-style-type: none"> ▪ Adequate range and managerial flexibility in performance-based pay-outs are an inherent characteristic of well-managed, accountable and sustainable variable compensation, which may be awarded via mechanisms differing by time horizon and typology of reward. ▪ Incentives remunerate the achievement of performance objectives, both quantitative and qualitative, by providing for a variable bonus payment. ▪ An appropriately balanced performance-based compensation element is encouraged for all employee categories as a key driver of motivation and alignment with organizational goals, and is set as a policy requirement for all business roles. ▪ The systems features, including performance measures and pay mechanisms, must avoid an excessive short-term focus by reflecting the principles of this policy, focusing on parameters linked to profitability and sound risk management, in order to guarantee sustainable performance in the medium and long-term. ▪ The <i>Identified Staff</i> contracts provide only the "eligibility" to the variable compensation. The amounts related to the variable compensation and all the technical details of the pay-out (instruments, pay-out structure, timing) are included in a specific communication not included in the <i>Identified Staff</i> contract and are managed in strict coherence with the governance and the rules of the delegation of authorities. ▪ More details on the design of remuneration and incentive systems, with particular reference to Control Functions, are reported in the section "<i>Compliance Drivers</i>".
<p>Incentive Systems linked to yearly performance (Short Term Incentives or STI)</p>	<p><i>Aim to attract, motivate and retain strategic resources and maintain full alignment with national and international regulatory requirements and with best market's practices.</i></p>	<ul style="list-style-type: none"> ▪ Pay-out is based on a "bonus pool" approach providing for a comprehensive performance measurement at individual and at Group and local level. ▪ Reward is directly linked to performance, which is evaluated on the basis of results achieved and on the alignment with our leadership model and values. ▪ The <i>Executive Development Plan</i> (EDP) as the Group-wide framework for <i>Identified Staff</i> performance management is a cornerstone of fair and coherent appraisal across the organization. ▪ For the remaining employees – within the bonus pool logic as described above - annual incentives are determined on a discretionary basis according to the individual performance appraisal (e.g. <i>Performance Management</i>) that foresees a yearly, written, and documented process for the goals setting, self-assessment, managerial assessment and the definition of an individual development plan. ▪ Where foreseen by regulations, the pay-out is phased to coincide with an appropriate risk time horizon. The design features of incentive plans for <i>Identified Staff</i> are aligned with shareholder interests and long-term, firm-wide profitability, providing for an appropriate allocation of a performance related incentive in cash and in shares, upfront and deferred ▪ Each year, detailed information about our compensation governance, key figures and the features of our incentive systems, is fully disclosed in the Annual Compensation Report. ▪ The individuals' behaviours (compliance with internal and external rules and regulations, absence of disciplinary actions and completion of mandatory training) are also elements on which individual incentives award is based.

<p>Long-term Incentive plans (Long Term Incentive or LTI)</p>	<p><i>The aim of these plans is to strengthen the link between variable pay and long term results and to further align the interests of Management to those of Shareholders</i></p>	<ul style="list-style-type: none"> ▪ For 2018-2020 three years performance period, a share based Long Term Incentive Plan for selected Employees considered "key roles", has been approved. ▪ The Plan is based on Bank's goals with targets set at 2020, in terms of value creation, business sustainability and risk, coherently with the long term Fineco goals. ▪ The Plan provides entry and malus conditions set at Bank and Group level, a claw-back condition and a specific risk adjustment. ▪ The Plan provides for the payment of a bonus in Fineco shares, in a multi-year period. ▪ For the Plan details, please refer to the specific section of the Annual Compensation Report.
<p>4.1.3. BENEFIT</p>		
<p>Include welfare benefits supplementary to social security plans, and are intended to provide substantial guarantees for the well-being of staff and their families during the active career as well as the retirement. In addition, special terms and conditions of access to various FinecoBank and UniCredit Banking products and other services may be offered to employees in order to support them during different stages of their lives</p>	<p><i>Benefits aim to reflect internal equity and overall coherence of our remuneration systems, catering to the needs of different categories as appropriate and relevant.</i></p>	<ul style="list-style-type: none"> ▪ In coherence with Group governance framework and Global Job Model, benefits are aligned against general common criteria for each employee category, while benefits plans are established on the basis of FinecoBank practices.

4.2 Financial Advisors

Financial Advisors are tied to the Company by an agency agreement, under which the Advisor is engaged on a permanent basis (without representation) to provide independent services, exclusively for the Bank, for the promotion and placement of financial instruments and Banking / financial services in Italy, as well as insurance and welfare products or any other products indicated in the contract. Advisors are also responsible for diligently monitoring the assistance to the existing and/or allocated customers in order to fulfil the Company's objectives.

In accordance with existing regulations, contractual relationships with customers acquired by the Financial Advisor, and any other that is subsequently allocated, are conducted exclusively between the customer and the Bank.

FinecoBank's Network of Financial Advisors is composed by:

- Financial Advisors
- Group Managers
- Area Managers

The Group Managers and the Area Managers are Financial Advisors with the accessory assignment to coordinate other Financial Advisors. In particular, Area Managers are responsible for coordinating Advisors in their geographic area, for growing the business and for reaching the targets set by Commercial Department, and are supported - for the purposes of coordination activity - by Group Managers.

The Commercial Department uses Company's internal structures, to provide support to the network. Their tasks are to control the local activities and provide support for commercial activity.

As mentioned in the preamble, the provisions of this Compensation Policy also apply to the members of the Financial Advisors' Network, in line with the Advisors' specific remuneration.

Financial Advisors are freelancers and their remuneration is entirely variable. The regulatory requirements, in order to adapt the same employees' rules on compensation structure, based on a fixed and on a variable component, established for Financial Advisors a distinction between a "recurring" and a "non-recurring" pay component.

TYPE OF REMUNERATION	PURPOSES	FEATURES
4.2.1. RECURRING REMUNERATION		
<p>This is the most stable and ordinary part of the total remuneration, equivalent to the fixed salary of employees</p>	<p><i>Recurring remuneration is sufficient to reward the activity rendered even if the variable part of the remuneration package is not paid due to non-achievement of performance goals such as to reduce the risk of excessively risk-oriented behaviours, to discourage initiatives focused on short-term results and to allow a flexible bonus approach.</i></p>	<ul style="list-style-type: none"> ▪ Sales commission, in other words the payment to the Financial Advisor of a percentage of the sales charge, paid by the customer at the time of purchase of investment instruments. It is paid on an individual basis or as a supplement if the Advisor has been given coordination tasks. ▪ Management and maintenance commission, in other words the Financial Advisor monthly remuneration for assistance provided to customers during the contract, commensurate with the average value of the investments and the type of product, paid on an individual basis or as a supplement if the Advisor has coordination tasks.

4.2.2. NON RECURRING REMUNERATION		
<p>Incentive Systems linked to short term performance.</p> <p>This is the incentive element, in other words it is tied to reach certain goals, equivalent to the variable compensation of employees</p>	<p><i>Aims at motivating, retaining and rewarding Financial Advisors and Managers of the Network, in full alignment with the regulatory requirements.</i></p>	<ul style="list-style-type: none"> ▪ Pay-out is based on a "bonus pool" approach providing for a comprehensive performance measurement at individual and at Group and local level. ▪ Reward is directly linked to performance, which is evaluated on the basis of results achieved. ▪ For the Financial Advisors belonging to Identified Staff, a dedicated incentive system ("PFA Incentive System") was defined, whose pay-out, as foreseen by regulations, is phased to coincide with an appropriate risk time horizon. The design features of the plan is aligned with shareholder interests and long-term, firm-wide profitability of the Bank, providing for an appropriate allocation of a performance related incentive in cash and in shares, upfront and deferred. ▪ For all the Financial Advisors not belonging to Identified Staff, specific incentive systems were defined, as, for example, "Incentive Plans for PFA-Area Managers-Group Managers", and specific retention initiatives such as the "Additional Future Program". This plan, in particular, is dedicated to selected PFA and network Managers not Identified Staff and provides the accrual of annual awards (subject to the achievement of specific performance conditions and the compliance of individual behaviours) in specific insurance policies. The release of those awards is provided at the reach of the retirement age. ▪ All the incentive systems provide for ex-ante ("entry conditions") and ex-post (malus on any deferred components) adjustment mechanisms and claw-back clauses. ▪ The individual behaviours (compliance with internal and external rules and regulations and absence of disciplinary actions) are also evaluation elements to assign individual incentives.
<p>Long Term Incentive Plans (Long Term Incentive or LTI)</p>	<p><i>The long term Incentive Plans aim at retaining and rewarding selected Financial Advisors and Network Managers towards commercial Network goals for the 2018-2020 performance period.</i></p>	<p>Within a wider long-term incentive and retention program for the Financial Advisors network in 2018-2020 three years performance period, the following Plans have been approved by the Board of Directors:</p> <ul style="list-style-type: none"> ▪ A long term Incentive Plan with bonuses in cash and Fineco shares for Financial Advisors that will be qualified as Identified Staff in the performance year 2020. The Plan is based on commercial goals with cumulated target in the three years 2018-2020, coherently with the long term goals of Fineco Network. The Plan provides specific entry conditions at individual, Bank and Group level, a claw-back condition and a risk adjustment mechanism. At last, the Plan provides the payment of a bonus in cash and Fineco shares, in a multi-year period, as provided by law. The Plan details are described in the specific section of the Annual Compensation Report. ▪ A Long Term cash-based Incentive plan for selected Financial advisors not belonging to Identified Staff population. The Plan is based on the same logics of the LTI Plan described above, including – for the purpose of bonus provision – a further permanence duty after the payment of at least 36 months.

4.3 Non Executives members of Administrative and Auditing Bodies

For non-executives members of Board of Directors and for the members of the Board of Statutory Auditors, in line with the regulatory provisions, stock option based or more in general, instrument based incentives are avoided. The remuneration of said subjects is fixed, and determined on the basis of the relevance of the role, of possible additional duties, and of the requested efforts for carrying out the assigned tasks and is not linked to economic results.

As provided by Bank of Italy provisions on remuneration policies and practices, the Board of Directors' Chairman remuneration is not higher than the fixed one provided for the Chief Executive Officer.

SECTION III -

ANNUAL COMPENSATION REPORT

FINECO. SIMPLIFYING BANKING.

FinecoBank S.p.A. – Member of Unicredit



SECTION III – ANNUAL COMPENSATION REPORT

1. Introduction	34
2. Governance & Compliance	35
2.1 Remuneration Committee	
2.2 The Role of the Company Control Functions: Compliance, Risk Management and Audit	
3. Continuous Monitoring of Markets Trends and Practices	39
4. Compensation paid to Members of the Administrative and Auditing Bodies, to General Managers and to other Executives with strategic responsibilities	40
5. Compensation Systems	43
5.1 Target Population	
5.2 2018 Systems implementation and outcomes	
5.2.1 2018 Incentive System for employees belonging to Identified Staff	
5.2.2 2018 Incentive System for Financial Advisors belonging to Identified Staff	
5.3 2019 Incentive System for employees belonging to Identified Staff	
5.3.1 Comprehensive Performance Measurement	
5.4 2018-2020 Long Term Incentive Plan for Employees	
5.5 2019 Incentive System for Financial Advisors belonging to Identified Staff	
5.5.1 Comprehensive Performance Measurement	
5.6 2018-2020 Long Term Incentive Plan for Financial Advisors Identified Staff	
6. Compensation Data	66
6.1 2018 Compensation Outcomes	
6.2 2019 Compensation Policy	
6.3 Benefits Data	

2019 Compensation Policy

1. Introduction

The *Annual Compensation Report* (hereinafter, the “Annual Report”) discloses all relevant FinecoBank compensation-related information and methodologies with the aim to increasing Stakeholders’ awareness of our compensation policies, practices and outcomes, demonstrating their coherence with business strategy and performance, responsible remuneration and sound risk management.

The Report provides *ex-post* information on 2018 outcomes, as well as *ex-ante* disclosure for 2019 approach, covering our *Identified Staff* population (both employees and Financial Advisors) and Corporate Bodies’ members.

Remuneration solutions implemented in 2018 provided for:

- compliance of incentive strategies with all relevant regulations, including deferred pay-outs and incentives based on financial instruments;
- comprehensive performance measurement to foster sound behaviours aligned with different types of risk.

Over the years we constantly kept abreast of ongoing changes in national and international regulations (see, for instance, EBA Guidelines on Remuneration Policies and practices).

The most recent changes in the regulatory framework include the issuance by the Bank of Italy of the update (25th update) of Circular 285, with reference to the rules on remuneration and incentive policies and practices in banks and banking groups. The new provisions have been fully implemented within the scope of the present Remuneration Policy and the Termination Payments Policy

During 2018 and early 2019, we continued the annual structured dialogue process with international investors and proxy advisors, receiving valuable insights on our compensation approach and specific suggestions for effective public disclosure, based on of Italian and international standards

The Annual Report, a unique document providing complete and comprehensive information on compensation, includes details referring to Members of Administrative and Auditing bodies, General Manager and Executives with strategic responsibilities.

Data pursuant section 84-*quater* approved with resolution of the Italian National Commission for Listed Companies (Consob) no.11971, dated May 14th 1999 (as subsequently modified), providing the rules for Issuers (so called “Issuers Regulation”), as well as the information on incentive systems pursuant to section 114-bis of the Legislative Decree issued on February 24th n. 58 (the Consolidated Text on Finance –“TUF”), and to the provisions of the Issuers Regulation on information that have to be communicated to the market on compensation plans based on financial instruments, are included in this document, further to be included in the Annexes to the 2019 FinecoBank Compensation Policy

To this regard, is highlighted that the aforementioned information are provided also pursuant to the Report on Corporate Governance and Ownership Structures, issued pursuant to art. 123-bis of TUF.

2. Governance and Compliance

2019 Compensation Policy

2.1 Remuneration Committee

The Remuneration Committee, established by the Board of Directors' resolution on April 11th, 2017, performs a strategic role in supporting Board of Directors' oversight of FinecoBank Compensation Policy and plans design.

According to the internal provisions approved by the Board of Directors, ruling the functioning and competencies of corporate bodies and related information flows (hereinafter the "Corporate Governance Rules"), this Committee is composed by 3 non-executive members, Mr. Gianmarco Montanari, Ms. Elena Biffi and Mr. Enrico Cotta Ramusino.

As provided by law, at least a Committee Member has adequate knowledge and experience in finance or accounting topics or remuneration policies.

The FinecoBank Board of Directors verified the Directors independence requirements pursuant to art. 148 TUF and art. 3 of the Corporate Governance Code. Pursuant to this, with reference to the Remuneration Committee members:

- Mr. Gianmarco Montanari and MS Elena Biffi resulted Independent Directors pursuant to art. 148 TUF and art. 3 of Corporate Governance Code;
- Mr. Enrico Cotta Ramusino resulted independent pursuant to art. 148 TUF.

The Committee meetings held in 2018 have been coordinated by the Chairman Mr Gianmarco Montanari.

