



B A N K

Italian Sustainability Day

Borsa Italiana

Milan, July 2nd 2020

FINECO. SIMPLIFYING BANKING.

“One stop solution” business model for a Sustainable growth

Fully integrated offer of Banking, Brokerage and Investing via multi-channel approach

Physical distribution network

2,557⁽¹⁾ PFAs and 397⁽¹⁾ Fineco Center

Guided open architecture platform

Over 6,200⁽¹⁾ mutual funds
by more than 70⁽¹⁾ Asset Managers worldwide

Online and Mobile banking

100% of operations can be performed online or from apps

High quality Lending

Lending offered only to existing base of retail clients (no corporate)

Strong focus in building a low-risk and high-quality portfolio

Safe lending portfolio thanks to internal IT culture, powerful datawarehouse system and Big Data analytics



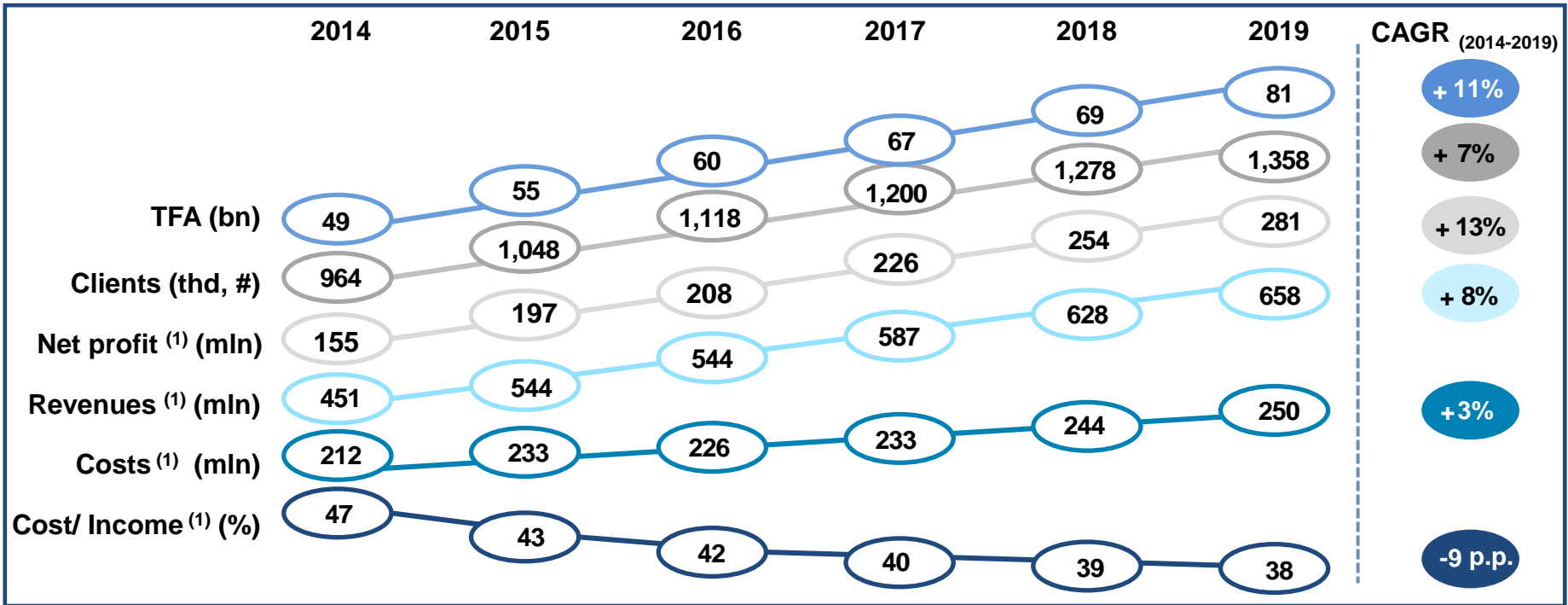
Brokerage platform

Direct access to 26⁽¹⁾ global markets, bonds, ETFs, futures and 21⁽¹⁾ currencies both online and mobile

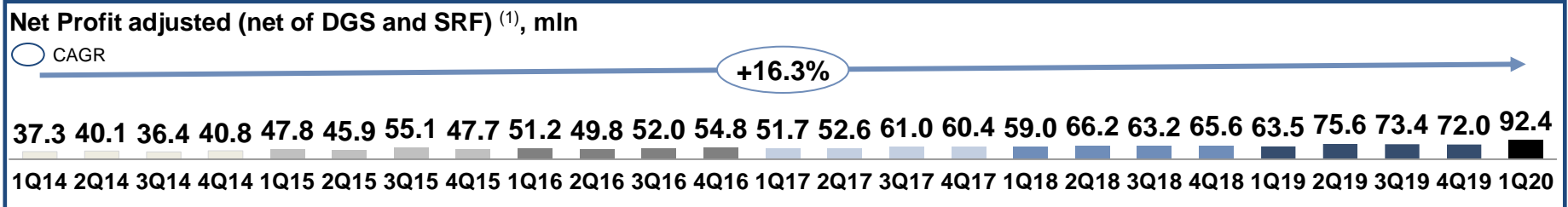
⁽¹⁾ 1Q 2020

Healthy and sustainable growth with a long term horizon

Highly scalable operating platform...



...with a diversified revenues mix leading strong results in every market conditions



⁽¹⁾ Figures adjusted by non recurring items and Net Profit adjusted net of Deposit Guarantee Scheme and Single Resolution Fund (FY15: -3.1mln net, FY16: -7.1mln net, FY17: -7.1mln net, FY18: -9.6mln net, FY19: -12.1 mln net, 1Q20: -0.3mln gross, -0.2mln net)



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Our Pillars as key drivers for Sustainability

The keys of our strategy leads path of sustainable growth committed to maximize Stakeholders' value



EFFICIENCY

- ✓ **Proprietary back-end:** in-house development and automated processes allow an