In performing its duties and if important and suitable, also availing itself with the support of an external consultant, The Remuneration and Committee:

(i) presents proposals or issues opinion to the Board for the definition of a general remuneration policy for the CEO, the General Manager, and other Managers with Strategic Responsibilities and the identified staff, also with reference to the identification process, so that the Board is also able to prepare the Report on Remuneration to be presented to the Shareholders' Meeting on an annual basis and to periodically assess the suitability, overall consistency and effective application of the general remuneration policy approved by the Board;

(ii) presents proposals or issues opinion to the Board relating to the overall remuneration of the CEO, the General Manager, and other Managers with Strategic Responsibilities, and the identified staff and for determining criteria for the remuneration of the Company's senior management, including the relevant performance targets related to the variable component of the remuneration;

(iii) monitors the implementation of the decisions adopted by the Board and specifically verifies that the performance targets are actually achieved;

(iv) examines any share-based or cash incentive plans for employees and financial advisors of the Company and strategic staff development policies;

(v) directly supervises the correct application of the remuneration rules related to the persons in charge of the Company's control functions, in close liaison with the Board of Statutory Auditors;

(vi) cooperates with the other Committees, in particular with the Risk and Related Parties Committee, which, with reference to the remuneration and incentive policies, examines whether the incentives provided by the remuneration system take into account the risks, share capital and liquidity, provided that this does not affect the tasks assigned to the Remuneration Committee, with which adequate coordination must be ensured;

(vii) ensures the involvement of the relevant business functions in the process of drawing up and monitoring remuneration and incentive policies and practices;

(viii) provides an adequate reporting on the activities carried out by the Corporate Bodies, including the Shareholders' Meeting

In 2018 the Remuneration Committee met 11 times. The meetings had an average duration of two hours. From the beginning of 2019 and until the approval of the present 2019 Compensation Policy, 3 meetings of the Committee have been held this year. Minutes are taken of each meeting and placed on record by the Secretary designated by Committee itself. From the approval of "Corporate Governance Rules", the Chairman of the Committee provided time by time the information on the Committee meetings to the subsequent Board meeting.

From December 2014 on the Committee, by means of its budget assigned for the year (amounting to 35.000 € for 2018), has started a collaboration with an external advisor - whose independence has been previously verified - who is invited to the Committee's meeting when required.

The Committee may, when it deems it appropriate, invite other individuals from within the Company to attend the meetings, in relation to the corporate functions and organizations concerned by the issues at hand, including members of other committees within the Board of Directors, or external parties. The Committee shall meet when convened by its Chairman, whenever he/she deems necessary, or upon the request of one of its members. In any case the Committee has always been able to access the information and the Company Functions necessary to perform its activities.

In 2018 the Head of *Human Resources* has been always invited to Committee's meetings. The Chairman has also invited the Head of *Legal & Corporate Affairs* for the matters within the competence, and the Head of *Network Controls, Monitoring and Service Department* for topics related to PFA network (see for instance the Incentive Systems and related rules for the PFA population). In addition to the aforementioned Functions, the

2019 Compensation Policy

Chairman invited - to specific Committee's meetings and for topics in the respective competence perimeters – the CRO, CFO and Compliance Officer of FinecoBank. In particular the CRO and CFO participated in the meetings regarding the 2018 Incentive Systems evaluation while the Compliance Officer has been invited, among the others, to participate in the discussions related to the Identified Staff definition.

The Chairman has also invited the *Internal Audit*²² function to the meeting related to the annual audit performed on FinecoBank remuneration policies and practices.

During 2018 the key activities of the Remuneration Committee included:

MAIN COMMITTEE'S ACTIVITIES IN 2018	
January	<ul style="list-style-type: none"> ▪ 2018 Employees Identified Staff and related 2018 Incentive System ▪ 2018-2020 LTI for the Employees ▪ 2018-2020 LTI for the Financial Advisors Identified Staff ▪ 2018-2020 LTI for selected Financial Advisors Non Identified Staff ▪ 2018 Incentive System for PFA Identified Staff ▪ New Contest "Qualità"
February	<ul style="list-style-type: none"> ▪ "2014-2017 Multi-year Plan Top Management" implementation ▪ Bonus Pool 2017 and 2017 and previous years Incentive Systems implementation ▪ 2018 Performance goals of Employees Identified Staff ▪ 2018 Incentive System Rules for Employees Identified Staff ▪ 2018-2020 LTI for Employees Rules ▪ 2018 PFAs Identified Staff definition ▪ Stock Granting "2015-2017 Plan PFA" implementation ▪ 2017 Bonus Pool and 2017 and previous years Incentive Systems implementation for PFAs Identified Staff ▪ 2018 Incentive System Rules for PFAs Identified Staff ▪ 2018-2020 LTI Rules for PFAs Identified Staff ▪ 2018-2020 LTI Rules for PFAs Non Identified Staff ▪ 2017 Incentive Plans and Additional Future Program for PFAs implementation ▪ 2018 Incentive Plans for PFAs ▪ 2018 FinecoBank Compensation Policy ▪ Identified Staff Salary Review ▪ Report on Corporate Governance and Ownership Structures - for the section related to the Directors remuneration
April	<ul style="list-style-type: none"> ▪ New "Contest Qualità"
May	<ul style="list-style-type: none"> ▪ Review of the "Additional Future Program" Rules for PFAs ▪ 2018-2020 LTI for Employees – grant of shares to the beneficiaries
July	<ul style="list-style-type: none"> ▪ New "Contest Qualità" ▪ Report to the Board of Committee's activities in the 1H of 2018
October	<ul style="list-style-type: none"> ▪ New "Contest Qualità"
November	<ul style="list-style-type: none"> ▪ Identified Staff Salary Review
December	<ul style="list-style-type: none"> ▪ 2019 Guidelines for PFAs Incentive System ▪ Compliance Breaches Committee ▪ Selection of the Independent Advisor of the Committee in 2019 ▪ Report to the Board of Committee's activities in the 2H of 2018

²² Internal Audit function is outsourced in UniCredit and works based on a specific service contract.

2019 Compensation Policy

The main topics discussed by the Committee are also submitted to the attention of the Board of Statutory Auditors, in advance over their submission to the Board of Directors.

Moreover, at least a member of the Board of Statutory Auditors, attended to the meetings of the Committee in 2018.

We highlight that the Directors do not participate in the Committee meetings in which are made the proposals to the Board concerning their remuneration.

The following table summarizes the composition of the Committee in 2018 and, in addition to the information on the independency of the members, provides details regarding their attendance to the meetings that have been called during the year.

Name	Executive	Non executive	Indip. Code	Indip. TUF	% (*)	(**)
Gianmarco Montanari		X	X	X	100%	C
Elena Biffi		X	X	X	100%	M
Enrico Cotta Ramusino		X		X	100%	M
N. Committee meetings: 11						
(*) in this column is indicated the percentage of participation of the directors in the Committee's meetings (n. of presences/n. of meetings held during the actual period in which the director was in charge, in the Exercise).						
(**) In this column is reported the qualification of the director in the Committee ("C" Chairman; "M" member)						

2.2 The Role of Company Control Functions: Compliance, Risk Management and Audit

Key contributions in 2018 of FinecoBank *Compliance* function, for all aspects that fall within its perimeter, included:

- validation of the 2018 Compensation Policy submitted to the Board of Directors for subsequent approval of the Shareholders' Meeting on April 11th, 2018;
- validation of the 2018 Incentive System for employees of FinecoBank belonging to *Identified Staff*;
- validation of the 2018 Incentive System for Financial Advisors of FinecoBank belonging to *Identified Staff*;
- preparation – in collaboration with the *Human Resources* function – and distribution of FinecoBank guidelines for the development and management of incentive systems for the population not belonging to *Identified Staff* (ref. *FinecoBank Internal Regulation 14/2018*);
- participation in specific initiatives of *Human Resources* function (e.g.: review of definition of *Identified Staff* for the application of Incentive System).

In 2019, the *Compliance* function will continue to operate in close co-ordination with the *Human Resources* function to support not only in the validation but also in the design and definition of compensation policy and processes.

The link between compensation and risk has been maintained in 2018 with the involvement of the *Risk Management* function in compensation design and the definition of an explicit framework to base remuneration within an overarching FinecoBank *Risk Appetite Framework*, which is consistent with Group *Risk Appetite Framework*, so that incentives to take risk are appropriately constrained by incentives to manage risk. In particular, the Board of Directors and Remuneration Committee draw upon the input of involved functions to define the link between profitability, risk and reward within FinecoBank incentive systems.

Internal Audit Report on the 2018 FinecoBank remuneration policies and practices

Internal Audit performed the annual audit on the Bank variable remuneration system, aimed at verifying the design, implementation and effects of the remuneration process, as well as its compliance with relevant regulatory requirements and Bank compensation policy.

The audit verified the payment and deferral phase of previous year incentive system, the bonus pool definition and distribution process and the procedures to respect the variable/fixed remuneration caps defined by the Bank remuneration rules.

The audit scope included also the *Identified Staff* definition process, with the aim to check its compliance with the requirements provided by Delegated Regulation (EU) No 604/2014. Furthermore, a *follow up* of the previous audit recommendation was performed. Main audit results were presented to the Remuneration Committee on 1st March 2019.

The audit tests have been performed on a sample of population including the following groups within FinecoBank compensation policy:

1. employees belonging to the *Identified Staff* at 31/12/2018, with the exception of one resource for which Audit verified the compliance with the regulation of the severance paid by the Bank, following the consensual resolution of the employment relationship;
2. a sample of 212 employees non-*Identified Staff* (the so called "below executives"), selected considering the roles to whom a bonus higher than € 5.000 has been granted in 2018 (19% ca of the overall population as on 31/12/2018);
3. Corporate Bodies members;
4. Bank's Financial Advisors, with specific focus on categories of "non recurring" remuneration named "bonus on net sales" and "additional future program", equal to the 75% ca of 2018 total incentives.

The Internal Audit "good" evaluation was based on the overall correct application of the 2018 "bonus pool" approach and Bank Remuneration Committee/Board of Directors relevant decisions.

With regard to the Personal Financial Advisors Network, the process provided the inclusion in the *Identified Staff* category of the Financial Advisors with a total remuneration, recurring and nonrecurring, higher than Euro 750,000, as well as of the Managers coordinating Financial Advisors that manage assets equal or higher than 5% of overall network assets, on the basis of quantitative criteria defined in the EU Regulation and of a qualitative criteria based on business risk (reduction of Bank's profitability as a consequence of Advisors leaving and the subsequent loss of customers' portfolios). The Bank evaluation performed with the aim of excluding from the *Identified Staff* category roles with total compensation between Euro 500,000 and 750,000, subject to communication to ECB, is consistent with the internal accounting figures and with the risk profiles of Personal Financial Advisors activities.

3. Continuous Monitoring of Market Trends and Practices

Key highlights of the Compensation Policy defined this year with the support of external benchmarking and trends analysis provided by the independent external advisor to the Remuneration Committee include:

- the definition of Compensation Policy for the *Identified Staff*, both employees and Financial Advisors, with particular reference to the design of the 2019 incentive systems
- the pay recommendations based on specific benchmarking analysis versus our defined peer group to inform any decision.

The peer group used to benchmark compensation policy and practice with particular reference to employees *Identified Staff* has been defined by the Remuneration Committee upon proposal of the independent external advisor on the basis of criteria including: comparability of size, complexity and business model, presence in customer, talent and capital markets, risk and legal-social-economic environment.

The main peer group is subject to annual review to assure its continuing relevance. For 2019 it has been defined a national peer group that includes:

- Generali Group and Banca Generali
- Mediolanum Group
- BNL
- BPER
- Credem
- Banco BPM
- Mediobanca Group (CheBanca and Banca Esperia)
- Intesa SanPaolo
- UBI Banca
- Banca Finint Group
- Banco Posta
- Banca Iccrea Group

In addition to what mentioned above, for the Chief Executive Officer and General Manager and for the Executives with strategic responsibilities it will be realized a benchmark also with European market, based on a sample of European Banks.

4. Compensation paid to Members of the Administrative and Auditing Bodies, to General Managers and to other Executives with strategic responsibilities

The remuneration for members of the administrative and auditing Bodies of FinecoBank is represented only by a fix component, determined on the basis of the importance of the position and the time required for the performance of the tasks assigned.

This policy applies to non-Executive Directors and to the Supervisory Body members that are not employees of FinecoBank or other Legal Entities of UniCredit Group, as well as to Statutory Auditors.

The compensation paid to non-Executive Directors, to the Supervisory Body members and to the Statutory Auditors is not linked to the economic results achieved by FinecoBank and none of them take part in any incentive plans based on stock options or, generally, based on financial instruments.

BENEFICIARY	REMUNERATION COMPONENT	APPROVED BY	AMOUNT (€) ²³	REMARKS
Non-Executive Directors	Only fixed compensation	Shareholders' Meeting and Board of Directors of April 11th, 2017	Compensation for each year of activity: <ul style="list-style-type: none"> ▪ € 330.000 for the Board of Directors²⁴ ▪ € 50.000 for Board Committees ▪ € 20.000 and € 15.000 for the Chairman and member of the Supervisory Board²⁵ ▪ € 300 as attendance fee for participating to each meeting of²⁶: <ul style="list-style-type: none"> - Board of Directors - Board Committees 	The compensation is determined on the basis of the importance of the position and the time required for the performance of the tasks assigned
		Board of Directors of April 11th, 2017, pursuant to sect. 2389 of the Civil Code par. 3 and Articles of Association, heard the opinion of Statutory Auditors	<ul style="list-style-type: none"> ▪ € 200.000 for each year of activity, split between: <ul style="list-style-type: none"> - Board Chairman - Board Vice Chairman 	
Statutory Auditors	Only fixed compensation	Shareholders' Meeting of April 11th 2017	Compensation for each year of activity ²⁷ : <ul style="list-style-type: none"> ▪ € 50.000 for the Chairman of Board of Statutory Auditors ▪ € 40.000 for each Standing Auditor ▪ € 300 as attendance fee for participating to each meeting of the Board of Directors 	
Executives with strategic responsibilities ²⁸	Fixed and variable compensation	Board of Directors	2018 Compensation level: <ul style="list-style-type: none"> ▪ € 850.000 fixed + € 850.000 variable for the CEO and GM ▪ € 1.416.053 fixed + € 1.813.166 bonuses for the other 4 Executives with strategic responsibilities 	Fixed and variable remuneration components of the CEO/GM and of the other Executives with strategic responsibilities are balanced, through the ex-ante definition of the maximum ratio between variable and fixed remuneration component.

²³ 2018-2020 LTI Plan is not included since it is long term performance and it has not been evaluated.

²⁴ Total compensation for the entire Board of Directors (Executive Directors included) approved by the Shareholders' Meeting is equal to Eur 370.000.

²⁵ With the resolution of the Board of Directors on April 11 2017, have been nominated as Chairman and as member of Corporate Governance 231/2001 external members pursuant of the new Unicredit guidelines related to the update "modello di organizzazione, gestione e controllo ex D. Lgs. 231/2001".

²⁶ Even if these meetings held in the same day

²⁷ Alternate Auditors do not receive any compensation unless they are actually asked to join the Board of Statutory Auditors in substitution of a standing member.

²⁸ the Chief Executive Officer and General Manager, the Deputy General Manager and Head of Global Banking Services, the Deputy General Manager and Head of Global Business, the Head of Commercial PFA Network & Private Banking as well as the Chief Financial Officer.

2019 Compensation Policy

Further details on compensation of Executives with strategic responsibilities

For 2018, according to our Compensation Policy, in line with regulatory provisions, it has been defined *ex-ante* the maximum ratio between variable and fix component of the compensation both for the Chief Executive Officer and General Manager (the sole executive director sitting on the Board of Directors and employee of the Company) and for the other Executives with strategic responsibilities.

The balance between variable and fixed components has been defined considering also the Company's strategic goals, risk management policies and other elements influencing firm's business.

With reference to the above table, for Executives with strategic responsibilities it is specified that:

-the fix component is defined taking into opportune consideration market information and in such a way to be sufficient to reward the activity rendered even if the variable part of the remuneration package were not paid due to non-achievement of performance goals;

-in line with the latest regulatory requirements, the Chief Executive Officer and General Manager – as well as the Executives with strategic responsibilities – have a balanced part of their remuneration linked to the overall profitability of FinecoBank and the Group, weighted by risk and cost of capital, as well as sustainability goals (based on capital and liquidity ratios) of FinecoBank and the Group.

The variable compensation considers the achievement of specific goals which are previously approved by the Board of Directors upon proposal of the Remuneration and Committee and having informed the Board of the Statutory Auditors.

In particular, *ex-ante* defined specific metrics that reflect categories of our FinecoBank *Risk Appetite Framework*, which is consistent with *Group Risk Appetite Framework*, align the remuneration of the Chief Executive Officer and General Manager and of the others Executives with strategic responsibilities to sustainable performance and value creation for the shareholders in a medium / long term perspective. Specific individual goals are set out taking into consideration the market practices and the role assigned within the Bank, through the systematic use of specific indicators aimed at strengthening the sustainability of business, such as, for example, risk and financial sustainability indicators and profitability measures²⁹.

→ More information regarding our performance management and evaluation are provided further in chapter 5.3.1

It is also foreseen the deferral in cash and shares of minimum 60% of the incentive. All the instalments are subject to the application of *malus* and/or claw-back conditions, if legally enforceable. 2018 Incentive System provides for 50% of the annual incentive to be deferred and paid in the five following years through the granting of Fineco shares. The number of such shares is set at the beginning of the deferral period, thus creating a link between the evolution of the share price and the actual value of the incentive.

→ More information regarding the 2018 incentive plan implementation and outcomes are provided further in chapter 5.2.

The Chief Executive Officer and General Manager, on top of 2018 Incentive System, benefits also from:

"2014 Incentive System" (hereinafter also "Group Incentive System 2014")

"2015 Incentive System" (hereinafter also "Group Incentive System 2015")

"2016 Incentive System" (hereinafter also "Group Incentive System 2015")

"2014-2017 Multi-year Plan Top Management"

"Long Term Incentive Plan 2018-2020"

→ More information regarding the plans above mentioned are provided further in chapters 6 and in the Annexes.

The measure and duration of the deferral are aligned with the provisions set by regulators and are consistent with the characteristics of the business and with the Company's risk profiles.

For the Heads of the Company Control Functions, HR and Manager in charge for preparing financial statement the goals, pursuant to the provisions of Bank of Italy, are established by the Board of Directors in line with the tasks assigned to them and avoiding, unless good reasons exist, goals connected to the Bank's performance.

²⁹ Since the CFO- included in the Executives with Strategic Responsibilities - cover also the activities related to the Financial Statements – the individual goals are defined in coherence with the assigned tasks

Indemnities to directors in the event of resignations, dismissal or termination of employment following a public purchase offer (as per section 123/bis, paragraph 1, letter i), of TUF)

None of the Directors have contracts containing clauses envisaging the payment of indemnities, or the right to keep post-retirement benefits, in the event of resignations or dismissal / revocation without just cause or if the employment relationship is terminated following a public purchase offer. In case of early termination of the mandate, the ordinary law provisions would therefore apply.

The individual employment, as Executive, of the Chief Executive Officer and General Manager, Mr. Alessandro Foti, is today governed - also with regards to the event of resignations, dismissal / revocation or termination - by the ordinary provisions of the law and National Labor Agreement for Banking Industry Executives. In such context, the annual remuneration used to define the possible indemnity due in the above mentioned instances would include the fix remuneration, any other continuative compensation and the average of the variable pay (inclusive of the components paid in equity - such as for example free shares, restricted shares, performance shares - with the only exclusion of the valorisation of the stock options potentially assigned within long-term incentive plans) received in the last three years prior to the termination. The actual amount of such indemnity - in terms of months of compensation considered - is then bound to vary depending on the events which led to the termination and on the relationship's duration and is anyway subjected to provisions of the "Severance Policy" of FinecoBank approved by Shareholders' Meeting.

Non-executive Directors do not receive, within incentive plans, stock options or others equities. For the Chief Executive Officer and General Manager no specific provisions are provided with reference to the right to keep, in case of termination, the options received and the plans' provisions apply.

For none of the Directors currently in office, provisions exist regarding the establishment of advisory contracts for a term following the termination of the directorship, nor the right to keep post retirement perks. No agreements exist either providing compensation for non-competition undertakings.

5. Compensation Systems

5.1 Target Population

FinecoBank, starting from 2014 conducted, in alignment with specific regulation, the annual self-evaluation process to define *Identified Staff* population, both employees and Financial Advisors, to whom, according to regulators, specific remuneration rules apply.

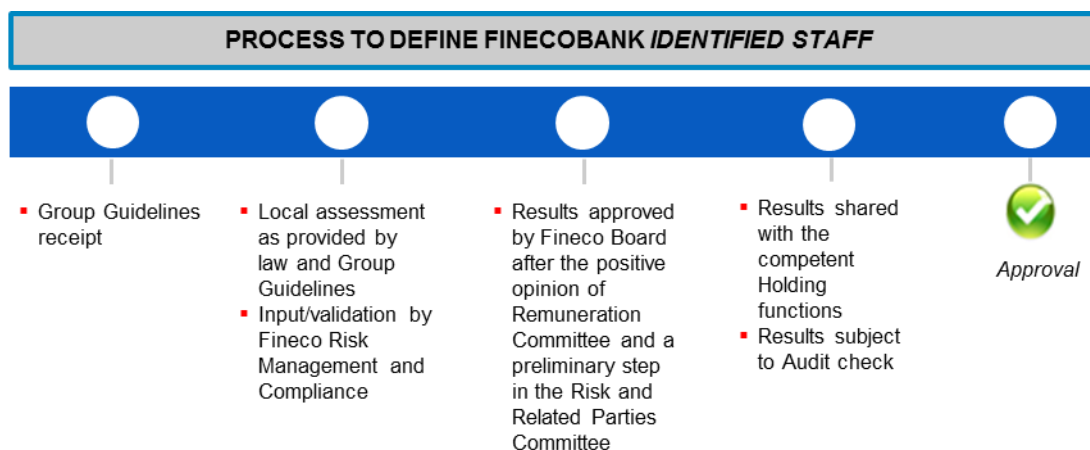
The definition of 2019 *Identified Staff*, pursuant to the European criteria foreseen in the *European Banking Authority Regulatory Technical Standard (RTS)*³⁰, followed a structured and formalized assessment process both at Group and local level, based on the guidelines provided by the Group functions *Human Capital* with the contribution of *Risk Management* and *Compliance*, to guarantee a unique and common approach at Group level.

In line with the regulatory provisions, the criteria used to define the Identified Staff are those defined by the aforementioned European standards, and incorporated into the national legislation (Circular 285 of the Bank of Italy). In line with the Group guidelines, FinecoBank - for the purposes of identifying the Identified Staff - adopts the additional criterion for the "band" for Employees, including all Employees with band 5 (Senior Vice President)³¹ or higher, in the risk takers category.

The recognition of subjects with significant impact on risk, further to be finalized to the definition of Bank's Identified Staff, is subject to the consolidation activity performed by the Holding Company, for the definition of Group Identified Staff.

This is valid, in particular for the Employees, while the PFAs are not included in the consolidation perimeter, as considered Identified Staff just at a Bank level³².

As every year, the assessment performed took into account the role, the decision-making power, the effective responsibilities of the employees and of the Financial Advisors and, in addition, the total compensation level



The result of the assessment process, submitted to Internal Audit scrutiny and documented into FinecoBank Compensation Policy, brought to the identification of a total number of 14 employees and 8 Financial Advisors³³ for 2019³⁴.

Regarding the employees, as a result of the analysis and as approved by the Board of Directors upon Remuneration Committee proposal, the following categories of employees have been defined for 2018 as Identified Staff: Chief Executive Officer and General Manager, Executives with strategic

³⁰ European Banking Authority (EBA) Regulatory Technical Standards on criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile under Article 94 (2) of Directive 2013/36/EU.

³¹ According to Global Job Model

³² The qualification of Group Identified Staff or local Identified Staff does not prejudice the application of all the criteria defined by the regulation for the Identified Staff remuneration.

³³ Vs 16 Employees and 7 Financial Advisors identified in 2018

³⁴ Identified Staff data refers to the population at the date of February 2019, providing for an ex-ante definition, in line with regulatory requirements.

2019 Compensation Policy

responsibilities, executive positions in Company Control Functions (Compliance, Risk Management) and other positions that are responsible at local level for strategic decisions which may have a relevant impact on the Bank's risk profile³⁵.

Regarding the Financial Advisors, FinecoBank has applied a qualitative criteria to select those belonging to *Identified Staff*, on the basis of their impact on business risk (represented by the risk that the Bank's profitability decreases consequently to the exit of Advisors from the Network and the related loss of customers and assets), the only type of risk that the Bank considers attributable to PFA, due to the absence of power of attorney they have to assume any other kind of risks.

→ Compensation data and vehicles used for the target population in 2018 are disclosed in chapter 6 and in the Annexes .

As a result of the analysis and as approved by the Board of Directors upon Remuneration Committee proposal as shown above, the following categories of Financial Advisors have been identified for 2019 as *Identified Staff*:

- for the single PFA the criteria above mentioned has been applied selecting those Advisors who have a total yearly compensation higher/equal to Euro 750,000;
- for PFA who have a managerial role have been selected Managers that coordinate Advisors with a total asset higher/equal to 5% of the total asset of the PFA Network.

Pursuant to the regulatory requirement and the process defined at EU level³⁶ the exclusion from Identified Staff of 17 PFA whose total remuneration in 2018 is equal or exceeds € 500,000 is submitted to the European Central Bank and to Bank of Italy.

5.2 Implementation and Outcomes of 2018 Incentive Systems

5.2.1 2018 Incentive System for employees belonging to *Identified Staff*

The 2018 Incentive System, approved by FinecoBank Board of Directors on January 9th, 2018, provides - in continuity with 2017 System - for a "bonus pool" approach which directly links bonuses with Company results at Group and local level, ensuring the link between profitability, risk and reward. The System, implemented within the framework of our policy and governance, provides for the allocation of a performance related bonus in cash and/or free ordinary shares over maximum 6 years

Bonus Pool sizing

The bonus pool dimension is related to the actual profitability measure multiplied for the percentage of the bonus pool funding rate defined in the budgeting phase.

This calculation determines the so called "theoretical bonus pool" that, during the year of performance, has been adjusted based on the effective performance trend.

2018 Group and Local Entry Conditions

For the purpose of alignment with regulatory requirements, specific indicators are set at both local and Group level to measure profitability, solidity and liquidity on an annual basis that act as access conditions. In particular, the indicators and thresholds that are defined as access conditions for the 2018 Incentive System - which confirm, reduce or cancel immediate and deferred payments - are as follows:

Group Level	Local Level
Net Operating Profit adjusted ≥ 0 and	Net Operating Profit adjusted ≥ 0 and
Net Profit ≥ 0 and	Net Profit ≥ 0 and
Common Equity Tier 1 ratio transitional $> 10,43\%$ and	Common Equity Tier 1 ratio transitional $> 10,43\%$ and
Liquidity Coverage Ratio $> 101\%$ and	Liquidity Coverage Ratio $> 101\%$ and
Net Stable Funding Ratio $> 101\%$	Net Stable Funding Ratio $> 101\%$

³⁵ The list of FinecoBank and Group Identified Staff includes also the Fineco Asset Management DAC CEO

³⁶ ECB Decision (EU) 2015/2218 dated November 20th 2015; EBA RTS chapter 4, §4

2019 Compensation Policy

- *Net Operating Profit adjusted* to measure the profitability, is the NOP excluding income from buy-back of own debt and from the fair value accounting of own liabilities.
- *Net Profit* to measure profitability considering the results stated in the balance sheet excluding any extraordinary item as considered appropriate by the Board of Directors upon Remuneration Committee proposal.
- *Common Equity Tier 1 Ratio Transitional* to measure the bank's solidity in terms of highest quality common equity introduced by Basel 3, consistent with regulatory limits and conservation buffers.
- *Liquidity Coverage Ratio*: guarantees the maintenance of an adequate level of "high quality liquid assets" non binding in appropriate amount to cover the "net cash outflows" within 30 calendar days in a high stress scenario defined by the Authorities.
- *Net Stable Funding Ratio*: represents the ratio between the available amount of stable funding and the required amount of stable funding

According to the actual results, verified and approved by the Board of Directors of FinecoBank on February 1st 2019, the relevant entry conditions have been achieved both at Group and local level, confirming the theoretical³⁷ FinecoBank bonus pool.

GROUP	ENTRY CONDITIONS		RESULT
	Net Profit \geq 0 €/mln		✓
	NOP Adjusted \geq 0 €/mln		✓
	CET 1 Ratio Transitional > 10,43%		✓
	Liquidity Coverage Ratio > 101%		✓
	NSFR > 101%		✓

FINECO	ENTRY CONDITIONS		RESULT
	Net Profit \geq 0 €/mln		✓
	NOP Adjusted \geq 0 €/mln		✓
	CET 1 Ratio Transitional > 10,43%		✓
	Liquidity Coverage Ratio > 101%		✓
	NSFR > 101%		✓

Bonus Pool Risk Adjustment

Once the entry conditions have been verified, the effective bonus pool for FinecoBank's employees was confirmed, also in light of the overall assessment of the performance of the s.c. "CRO dashboard"³⁸, carried out by the Fineco CRO on the basis of a specific methodology defined at Group level.

This method provides a quarterly monitoring of the progress of the indicators included in the Dashboard and an annual assessment.

Evaluation and pay-out for Identified Staff

In line with FinecoBank governance, 2018 evaluations and pay-outs for Chief Executive Officer and General Manager, Deputy General Managers, other Executives with strategic responsibilities and other *Identified Staff* have been approved by the Board of Directors, based on the positive opinion of Remuneration Committee.

The Board of Directors of FinecoBank on February 5th, 2019, has approved the allocation of a total number of shares equal to 168,897 to be assigned in 2021, 2022, 2023 and 2024.

On the same date, the Board of Directors also approved the implementation - in 2019 - of the Incentive Systems 2014, 2015, 2016, 2017 and the "2014-2017 Multi-year Plan Top Management Plan"³⁹.

Focus on CEO and General Manager performance evaluation

³⁷ Calculated applying the funding rate percentage to the profitability results

³⁸ The CRO Dashboard 2018 is a set of indicators selected among the Risk Appetite Framework KPIs, plus a single indicator on operational risks; the threshold values have been approved by the Board of Directors at the beginning of the year (January 2018).

³⁹ The data relating to the assignments are included in the information reported in chapter 6 of the Annual Compensation Report and in the Annexes

2019 Compensation Policy

The Board of Directors, upon positive opinion of Remuneration Committee, assessed the 2018 performance of FinecoBank CEO and General Manager as *Exceeds Expectations*. Below the details of the individual scorecard assessment

GOAL	RESULT	ASSESSMENT				
		Below	Almost meets	Meets	Exceeds	Greatly exceeds
ROAC <i>vs. budget</i>	Bdg 40% - Result 41,59%					
EVA <i>vs. budget</i>	Bdg 189.078 k€ - Result 194.309 k€					
Operating Costs <i>vs. budget</i>	Bdg -247.190 k€ - Result -245.763 k€					
Net New Clients <i>vs target</i>	Target NET 73.397 - Result NET 77.959					
Net Sales of Guided Products <i>vs. budget</i>	Bdg 5.069.004 k€ - Result 2.755.242 K€					
New business EL <i>vs. budget</i>	Target 0,35% - Result 0,30%					
Sustain value through people <i>Qualitative assessment based on:</i> - <i>Y/Y delta on Pay for Performance metrics on variable and fix pay</i> - <i>Y/Y delta on Gender Pay Gap / Gender Balance dashboard/ Gender Diversity Initiatives/ Succession Planning / Building up a sustainable Talent Management Support</i> - <i>Retention rate or voluntary turnover</i>	Outstanding results in terms of: - pay for performance: fully consistent in 2018 (2017 payout) vs actual business results and individual performance; - gender pay gap: no significant gap in 2018. Furthermore, Succession Plan presented to FinecoBank Board on 11/12/2018, shows full coverage of managerial positions. In addition several initiatives have been put in place in order to foster gender diversity, inclusion and work-life balance within the organization. As regards work-life balance, the "Maggiortempo" project launch has to be highlighted, supporting all the colleagues in the everyday tasks, giving back time to people. Voluntary turnover shows a very low rate of 3% ca, proving that Fineco confirms to be considered a "great place to work"					
Tone from the top on Compliance Culture <i>vs. qualitative assessment based on:</i> Scope, kind and numbers of documented initiatives - pre-committed with EMC, aimed at promoting staff integrity / customer protection / trustworthiness. <i>The overall status of findings or proceedings in place (internal or external) considering the trend, type, severity and the timely completion of the related remediation actions</i>	-Tone from the top activities have been all well carried out and ad hoc communication on compliance culture within the Bank as well as on staff integrity and behavioral expectations - Overall findings as at 4Q 2018 show no critical aspects.					

Considering the performance assessment and the results of the KPIs in the Entry Conditions, the Board of Directors approved for the CEO and General Manager a bonus amounting to Euro 850,000⁴⁰.

⁴⁰ For the picture presenting the total remuneration package of CEO and General Manager, see the Executive Summary section.

5.2.2 2018 Incentive System for Financial Advisors Identified Staff

The 2018 Incentive System PFA, approved by FinecoBank Board of Directors on January 10^h 2018, takes into consideration all the national and international regulatory requirements for the sales networks incentives and directly links bonuses with the objectives of growth in the medium and long term, in a general framework of overall sustainability. In the same way as for the Employees, the 2018 PFA System is based on a Bonus Pool approach which directly links bonuses with Company results at Group and local level, ensuring the link between profitability, risk and reward. The System, implemented within the framework of our policy and governance, provides for the allocation of a performance related bonus in cash and/or shares over 5 years.

Bonus Pool sizing

The bonus pool dimension is related to the actual profitability measure multiplied for the percentage of the bonus pool funding rate defined in the budgeting phase.

This calculation determines the so called "theoretical bonus pool", that, during the year of performance, has been adjusted based on the effective performance trend.

2018 Entry Conditions at Group and Local level

In order to align to regulatory requirements, specific indicators measuring annual profitability, solidity and liquidity results had been set both local and Group level as Entry Conditions. In particular, metrics⁴¹ and thresholds for 2018 PFA Incentive System as defined within the Entry Conditions that confirm, reduce or cancel upfront and deferred pay-outs are:

Group Level	Local Level
	Net Operating Profit adjusted ≥ 0 and
	Net Profit ≥ 0 and
Common Equity Tier 1 ratio transitional $> 10.43\%$ and	Common Equity Tier 1 ratio transitional $> 10.43\%$ and
Liquidity Coverage Ratio $> 101\%$ and	Liquidity Coverage Ratio $> 101\%$ and
Net Stable Funding Ratio $> 101\%$	Net Stable Funding Ratio $> 101\%$

According to the actual results, verified and approved by the Board of Directors of FinecoBank on February 5th 2019, the relevant entry conditions have been achieved both at local and Group level, confirming the theoretical⁴² FinecoBank PFA bonus pool

GROUP	ENTRY CONDITIONS	RESULT	
	GROUP	CET 1 Ratio Transitional $> 10,43\%$	✓
GROUP	Liquidity Coverage Ratio $> 101\%$	✓	
GROUP	NSFR $> 101\%$	✓	
FINECO	ENTRY CONDITIONS	RESULT	
	FINECO	Net Profit ≥ 0 €/mln	✓
	FINECO	NOP Adjusted ≥ 0 €/mln	✓
	FINECO	CET 1 Ratio Transitional $> 10,43\%$	✓
	FINECO	Liquidity Coverage Ratio $> 101\%$	✓
	FINECO	NSFR $> 101\%$	✓

Bonus Pool Risk Adjustment

Once the entry conditions have been verified, the effective bonus pool for FinecoBank's Financial Advisors was confirmed, also in light of the overall assessment of the performance of the s.c. "CRO dashboard"⁴³, carried out by the Fineco CRO on the basis of a specific methodology defined at Group level.

⁴¹ For the KPIs definition see chapter 5.2.1

⁴² Calculated applying the funding rate percentage to the profitability results

⁴³ The CRO Dashboard is a set of indicators selected among the Risk Appetite Framework KPIs, plus a single indicator on operational risks; the threshold values have been approved by the Board of Directors at the beginning of the year (January 2018). The assessment methodology is the one used for Employees

2019 Compensation Policy

Evaluation and pay-out for Identified Staff

In line with FinecoBank governance, 2018 evaluations and pay-outs for PFA Identified Staff have been approved by the Board of Directors, based on the positive opinion of Remuneration Committee.

On the basis of the resolutions of the Board of Directors of 5 February 2019, the total number of shares serving the 2018 Incentive System for Financial Advisors is 17,300 to be assigned in 2021, 2022, 2023.

On the same date, the Board of Directors also approved the implementation - in 2019 - of the Incentive Systems 2015, 2016 and 2017⁴⁴.

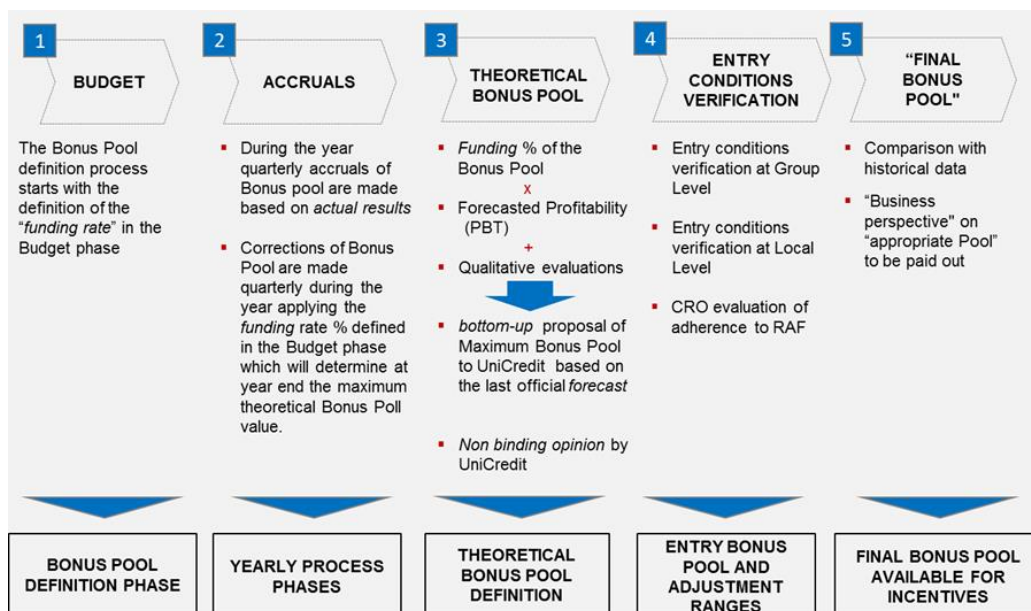
5.3 2019 Incentive System for employees belonging to Identified Staff

As in the past years, the 2019 Incentive System, as approved by the Board of Directors of FinecoBank on January 10th, 2019, is based on a "bonus pool" approach which takes into consideration the national and international regulatory requirements and directly links bonuses with Company results at Group and local level, ensuring the link between profitability, risk and reward.

In particular, the system provides for:

- allocation of a variable incentive defined on the basis of the determined bonus pool, of the individual performance appraisal and of the internal benchmarking on similar roles as well as compliant with the ratio between fixed and variable remuneration approved by the Shareholder's Meeting;
- definition of a balanced structure of "upfront" (following the moment of performance evaluation) and "deferred" payments, in cash and/or in shares⁴⁵, to be paid over a period of up to maximum 6 years;
- distributions of share payments which take into account the applicable regulatory requirements regarding the application of share retention periods. In fact the payment structure defined requires a retention period on shares (of 1 year for upfront and deferred shares);
- risk adjusted measures in order to guarantee long-term sustainability, regarding Company financial position and to ensure compliance with regulations;
- a *malus* clause (Zero Factor) which applies in case specific thresholds (profitability, capital and liquidity) are not met at both Group and FinecoBank level. In particular, the bonus pool of 2019 will be zeroed, while previous systems deferrals could be reduced from 50% to 100% of their value, based on final effective results.

The bonus pool process includes the following steps



* Risk Appetite Framework

⁴⁴ The data relating to the assignments are included in the information reported in chapter 6 of the Annual Compensation Report and in the Annexes.

⁴⁵ In compliance with sector regulations, the Chief Executive Officer of Fineco Asset Management DAC - Identified Staff of the Company, the Bank and the Group - is the beneficiary of the FAM Incentive System 2019, for which the use UCITS compliant instruments is envisaged.

2019 Compensation Policy

Budget

Bonus pool process starts with the definition of the “funding rate” during budgeting phase. The funding rate for FinecoBank is a percentage of the Net Operating Profit (net of Provisions for Risk and Charges, corresponding to Profit Before Tax) considering: historical data analysis, expected profitability, business strategy and previous year pool. The bonus pool is submitted for approval to the Board of Directors of FinecoBank.

Accruals

- During the year of performance, quarterly accruals are based on the actual results;
- on a quarterly basis bonus pool is adjusted applying the % of funding rate fixed during budgeting phase that set by the end of the year the maximum theoretical bonus pool.

Theoretical bonus pool, entry conditions verification and risk adjustment

- Consistency with FinecoBank performance and sustainability is ensured through specific “Entry Conditions” set at both Group and local level;
- application of a *Zero Factor/malus* clause in case specific profitability, liquidity and capital thresholds are not reached at Group and local level;
- the distribution is risk adjusted in order to guarantee sustainability with respect to FinecoBank *Risk Appetite Framework*;
- the bonus pool is proposed by FinecoBank on the basis of the year forecast – risk-adjusted – both at Group and local level.

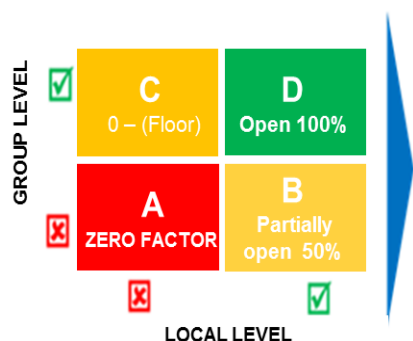
The Entry Conditions are the mechanism that determines the possible application of Zero Factor on the basis of performance indicators in terms of profitability, capital and liquidity defined at both Group and local level. The entry conditions defined for 2019 – working also as malus conditions for the previous incentive systems deferrals - are reported in the following table

Group Level	Local Level
Net Operating Profit adjusted ≥ 0 and	Net Operating Profit adjusted ≥ 0 and
Net Profit ≥ 0 and	Net Profit ≥ 0 and
Common Equity Tier 1 Fully Loaded $> 11.1\%$ and	Common Equity Tier 1 Fully Loaded $> 11.1\%$ and
Liquidity Coverage Ratio $> 101\%$ (2019 RAF limit) and	Liquidity Coverage Ratio $> 101\%$ (2019 RAF limit) and
Net Stable Funding Ratio $> 101\%$ (2019 RAF limit)	Net Stable Funding Ratio $> 101\%$ (2019 RAF limit)

Compared to the 2018 system, the Capital indicator is changed in a more conservative sense, moving from the CET1 Ratio Transitional to the CET1 Fully Loaded Ratio, in line with the recommendations of the European Central Bank.

The matrix of access conditions and the related effects on the Fineco Bonus Pool follow the same logic as 2018, as shown below.

2019 Compensation Policy



- A.** In case the Entry Conditions are not met both at Group and Local level, a Zero Factor is determined for the Identified Staff, while for the rest of population a portion of pool could be kept for retention purposes or to guarantee the competition on the market
- B.** In case the Entry Conditions are not met at Group Level, it is possible to have a pool at local level, if results are achieved, considering also the multiplier effect and the discretion of Remuneration Committee and Board.
- C.** In case the Entry Conditions are not met at Local Level, but are met at Group Level, a minimum pool (“floor”) for retention purposes can be set up.
- D.** In case the Entry Conditions are met both at Group and Local Level, the bonus pool can be confirmed or increased, with the possibility to award the extra performance, considering –also in this case – the multiplier effect and the discretion of Remuneration Committee and Board.

In the “matrix” logic, in the hypotheses described in the boxes A and B (Entry Conditions not met at Group Level) the bonus for the CEO and General Manager of FinecoBank is zeroed.

To activate the “multiplier” the CRO dashboard assessment is confirmed, pursuant to the defined methodology.

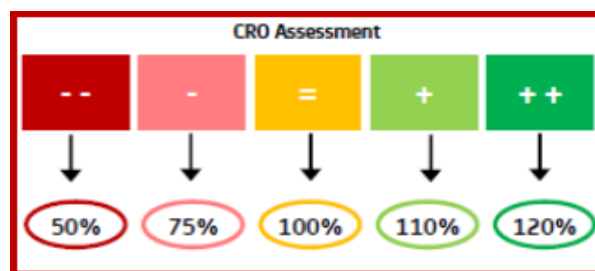
The CRO dashboard (defined in coherence with the FinecoBank and Group Risk Appetite Framework) includes KPIs taken from FinecoBank Risk Appetite Framework, measured with reference to the respective relevant thresholds (*limit*, *trigger* and *target*). Here below a sample of the content of the dashboard

DIMENSION		2019			
		INDICATORS	Target	Trigger	Limit
Pillar 1 KPIs	Capital	CET1 Ratio (%)	--	--	--
	Liquidity	LCR (%)	--	--	--
		NSFR (%)	--	--	--
Managerial KPIs	Risk & Return	ROAC Return on Allocated Capital (%)	--	--	--
	Credit	EL stock (%)	--	--	--
		EL new business (%)	--	--	--
		Coverage on Impaired (%)	--	--	--
Specific Risk KPIs	Interest Rate Risk on Banking Book	EV Sensitivity (%)	--	--	--
	Operational	ELOR	--	--	--

The “multiplier” effect deriving from the evaluation of overall CRO dashboard outcome made by the FinecoBank CRO – and verified by the FinecoBank Remuneration Committee and by the FinecoBank Board – applies to the bonus pool in the cases described in the boxes D and B. The dashboard evaluation is carried out pursuant to a methodology defined at Group level by the Risk Management function and approved by the FinecoBank Board of Directors

The bonus pool corrections ranges deriving from the CRO Dashboard assessment are not modified compared to the 2018 Incentive System, as follows.

2019 Compensation Policy



The fully positive "++" rating can only be granted in the case of positive EVA at the end of the financial year (or $EVA > 0$ if the budget is equal to 0). As provided in the 2018 System, a further range of discretion up to +20% is in the faculty of Remuneration Committee and Board of Directors, while no limits to downward discretionally the bonus pool with respect to theoretical value is foreseen.

In any case, as requested by regulations as per Bank of Italy provisions, the final evaluation of sustainable performance parameters and the alignment between risk and remuneration will be assessed by Remuneration Committee and defined under the governance and accountability of the Board of Directors.

The Board of Directors does not take into account, when deciding bonus, balance sheet extraordinary items which do not impact operational performance, regulatory capital and liquidity (e.g. goodwill impairment, extraordinary contributions to deposit guarantee schemes, etc.). Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies which can impact the Group, the Company or the market in which it operates, the Board of Directors, having heard the opinion of Remuneration Committee, maintains the right to amend the system and relevant rules.

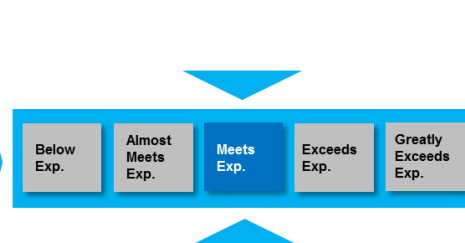
Individual bonus allocation

- Individual bonus will be allocated to beneficiaries considering bonus pool, the individual performance appraisal, the internal benchmarking analysis on similar roles and the maximum ratio between variable and fix compensation as approved by Shareholder's Meeting;
- individual performance appraisal is based on 2019 performance screen: a minimum of 5 and maximum 8 goals of which 4-6 selected from the catalogue of main key performance indicators ("KPI Bluebook") and linked to the 5 Fundamentals⁴⁶ of Group Competency Model⁴⁷. Goals selected from the KPI Bluebook reflect the Bank and Group strategy and have a weight of 70% on the individual performance screen. In the individual performance screen can be provided up to 2 further "individual" goals, linked to the individual specific activity. The "individual" goals weigh 30% of the performance screen. Competencies and behaviours considered as relevant can be taken into account by the manager for the overall performance appraisal;
→ Further details in chapter 5.3.1.
- the goals appraisal system is based on a 5 values scale with a descriptive outcome (from "Below Expectations" to "Greatly Exceeds Expectations").

Sample of 2019 Scorecard

GOAL NAME	PERIMETER	REFERENCE TARGET	LINK TO 5 FUNDAMENTALS	KPI BB/ CUSTOM	RISK CORRELATION SUSTAINABILITY GOAL
GOAL 1	FinecoBank	vs budget	Execution & Discipline	KPI BB	S
GOAL 2	FinecoBank	vs budget	Risk Management	KPI BB	S
GOAL 3	FinecoBank	vs budget	People Development	KPI BB	S
GOAL 4	FinecoBank	vs qualitative assessment	Customers First	KPI BB	S
GOAL 5	FinecoBank	vs previous years	Cooperation and Synergies	Custom	
GOAL 6	FinecoBank	vs target	Risk Management	Custom	

Sample of 2019 evaluation



⁴⁶ See also chapter 5.3.1

⁴⁷ Group Competency Model represents the framework in which the Executives are assessed within the Executive Development Plan process. The 5 Fundamental are: Customers First, Execution & Discipline, Cooperation and Synergies, Risk management, People Development.

2019 Compensation Policy

For the individual bonus allocation the 2019 Incentive System provides a prior verification of the completion -by the beneficiaries- of the mandatory Compliance training.

Bonus payment

- As approved by the Board of Directors on January 10, 2019, compared to the payment structure, the Identified Staff will be divided into 4 groups according to the regulations.
- Payment of the incentives will be made through immediate and deferred tranches - in cash or in Fineco ordinary shares - over a period of up to 6 years:
 - in 2020 the first portion of the overall incentive ("1st tranche") will be paid in cash, after verifying the compliance and adherence at the individual level of compliance rules and principles of conduct and behavior⁴⁸;
 - the remaining amount of the total incentive will be paid in several installments in cash and / or Fineco free ordinary shares in the period:
 - 2021-2025 for the CEO / DG, and for the other roles foreseen by the legislation (eg first reports of the CEO and DG)
 - 2021-2023 for other Identified Staff
- Payment systems, in particular, are based on two time horizons (4 and 6 total years) differentiated on the basis of the target population and of the total amount of variable remuneration received in the performance year, according to the schemes described below.
 - For CEO/GM and other roles provided by law⁴⁹ with "significant amount" of total variable pay in the performance year ⁵⁰ (> 430,000 €) a 5 years payout scheme applies with an overall payout structure of 6 years, with 60% of bonus deferred

	2020	2021	2022	2023	2024	2025
Cash	20% upfront		12% deferred			12% deferred
Shares		20% upfront		12% deferred	12% deferred	12% deferred

- For the other roles provided by law⁵¹ with not significant amount of total variable remuneration ($\leq 430,000\text{€}$) a 5 years payout scheme applies with an overall payout structure of 6 years, with 50% of bonus deferred

	2020	2021	2022	2023	2024	2025
Cash	25% upfront		10% deferred			10% deferred
Shares		25% upfront		10% deferred	10% deferred	10% deferred

- For other identified staff with significant amount of total variable remuneration a 3 years payout scheme applies with an overall payout structure of 4 years, with 60% of bonus deferred;

	2020	2021	2022	2023
Cash	20% upfront	5% deferred	5% deferred	20% deferred
Shares		20% upfront	15% deferred	15% deferred

- At last, for other identified staff with non significant amount of total variable remuneration a 3 years payout scheme applies with an overall payout structure of 4 years, with 40% of bonus deferred.

⁴⁸ Considering also the seriousness of possible internal / external inspections (ie Audit, Bank of Italy, Consob and / or similar authorities), and in general, according to the paragraph "Focus on violation for non-compliance, individual Malus and Claw- back "

⁴⁹ For instance the first reporting line of Management Body (CEO) and responsible of main business areas.

⁵⁰ Threshold of € 430,000 defined at Group level according to the provisions of the law, equal to 25% of the total remuneration of the Italian High Earners according to the latest EBA report available (Benchmarking and High Eainers Report).

⁵¹ See note 48.

2019 Compensation Policy

	2020	2021	2022	2023
Cash	30% upfront			20% deferred
Shares		30% upfront	10% deferred	10% deferred

Every tranche will be subject to the *Zero Factor* related to the year of competence and to the verification of the compliance of individual behaviours.

- all the instalments are subject to the application of claw-back conditions;
- in coherence with 2018, a minimum threshold⁵² will be introduced, below which no deferral mechanisms will be apply;
- the number of shares to be allocated in the respective instalments shall be defined in 2020, on the basis of the arithmetic mean of the official closing market price of Fineco ordinary shares during the month preceding the Board resolution that evaluates 2019 performance achievements;
- free Fineco ordinary shares that will be allocated will be freely transferable;
- the payment structure has been defined in line with Bank of Italy provisions requiring a share retention period for upfront and deferred shares. In particular, the implementation of the share retention periods may be carried out in line with the fiscal framework, either via the allocation of restricted shares or the promise of shares that shall subsequently be allocated at the end of the intended retention period;
- the 2019 Incentive System provides for an expected impact on FinecoBank share capital of approximately 0.06%, assuming that all free shares for employees have been distributed. The current overall dilution for all other outstanding FinecoBank equity-based plans both for Employees and Financial Advisors is 0.8% ca;
- the beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

5.3.1 Comprehensive performance measurement

The 2019 Incentive System, described in the chapter 5.3, is supported by an annual performance measurement framework assuring coherence, consistency and clarity of performance objectives with business strategy, and encouraging and rewarding desired behaviours and risk orientation. Our performance management process ensures that to all *Identified Staff* are assigned at the beginning of the year their own individuals goals and includes a rigorous review of their goals achievements.

A specific process is performed annually at Group level with the involvement of key relevant functions (*Human Capital, Finance, Risk Management, Compliance, Group Sustainability, Audit, Group Stakeholder Insight*) to review the so-called *KPI Bluebook*.

The *KPI Bluebook* serves as the framework for the definition of performance goals coherent, high quality based, aligned to business strategy, compliant with regulatory requirements and consistent with our corporate values and Group Competency model. Therefore it supports the employees and their managers in the definition of individual Performance Screen.

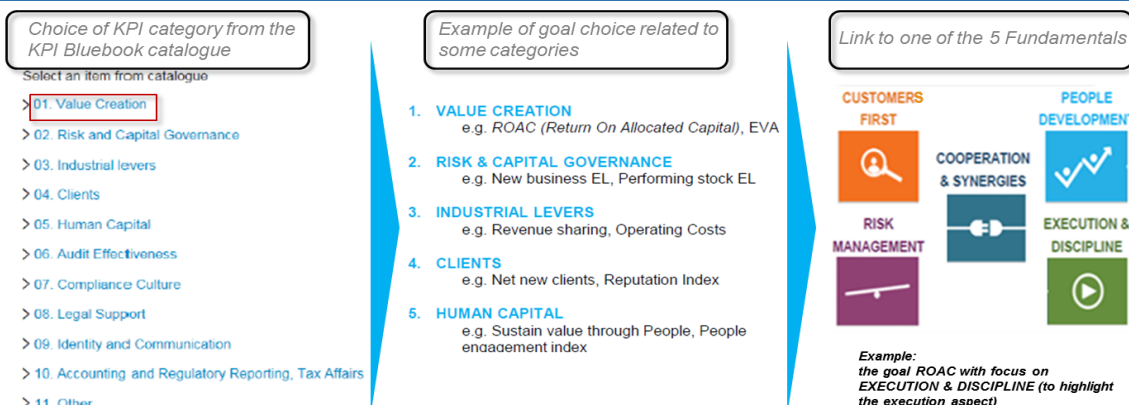
KPI Bluebook includes a list of indicators certified at Group level, as well as specific guidelines related to:

- the selection of goals based on yearly priorities and customizable goals for Business/Division
- the use - among the KPIs selected from the *KPI Bluebook* - of risk-adjusted goal (e.g. select at least one KPI belonging to "Risk category" or related to risk management / risk-adjusted profitability)
- the use - among the KPIs selected from the *KPI Bluebook* - of sustainability objectives (e.g. at least half of the goals should be related to sustainability)
- the definition of the target of reference, in case objectives not included in certified list are selected (e.g. use clear and pre-defined parameters for future evaluation of performance)
- the selection of goals for the Company Control Functions, HR and Manager in charge for preparing financial statements in order to ensure their independence (e.g. avoid KPI linked to economic measure).

The *KPI Bluebook* maps 11 categories of drivers that include a list of goals (*KPI Dashboard*):

⁵² Equal to Euro 75,000 that will be paid in cash.

2019 Compensation Policy



The 11 categories represent financial and non-financial performance and are mapped into the different clusters of business of the Group (Asset Gathering included) to help identifying the most relevant standardized KPIs (all certified by relevant Group functions) for each role assigned, with specific focus on risk-adjusted, sustainability-driven metrics and economic measures. For each KPI included in the catalogue a link to one of the “5 fundamentals” of the *Group Competency Model* (as shown above) is pre-set, conferring a specific qualitative connotation to the goal itself.

2019 CEO and general manager scorecard

2019 KPIs defined and approved by FinecoBank Board of Directors as the core drivers of performance for FinecoBank Chief Executive Officer and General Manager include goals related to Bank profitability, with particular focus on risk, consistency with *Risk Appetite Framework* and sustainability. In continuity with 2018, also for 2019, a specific KPI has been provided, with reference to “*Tone from the top*” related to integrity towards conduct principles and spread of compliance culture among the organization.

#	GOAL NAME	PERIMETER	REFERENCE TARGET	LINK TO 5 FUNDAMENTALS	RISK CORRELATION SUSTAINABILITY GOAL
1	ROAC / EVA	FinecoBank	vs. budget	Execution & Discipline	
2	New Business EL %	FinecoBank	vs. target	Risk Management	
3	OPEX	FinecoBank	vs. budget Operating costs as reported in reclassified P&L, i.e.: Staff expenses + Other Administrative Expenses (direct + indirect) - Expenses Recovery + Depreciations.	Execution & Discipline	
4	Net new clients	FinecoBank	vs. target	Customers First	
5	Net sales of Guided Products	FinecoBank	vs. budget	Execution & Discipline	
6	New Strategic Plan preparation	FinecoBank	vs. qualitative assessment based on: • contribution to the preparation of the new MYP • development of Proof of Concepts on the effective implementation of new technologies (e.g.: Artificial Intelligence, big data, etc.) in own domain	Execution & Discipline	
7	Gender balance and pay gap	FinecoBank	vs. qualitative assessment based on: • Group-wide % of women in EVP roles vs. 2019 target • Y/Y delta on % of women in VP, FVP, SVP roles • Y/Y delta on gender pay-gap	People Development	
8	Tone from the top on conduct and compliance culture	FinecoBank	vs. qualitative assessment based on: • Scope, kind and numbers of documented initiatives - pre-committed with EMC, aimed at promoting staff integrity / customer protection / trustworthiness • The overall status of findings or proceedings in place (internal or external) considering the trend, type, severity and the timely completion of the related remediation actions	Risk Management	

2019 Compensation Policy

For the other *Identified Staff* of FinecoBank KPIs that include profitability and risk management are reflected also in their Performance Screens, with differences given by the relevant activities. It is understood in any case the rule pursuant to which no economic goals must be provided for the Control Functions, HR and Manager in charge for preparing financial statements.

5.4 2018 - 2020 Long Term Incentive Plan for employees

With the aim of rewarding, motivating and retaining selected Bank Employees, in line with the 2020 objectives of Fineco in terms of value creation, sustainability and risk, a long-term equity plan has been defined, also in order to align the long-term interests of the Bank's Management with the long-term value creation for shareholders.

The beneficiaries of the Plan are selected Employees with "key roles" within the organization (about 65 resources, including Managers with Strategic Responsibilities).

The Heads of the Company Control Functions (CRO, Head of Compliance) and the Head of Human Resources are excluded from the Beneficiaries of the Plan.

The structure of the Plan, described below in detail, provides for:

- performance goals at Bank level such as the EVA, the Cost/Income and the Cost of Risk on commercial loans;
- entry and malus conditions of profitability, capital and liquidity defined at FinecoBank and Group level;
- specific individual compliance and claw-back conditions;
- a risk adjustment linked to the annual assessment of the CRO Dashboard, evaluated according to the methodology defined by Group Risk Management;
- individual bonuses defined taking into account the roles of the beneficiaries;
- a payment structure over a multi-year period defined according to the categories of beneficiaries, in line with the regulatory provisions.

Performance goals

The performance targets, as defined above, will be assessed in relation to specific targets and will have a specific percentage weight on the total bonus and their valuation (with the exception of the Cost of Risk for which an "on-off" threshold is envisaged) will be based on progressive thresholds, which will correspond to increasing percentages of bonuses from 0 to 100% with a linear progression⁵³, as shown below.

	KPI	PERIMETER	WEIGHT	TARGET	ASSESSMENT CRITERIA	
					Threshold	Payout
VALUE CREATION	EVA	FINECO	50%	2020	≥ 200 M€	100%
					180 M – 200 M€	0 - 100%
					≤ 180 M€	0%
INDUSTRIAL SUSTAINABILITY	COST/INCOME RATIO	FINECO	35%	2020	≤ 39%	100%
					42% - 39%	0 - 100%
					≥ 42%	0%
RISK	CoR*	FINECO	15%	2020	≤ 40 bps	100%

*Calculated on commercial loans

⁵³ For example, with EVA at 12/31/2020 equal to 190 million, the payment of the corresponding bonus portion would be equal to 50% of what is expected in case of EVA equal to 200 million.

2019 Compensation Policy

Entry and malus conditions

In order to comply with current regulations, are defined

- appropriate Fineco and Group Entry Conditions that will be measured within the performance period of the Plan and may confirm, reduce or cancel the individual bonus as detailed below, and
- appropriate Fineco and Group malus conditions measured during the deferral period, which may confirm, reduce or cancel the deferred shares, as detailed below

In full compliance with the regulations in force, and for the purposes set out above, specific Group and Fineco indicators have been identified to measure profitability, capital strength and liquidity.

The indicators of capital and liquidity (Common Equity Tier 1 Ratio Fully Loaded⁵⁴, Liquidity Coverage Ratio and Net Stable Funding Ratio) will be calculated annually, while a "cumulative" assessment of profitability indicators is envisaged.

In 2019 - in line with the provisions for the short-term Incentive System and in accordance with the provisions of the Plan Regulations - the Capital and Liquidity Conditions CET1 Ratio Fully Loaded, LCR and NSFR have been changed for the year of performance.

Performance		Deferral	
Entry Conditions		Malus	
Group	Fineco	Group	Fineco
Σ 2018-2020 NOP Adj >0	Σ 2018-2020 NOP Adj >0	Σ NOP Adj >0	Σ NOP Adj >0
Σ 2018-2020 Net Profit >0	Σ 2018-2020 Net Profit >0	Σ Net Profit >0	Σ Net Profit >0
CET 1 Fully loaded > 11,1%*	CET 1 Fully loaded > 11,1%**	CET 1 Fully loaded > 11,1%*	CET 1 Fully loaded > 11,1%**
LCR > RAF Limit (101%)*	LCR > RAF Limit (101%)**	LCR > RAF Limit (101%)*	LCR > RAF Limit (101%)**
NSFR > RAF Limit (101%)*	NSFR > RAF Limit (101%)**	NSFR > RAF Limit (101%)*	NSFR > RAF Limit (101%)**

1) if the annual access conditions at the Group level are not achieved, a bonus reduction of 10% per year is envisaged (a reduction of 30% if the cumulative Group conditions are not met). Therefore, the maximum reduction envisaged for failure to achieve Group conditions - annual and / or cumulative - is equal to 30%.

2) In the event that Fineco's cumulative conditions are not met, the bonus will be canceled

3) If Fineco's annual conditions are not met, a pro-rata bonus reduction is expected

* In line with the Group RAF 2019 (Trigger for CET1, Limit for LCR and NSFR). In the event of more restrictive regulatory changes in the performance years of the Plan, the defined thresholds will be updated accordingly

** Values aligned to those of the Group. In the event of more restrictive regulatory changes in the performance years of the Plan, the defined thresholds will be updated accordingly

Each payment related to the Plan is subject to the preliminary compliance check of individual behaviors.

The bonus payment is subject to claw-back⁵⁵.

Risk adjustment

⁵⁴ It's the Class 1 Capital of the Institution expressed in percentage of the overall amount of the risk exposure. It's the CET1 requirement recommended by ECB in its communication on variable remuneration.

⁵⁵ See par. 3.2, section II

2019 Compensation Policy

For the purposes of the appropriate Plan correction for the Bank's Risk, the results of the annual CRO Dashboard assessments for the purposes of short-term incentive systems will be taken into consideration for each year of the Plan's performance. The presence of several 'neutral' annual assessments⁵⁶ or negative assessments will result in a proportional reduction of individual bonuses, as shown below

% BONUS	100%	75%	50%	25%	0%
CRO DB ASSESSMENT	1 'neutral' assessment and 2 positive assessments (or 3 positive assessments)	≥2 'neutral' assessments	1 negative assessment	2 negative assessments	3 negative assessments

Bonus payout

Maximum bonuses have been defined on the basis of the categories of beneficiaries of the Plan. The amounts were established in line with the applicable regulatory provisions and the FinecoBank Compensation Policy.

Individual bonuses - in particular - confirm compliance with the maximum limits for the variable remuneration envisaged for the Plan Beneficiaries, also taking into account the short-term variable remuneration attributable in each year of performance.

Within the aforementioned limits, it is planned, in detail:

- for the Chief Executive Officer and General Manager, a maximum percentage impact of the bonus relating to the Plan equal to 50% of the maximum variable remuneration attributable in each year of performance;
- for the other Executives with Strategic Responsibilities, a maximum percentage of the bonus of the Plan equal to 30% of the maximum variable remuneration attributable in each year of performance.

For the other Beneficiaries the target bonus is defined individually, always in compliance with the maximum limits set by the regulations and FinecoBank Compensation Policy.

As mentioned, the bonuses will be paid entirely in Fineco free ordinary shares⁵⁷, according to the payment schemes shown below.

		2018 - 2020	2021	2022	2023	2024	2025
CEO	PERFORMANCE				40% UPFRONT SHARES		60% DEFERRED SHARES
IDENTIFIED STAFF	PERFORMANCE				40% UPFRONT SHARES 20% DEFERRED SHARES	20% DEFERRED SHARES	20% DEFERRED SHARES
OTHER BENEFICIARIES	PERFORMANCE		40% UPFRONT SHARES	20% DEFERRED SHARES	20% DEFERRED SHARES	20% DEFERRED SHARES	

⁵⁶ See paragraphs 5.3 and 5.5

⁵⁷ The Bank reserves the possibility to assign different instruments from the FinecoBank ordinary shares, where requested by law.

2019 Compensation Policy

For the Beneficiaries of the Plan included in Identified Staff holding periods on the shares are provided, equal to two years for the upfront shares, assigned after the end of the performance period, and one year for deferred shares.

For the other Beneficiaries the assignments of the shares and their availability are concomitant during the deferral period.

The evaluation of the results and the conditions for the individual assignment of the shares will be carried out by the Board of Directors, upon the proposal of the Remuneration Committee, according to the established governance⁵⁸.

The Board of Directors does not take into account, when deciding bonus, balance sheet extraordinary items which do not impact operational performance, regulatory capital and liquidity (e.g. goodwill impairment, extraordinary contributions to deposit guarantee schemes, etc.).

The maximum number (905,066) of shares to be allocated in the respective instalments – at the conditions stated above - has been defined in 2018, on the basis of the arithmetic mean of the official closing market price of Fineco ordinary shares during the month preceding the Board resolution that executed the Shareholders Meeting resolution related to the Plan.

The Plan provides for an impact on FinecoBank share capital of approximately 0.1%, assuming that all free shares for employees have been distributed. The current overall dilution for all other outstanding FinecoBank equity-based plans both for Employees and Financial Advisors equals to 0.8% ca.; the beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies which can impact the Group, the Company or the market in which it operates, the Board of Directors, having heard the opinion of Remuneration Committee, maintains the right to amend the Plan and relevant rules.

5.5 2019 Incentive System for Financial Advisors Identified Staff

Given the differences in the forms of remuneration and in the modalities of its generation (see paragraph 4.2, Section II), also for the PFA population in FinecoBank, mirroring what is designed for the Employees, is provided a specific Incentive System based on a bonus pool approach, which takes into account the national and international regulatory requirements and directly links bonuses with Company results at Group and local level, ensuring the link between profitability, risk and reward.

In particular, the 2019 System for PFA Identified Staff – as approved by the Board on January 10th 2019 - provides for:

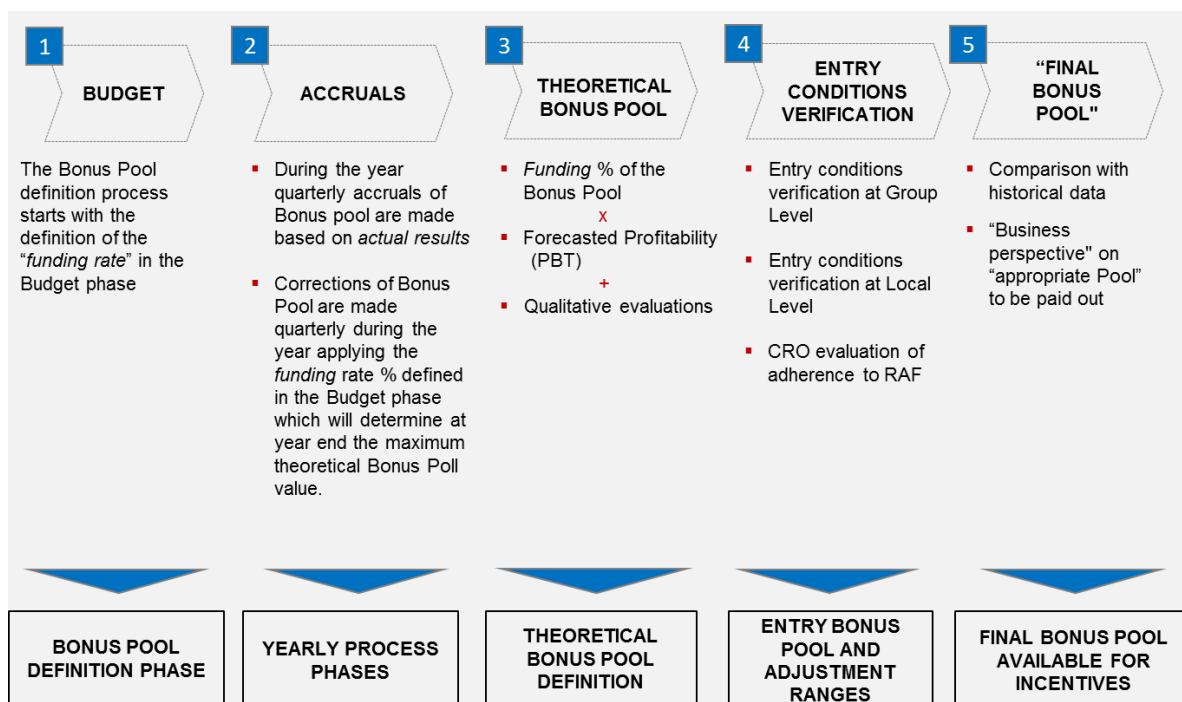
- allocation of a variable incentive defined on the basis of the determined bonus pool, of the individual performance appraisal as well as compliant with the ratio between fixed and variable remuneration approved by the Shareholder's Meeting;
- definition of a balanced structure of "upfront" (following the moment of performance evaluation) and "deferred" payments, in cash and/or in shares, to be paid over a period of up to maximum 4 years;
- distribution of share⁵⁹ payments which take into account the applicable regulatory requirements regarding the application of share retention periods. In fact the payment structure defined requires a retention period on shares (1 year for upfront and deferred shares);
- risk adjusted measures in order to guarantee long-term sustainability, regarding Company financial position and to ensure compliance with regulations;
- a *malus* clause (Zero Factor) which applies in case specific thresholds (profitability, capital and liquidity) are not met at both Group and local level. In particular, the bonus pool of 2019 will be zeroed, while previous systems deferrals could be reduced from 50% to 100% of their value, based on final effective results.

In coherence with what previously described for the Employees, also for the PFA the process of bonus pool definition includes the following steps:

⁵⁸ It is provided the possibility for the Remuneration Committee and the Board of Directors to increase bonuses up to 20% (within the maximum bonuses provided by the Plan) or to reduce the bonuses without limits, considering indicators as the Total Shareholders Return (absolute and relative) or other indicators, as the market context and trends on remuneration, or events with reputational impacts. The correction "in positive" does not apply in case of non-achievement of Group entry conditions, as described in this paragraph.

⁵⁹ Unlike what happens in the Incentive System for Employees, the FinecoBank shares used for the purposes of payments to the PFA, are not generated by a free capital increase, but are purchased directly on the market, pursuant to section 2357 of Italian Civil Code.

2019 Compensation Policy



Budget phase

Bonus pool process starts with the definition of the “funding rate” during budgeting phase. The funding rate for FinecoBank is a percentage of the Net Operating Profit (net of Provisions for Risk and Charges, corresponding to Profit Before Tax) considering: historical data analysis, expected profitability, business strategy and previous year pool. The bonus pool is submitted for approval to the Board of Directors of FinecoBank.

Accruals

- During the year of performance, quarterly accruals are based on the actual results;
- on a quarterly basis the bonus pool is adjusted applying the % of *funding rate* fixed during budgeting phase that set by the end of the year the maximum theoretical bonus pool.

Theoretical bonus pool, entry conditions verification and risk adjustment

- Consistency with FinecoBank performance and sustainability is ensured through specific “Entry Conditions” set at both Group and local level;
- application of a *malus* clause in case specific profitability, liquidity and capital thresholds are not reached at Group and local level;
- the distribution is risk adjusted in order to guarantee sustainability with respect to FinecoBank *Risk Appetite Framework*;
- the bonus pool is proposed by FinecoBank on the basis of the year forecast – risk-adjusted – both at Group and local level.

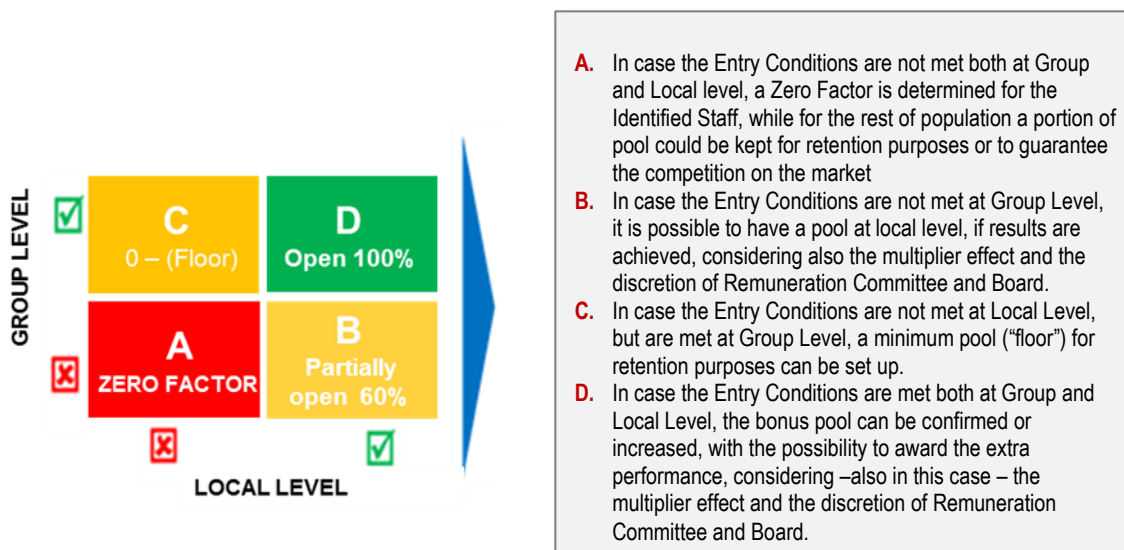
The Entry Conditions are the mechanism that determines the possible application of the Zero Factor on the basis of performance indicators in terms of capital and liquidity defined at both Group and local level (at local level is considered also the profitability). The entry conditions provided for 2019 – working also as malus conditions for the deferrals of previous years incentive systems - are reported in the following table

Group Level	Local Level
	Net Operating Profit adjusted ≥ 0 e
	Net Profit ≥ 0 e
Common Equity Tier 1 Fully Loaded > 11.1% e	Common Equity Tier 1 Fully Loaded > 11.1% e
Liquidity Coverage Ratio > 101% (2019 RAF limit) e	Liquidity Coverage Ratio > 101% (2019 RAF limit) e
Net Stable Funding Ratio > 101% (2019 RAF limit)	Net Stable Funding Ratio > 101% (2019 RAF limit)

2019 Compensation Policy

Compared to the 2018 system, the Capital indicator is changed in a more conservative sense, moving from the CET1 Ratio Transitional to the CET1 Fully Loaded Ratio, in line with the recommendations of the European Central Bank.

The Entry Conditions matrix and related effects on Fineco Bonus Pool follows the same logics provided in 2018, as shown below.



In continuity with the 2018 System, in case the pool is in the box “B” the starting percentage of bonus pool is higher than the one provided for the Employee’s System⁶⁰.

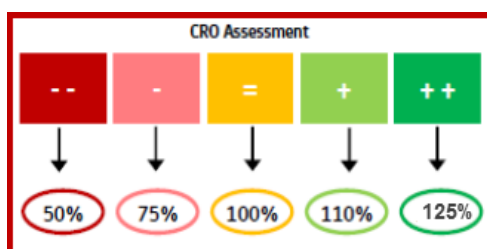
To activate the “multiplier” the CRO dashboard assessment is confirmed, pursuant to the defined methodology.

The CRO dashboard (defined in coherence with the FinecoBank and Group Risk Appetite Framework) includes KPIs taken from FinecoBank Risk Appetite Framework (plus one indicator related to operational risk), measured with reference to the respective relevant thresholds (*limit, trigger and target*)⁶¹.

The “multiplier” effect deriving from the evaluation of overall CRO dashboard outcome made by the FinecoBank CRO – and verified by the FinecoBank Remuneration Committee and by the FinecoBank Board – applies to the bonus pool in the cases described in the boxes D and B.

The dashboard evaluation is carried out pursuant to a methodology defined at Group level by the Risk Management function and approved by the FinecoBank Board of Directors, as for the Employees System.

The bonus pool corrections ranges deriving from the CRO Dashboard assessment are not modified compared to the 2018 Incentive System, as follows:



The fully positive “++” rating can only be granted in the case of positive EVA at the end of the financial year (or EVA > 0 if the budget is equal to 0). As provided in the 2018 System, a further range of discretion up to +20% is in the faculty of Remuneration Committee and Board of Directors, while no limits to downward discretionally the bonus pool with respect to theoretical value is foreseen.

⁶⁰ The choice is due to the necessity of retention for Financial Advisors (tied to FinecoBank by an agency agreement) and consequently to safeguard a Company asset.
⁶¹ See paragraph 5.3.

2019 Compensation Policy

In any case, as requested by regulations as per Bank of Italy provisions, the final evaluation of sustainable performance parameters and the alignment between risk and remuneration will be assessed by Remuneration Committee and defined under the governance and accountability of the Board of Directors.

The Board of Directors does not take into account, when deciding bonus, balance sheet extraordinary items which do not impact operational performance, regulatory capital and liquidity (e.g. goodwill impairment, extraordinary contributions to deposit guarantee schemes, etc.).

Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies which can impact the Group, the Company or the market in which it operates, the Board of Directors, having heard the opinion of Remuneration Committee, maintains the right to amend the system and relevant rules.

Bonus payment

For the Financial Advisors belonging to the Identified Staff, the payment mechanism provides for a 3 year deferral. The payment of the potential bonus 2019 will therefore take place over a maximum period of 4 years. In particular:

- in 2020 the first portion of the overall incentive ("1st tranche") will be paid in cash, after verifying the compliance and adherence at the individual level of compliance rules and principles of conduct and behavior⁶²;
- over the period 2021-2023 the remaining amount of the total incentive will be paid in several installments in cash and / or Fineco shares; each individual tranche will be subject to the application of the Zero Factor relating to the year of competence and to the verification of compliance by each beneficiary with the compliance rules and the principles of conduct and behavior.

The payment systems, in particular, are differentiated on the basis of the total amount of variable remuneration⁶³ received in the performance year, according to the schemes described below:

- For roles with significant amount of total variable remuneration, a 3 years payout scheme applies with an overall payout structure of 4 years, with 60% of bonus deferred;

	2020	2021	2022	2023
Cash	20% upfront	5% deferred	5% deferred	20% deferred
Shares		20% upfront	15% deferred	15% deferred

- For roles with non significant amount of total variable remuneration, a 3 years payout scheme applies with an overall payout structure of 4 years, with 40% of bonus deferred

	2020	2021	2022	2023
Cash	30% upfront			20% deferred
Shares		30% upfront	10% deferred	10% deferred

- all the instalments are subject to the application of claw-back conditions, as legally enforceable;
- in coherence with 2018, a minimum threshold⁶⁴ will be introduced, below which no deferral mechanisms will be apply;
- the number of shares to be allocated in the respective instalments shall be defined in 2020, on the basis of the arithmetic mean of the official closing market price of Fineco ordinary shares during the month after the Board resolution that verifies the 2019 performance achievements;
- free Fineco ordinary shares that will be allocated will be freely transferable;
- the 2019 Incentive System provides for an expected impact on FinecoBank share capital of approximately 0.03%, assuming that all free shares for Financial Advisors have been assigned.
- The current overall dilution for all other outstanding FinecoBank equity-based plans both for Employees and Financial Advisors equals 0.8% ca. However, the 2019 PFA Incentive System does not have a proper dilution impact as the FinecoBank shares awarded are purchased on the market and are not generated through a free capital increase.

⁶² Considering also the seriousness of possible internal / external inspections (i.e. Audit, Bank of Italy, Consob and / or similar local authorities).

⁶³ The definition of the overall variable remuneration threshold (> € 430,000) follows the same logic described in the 2019 Incentive System for Employees Identified Staff.

⁶⁴ Equal to Euro 75,000 that will be paid in cash.

2019 Compensation Policy

The beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

5.5.1 Comprehensive performance measurement

Taking into account the specificities of the PFA business, and in continuity with the previous years Incentive Plans in terms of business objectives, for the purposes of the 2019 Incentive System for PFA⁶⁵ the performance assessment of Financial Advisors included in the Identified Staff will be based on the following indicators:

- total net sales goal (difference between the invested and disinvested assets by FinecoBank customers);
- development activities (for instance planned and structured meeting with customers);
- percentage of achievement of the overall group goal by the managed Financial Advisors and percentage of sales in Guided Products⁶⁶ in comparison with the group overall goal⁶⁷;
- percentage of achievement of individual net sales goal and percentage of net sales of asset under management in comparison with the individual goal⁶⁸;
- value generated by the requalification of assets in liquidity and asset under custody in Guided Products.

For the purpose of evaluating individual performance, the Scorecard provides a specific indicator to reflect the quality of the work of the Financial Advisor.

Finally, the payment of the bonus is subject to the preliminary verification of compliance with anti-money laundering regulation.

5.6 2018 - 2020 Long Term Incentive Plan (LTI) for Financial Advisors Identified Staff

With the aim of rewarding, motivating and retaining selected Financial Advisors and Network Managers⁶⁹, in line with the commercial goals of the three-year period 2018 - 2020 and with the aim of creating value for Shareholders, a long-term plan has been defined. in cash and Fineco shares.

The Plan is dedicated to Financial Advisors who will be qualified as Identified Staff in the year 2020. At the moment, 15 beneficiaries are estimated⁷⁰.

The Plan - whose characteristics are described below in detail - provides:

- three-year performance targets (2018-2020) linked to Total Net Sales (NS), Net Sales of Guided Products (NSGP) and, for PFAs and Group Managers, also to the ratio between Guided Products (GP) as at December 31st 2020, on Total Financial Asset (TFA) as at December 31st 2019;
- entry conditions based on individual FinecoBank and Group performance;
- malus conditions of capital, liquidity and profitability at FinecoBank level and of Group capital and liquidity;
- specific individual compliance and claw-back conditions;
- a risk adjustment linked to the annual evaluation of the CRO Dashboard, assessed according to the methodology defined at Group level.
- a balanced structure of "upfront" and "deferred" payments, in the form of cash and/or shares (which will be purchased on the market).

Performance goals

Performance goals are defined on the basis of increasing targets as a percentage of the cumulative budget for the three-year period of the Plan, in terms of Total Net Sales (NS) and Net Sales of Guided Products (NSGP). Through the evaluation system, as described below, the Plan aims at rewarding the extra performance towards the defined goals.

Performance indicators work in a general "matrix" logic with different specificities, depending on the target population (PFA / Group Manager and Area Manager) as shown below.

⁶⁵ Always taking into account the individual compliance condition, as described above.

⁶⁶ Guided products refer to high added value products and developed services, considering the different customers risk profiles.

⁶⁷ For the Financial Advisors with managerial positions with more than 5 PFA coordinated.

⁶⁸ For PFAs and Financial Advisors with managerial position and less than 5 PFA coordinated.

⁶⁹ Group Managers and Area Managers (Financial Advisors with accessory assignment of other PFAs coordination)

⁷⁰ Identified pursuant to the regulation in place at the time

2019 Compensation Policy

For Group Manager and PFA population, increasing bonuses are expected up to a theoretical maximum when 250% of the cumulated budgets in terms of Total Net Sales and Net Sales of Guided Products are reached⁷¹.

NS	250%	70%	80%	100%	} <i>Theoretical Bonus</i>
	200%	60%	70%	80%	
	150%	50%	60%	70%	
		150%	200%	250%	NSGP

Vs 2018-20 budgets

For the purposes of determining the final maximum bonus a "multiplier" is also provided based on the ratio between Guided Products and Total Financial Asset, as shown below

<i>Final Bonus</i>	
GP/TFA	
≥ 65%	1,5x
<65% ≥60%	1,25 x
<60%	1x

For the Area Managers the performance evaluation follows the same logics with targets "vs budget" measured in a different way, as shown below. Differently from Group Manager and PFAs, in facts, the further multiplier is not provided⁷²

⁷¹ Group Manager that at December 31st 2020 have reached the personal targets as described in the matrix, in order to access the bonus shall have also achieved the goal of 100% of Total Net Sales and Net Sales of Guide Products in the period of the coordinated PFAs.

⁷² The multiplier is not provided for Area Manager in consideration of the scope of the role and considering challenging the achievement of the over-performance in terms of Total Net Sales and Net Sales of Guided Products.

2019 Compensation Policy

NS	200%	70%	80%	100%	} <i>Final Bonus</i>
	175%	60%	70%	80%	
	150%	50%	60%	70%	
		150%	175%	200%	NSGP

Vs 2018-20 budgets

Malus and entry conditions

For the purposes of the Plan, specific entry conditions are defined at individual, Bank and Group level as detailed below.

Individual and Bank entry conditions

In order to access the bonus, is provided at individual level the achievement of specific thresholds in terms of Net Sales of Asset under Management⁷³, namely:

- Net Sales of Asset under Management >150% of individual target for PFAs e Group Managers with individual portfolios
- Net Sales of Asset under Management >100% of group target for Area Managers and Group Managers with group portfolio.

In addition to the above individual conditions, in order to access the bonus, it is provided at Bank level the achievement of a EVA threshold equal or higher than € 180 Mio.

Entry and Malus conditions at Bank and Group level

In order to comply with regulatory provisions, are defined:

- specific "Entry Conditions" at Fineco and Group level that will be measured within the Plan performance years and can confirm, reduce or cancel the individual bonuses pursuant to what is detailed below, and
- specific Fineco and Group Malus conditions measured within the deferral period that can confirm, reduce or cancel the deferred portions, pursuant to what is detailed below.

For these purposes, specific Group and Fineco capital and liquidity indicators and Fineco profitability indicators have been defined. Capital and liquidity indicators (*Common Equity Tier 1 Ratio Fully Loaded, Liquidity Coverage Ratio and Net Stable Funding Ratio*) will be assessed yearly, while is provided a "cumulated" assessment of the profitability indicators (*Net Operating Profit Adjusted and Net Profit*). Below is shown the functioning mechanism of entry and malus conditions provided by the Plan:

⁷³ Measured at 31/12/2020 as "cumulated" within the Plan performance years

2019 Compensation Policy

Performance		Deferral	
Entry Conditions		Malus	
Group	Fineco	Group	Fineco
	Σ 2018-2020 NOP Adj >0		Σ NOP Adj >0
	Σ 2018-2020 Net Profit >0		Σ Net Profit >0
CET 1 Fully loaded > 11,1%*	CET 1 Fully loaded > 11,1%**	CET 1 Fully loaded > 11,1%*	CET 1 Fully loaded > 11,1%**
LCR > RAF Limit (101%)*	LCR > RAF Limit (101%)**	LCR > RAF Limit (101%)*	LCR > RAF Limit (101%)**
NSFR > RAF Limit (101%)*	NSFR > RAF Limit (101%)**	NSFR > RAF Limit (101%)*	NSFR > RAF Limit (101%)**

1) In the event of failure to reach the annual access conditions at Group level, a reduction of the bonus of 5% per year is proposed.
 2) In the event that Fineco's cumulative conditions are not met, the bonus will be canceled
 3) If Fineco's annual conditions are not met, a pro-rata bonus reduction is expected

1) In case of failure to reach the access conditions at Group level, a reduction of the deferred portion of 5% is proposed
 2) If Fineco's cumulative and annual conditions are not met, the deferred portion will be zeroed

* In line with the Group RAF 2019 (Trigger for CET1, Limit for LCR and NSFR). In the event of more restrictive regulatory changes in the performance years of the Plan, the defined thresholds will be updated accordingly

** Values aligned to those of the Group. In the event of more restrictive regulatory changes in the performance years of the Plan, the defined thresholds will be updated accordingly

In 2019 - in line with the provisions for the short-term Incentive System and in accordance with the Plan Regulations - the Capital and Liquidity conditions CET1 Fully Loaded Ratio, LCR and NSFR were changed for the year of performance.

The conditions must all be met for the purpose of awarding the maximum bonus (including deferrals).

The verification - in every year of performance of the Plan and in each year of bonus assignment - of the persistence of the agency relationship remains valid.

Each payment related to the Plan is subject to prior verification of the compliance of the behavior at individual level.

The bonus payment is subject to claw - back⁷⁴.

Risk adjustment

For the purposes of the appropriate Plan correction for the Bank's Risk, the results of the annual CRO Dashboard assessments for the purposes of short-term incentive systems⁷⁵ will be taken into consideration for each year of the Plan's performance. The presence of several 'neutral' annual assessments or negative assessments will result in a proportional reduction of individual bonuses, as shown below:

% BONUS	100%	75%	50%	25%	0%
CRO DB ASSESSMENT	1 'neutral' assessment and 2 positive assessments (or 3 positive assessments)	≥2 'neutral' assessments	1 negative assessment	2 negative assessments	3 negative assessments

Bonus payment

A maximum bonus target of equal amount has been defined for all the participants of the plan, in line with the provisions of the applicable regulatory provisions and the FinecoBank Compensation Policy.

Individual bonuses - in particular - confirm compliance with the maximum limits for the variable remuneration envisaged for the Plan Beneficiaries, also taking into account the short-term variable remuneration attributable to each year of performance.

The bonuses will be paid 40% in cash and 60% in Fineco shares, according to the payment scheme shown below:

⁷⁴ See paragraph 3.2.

⁷⁵ See paragraphs 5.3 and 5.5

2019 Compensation Policy

2018 - 2020	2021	2022	2023	2024	2025
PERFORMANCE	20% UPFRONT CASH	20% DEFERRED CASH	20% UPFRONT SHARES	20% DEFERRED SHARES	20% DEFERRED SHARES

- In 2021 the first installment of the total incentive will be paid in cash once verified the compliance at the individual level with rules and principles of conduct and behavior, considering the severity of any internal / external inspections (ie Audit, Consob and / or similar local authorities);
- in 2022-2025 the remaining amount of the total incentive will be paid in several installments in cash and shares; each individual tranche will be subject to the application of the Zero Factor relating to the year of competence and to the verification of compliance by each beneficiary with rules and the principles of conduct and behavior.

As per regulations, there are periods of unavailability on the shares assigned equal to two years for the shares allocated upfront and one year for deferred shares.

The evaluation of the results and the conditions for the individual awarding of bonuses will be carried out by the Board of Directors, upon the proposal of the Remuneration Committee, according to the established governance⁷⁶.

The Board of Directors does not take into account, when deciding bonus, balance sheet extraordinary items which do not impact operational performance, regulatory capital and liquidity (e.g. goodwill impairment, extraordinary contributions to deposit guarantee schemes, etc.).

The maximum number of shares to be assigned with the third, fourth and fifth tranches of the bonus shall be defined in 2021, on the basis of the arithmetic mean of the official closing market price of Fineco ordinary shares during the month after the Board resolution that verifies the performance achievements in 2020.

The Plan provides for an expected impact on FinecoBank share capital of approximately 0.08%, assuming that all free shares for Financial Advisors have been assigned. The current overall dilution for all other outstanding FinecoBank equity-based plans both for Employees and Financial Advisors equals 0.8% ca. However, the Plan does not have a proper dilution impact as the FinecoBank shares awarded are purchased on the market and are not generated through a free capital increase.

The beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans. Any form of coverage will be considered a violation of compliance rules and imply the consequences set out in the regulations, rules and procedures.

Moreover, following potential changes in current regulations and/or in relation to potential extraordinary and/or unpredictable contingencies which can impact the Group, the Company or the market in which it operates, the Board of Directors, having heard the opinion of Remuneration Committee, maintains the right to amend the system and relevant rules

⁷⁶ It is possible for the Remuneration Committee and the Board of Directors to increase bonuses up to 20% (within the maximum bonus provided by the Plan) or to correct them in negative without limits, in the presence of extraordinary conditions and taking into account elements such as for example behaviors with significant reputational impact. The 'positive' correction does not apply if the Group entry conditions are not reached, as described in this paragraph.

6. Compensation Data

6.1 2018 Compensation Outcomes

Employees

Euro/ 000

Population ☐	No.	Fix	2018 Variable				Deferred variable from previous exercises*****				Variable paid in 2018 from previous exercises*****	
			Upfront		Deferred		Vested in 2018		Unvested		€	Shares
			€	Shares	€	Shares****	€	Shares	€	Shares		
Chief Executive Officer and General Manager (CEO) *	1	850	170	-	255	425	85	1.737	452	2.674	226	2.394
Non-executives Directors**	8	753	-	-	-	-	-	-	-	-	-	-
Executives with strategic responsibilities***	5	1.622	363	-	544	906	149	3.006	791	4.646	396	4.167
Other Identified staff	10	1.710	421	-	159	285	42	134	221	447	478	279

* 10 % of the amount has been paid by UniCredit S.p.A.

** Included member employee of Unicredit Group. The fix amount of member employee of Unicredit Group has been defined in compliance with the in force policy "Policy in materia di struttura, composizione e remunerazione degli Organi Sociali delle Società di Gruppo".

*** Included an Executive with strategic responsibilities whose the employment relationship termination occurred during the year

**** 2018-2020 LTI Plan is not included since it is long-term performance and it has not been evaluated

***** The shares amounts related to UniCredit Group Incentive System Plans are expressed with conversion rate and after Capital increase resolved on March, 13th 2017

Euro/ 000

Population	No.	Fix	2018 Variable				Deferred variable from previous exercises**				Variable paid in 2018 from previous exercises**	
			Upfront		Deferred		Vested in 2018		Unvested		€	Shares
			€	Shares	€	Shares***	€	Shares	€	Shares		
Identified Staff belonging to business functions *	6	2.357	520	-	780	1.299	218	4.421	1.158	6.821	629	6.125
Identified Staff belonging to support functions	7	1.223	234	-	178	317	58	395	224	829	270	528
Identified Staff belonging to control functions	3	601	200	-	-	-	-	61	82	117	200	188

* 10 % of the amount of the CEO has been paid by UniCredit S.p.A. Included also an Executive with strategic responsibilities whose the employment relationship termination occurred during the year

** The shares amounts related to UniCredit Group Incentive System Plans are expressed with conversion rate and after Capital increase resolved on March, 13th 2017

*** 2018-2020 LTI Plan is not included since it is long-term performance and it has not been evaluated

The vested component refers to cash and equity awards to which the right matured in 2018 as the performance conditions were achieved:

-vested cash payments refer to 2017 Group Incentive System;

-vested equity payments refer to 2014, 2015, 2016 Group Incentive System and to "2014-2017 Multi-year Plan Top Management".

The unvested component refer to cash and equity awards for which the right did not matured in 2018 and for which any potential future gain has not been yet realized and remains subject to future performance:

-unvested cash payments refer to 2015, 2016 and 2017 Group Incentive System;

-unvested equity payments refer to 2014, 2015, 2016, 2017 Group Incentive System and "2014-2017 Multi-year Plan Top Management".

The value of the shares shown as 2018 variable and deferred variable from previous exercises is calculated considering:

-for 2014, 2015, 2016, 2017, 2018 Group Incentive System and for "2014-2017 Multi-year Plan Top Management", the arithmetic mean of the official closing prices of Fineco ordinary shares from January 4th to February 4th, 2019;

2019 Compensation Policy

-for 2014 Group Incentive System based on UniCredit shares, the arithmetic mean of the official closing prices of UniCredit ordinary shares from January 22nd to February 22nd, 2019.

Variable paid in 2018 from previous exercises includes pay-outs based on demonstrated multi-year performance achievements related to Group Incentive Systems plans based on Fineco and UniCredit shares and to the "2014-2017 Multi-year Plan Top Management".

All stock options granted under existing Group LTI plans represent zero gain for the beneficiaries as long as the entry conditions will not allow the exercise.

The Chief Executive Officer and General Manager and 4 Executives with strategic responsibilities (included an Executive with strategic responsibilities whose the employment relationship termination occurred during the year) for 2018 have been rewarded with more than 1 mln Euros.

In the end, it is underlined that in 2018 any non standard remuneration has been paid for the Identified Staff.

Severance defined in 2018 for an Identified Staff amounted to € 1.623.194.

Financial Advisor

Euro/ 000

Population	No.	Fix*	2018 Variable **				Deferred variable from previous exercises **				Variable paid in 2018 from previous exercises **	
			Upfront		Deferred		Vested in 2018		Unvested			
			€	Shares	€***	Shares** *	€	Shares****	€	Shares****	€	Shares****
Personal Financial Advisors belonging to Identified Staff	7	4.503	186	0	71	178	117	350	87	556	345	355

* Recurring remuneration (benefits and other compensations in kind included)

** Non-recurring remuneration

*** 2018-2020 LTI Plan is not included since it is long-term performance and it has not been evaluated

****Equity and Phantom share

The vested component refers to cash, equity and phantom shares awards to which the right matured in 2018 as the performance conditions were achieved. In particular:

- vested cash payments refer to 2015 Group Incentive System PFA and 2017 Group Incentive System PFA for Financial Advisors and Managers of the Network Identified Staff;
- vested equity and phantom share payments refer to 2015 Group Incentive System PFA, 2016 Group Incentive System PFA and "2015-2017 Plan PFA" for Financial Advisors and Managers of the Network Identified Staff.

The unvested component refer to cash, equity and to Phantom shares to which the right did not matured in 2018 and for which any potential future gain has not been yet realized and remains subject to future performance. In particular:

- the unvested cash payment refer to 2016 Group Incentive System PFA and to 2017 Group Incentive System PFA for Financial Advisors and Managers of the Network Identified Staff;
- the unvested phantom shares refer to 2015 Group Incentive System PFA for Financial Advisors and Managers of the Network Identified Staff;
- the unvested equity refer to 2016 Group Incentive System PFA, 2017 Group Incentive System PFA and to "2015-2017 Plan PFA" for Financial Advisors and Managers of the Network Identified Staff.

The value of the shares shown as 2018 variable is calculated considering the arithmetic mean of the official closing prices of Fineco ordinary shares from February 6th to March 6th 2019. The value of the shares / Phantom shares shown as deferred variable from previous exercises is calculated considering the arithmetic mean of the official closing prices of Fineco ordinary shares from January 4th to February 4th, 2019.

Variable paid in 2018 from previous exercises includes pay-outs based on actual performance achievements related to 2015 Group Incentive System PFA, to 2016 Group Incentive System PFA, 2017 Group Incentive System PFA and to "2015-2017 Plan PFA" for Financial Advisors and Managers of the Network Identified Staff.

6.2 2018 Compensation Policy

Total compensation policy for non-Executive Directors, Identified Staff and for the overall employee population demonstrates in particular how:

- remuneration of the non-Executive Directors, as approved by the Shareholders' Meeting, does not include variable performance-related pay;
- Identified Staff are offered opportunities for variable compensation in line with their strategic role, regulatory requirements and our pay for performance culture;
- the general employee population is offered a balanced pay-mix in line with the role, scope and business or market context of reference.

COMPENSATION PAY-MIX		
	FIX AND OTHER NON - PERFORMANCE RELATED PAY	VARIABLE PERFORMANCE - RELATED PAY
<i>NON-EXECUTIVE DIRECTORS</i>		
Chairman and Vice Chairman	100%	0%
Directors	100%	0%
Statutory Auditors	100%	0%
<i>OVERALL EMPLOYEE POPULATION</i>		
Business areas	75%	25%
Support function	91%	9%
Overall Company	88%	12%

6.3 Benefit Data

Our employees enjoy welfare, healthcare and life balance benefits that supplement social security plans and minimum contractual requirements. These benefits are intended to provide substantial guarantees for the well-being of staff and their family members during their active careers as well as in retirement.

In Italy, among the complementary pension plans, there are defined benefit plans and defined contribution plans. In most cases, benefits are paid out once retirement requirements are satisfied: in the first ones the benefit's calculation is known in advance, while in defined contribution plans the benefit depends on allocated asset management results.

Complementary pension plans are external pension funds, legally autonomous from the Group. These plans are closed and do not allow new subscriptions, the only exception is represented by the defined contribution plan section of the "Fondo Pensione per il Personale delle Aziende del Gruppo UniCredit".

Within this section subscribers can distribute contribution, depending on their own risk appetite, among four investment lines (Insurance, Short, Medium and Long Term) characterized by different risk / yield ratios. In addition, always in this section, the enrolled employees may open complementary pension plan positions in favour of their family members dependent for tax purposes.

[finecobank.com](https://www.finecobank.com)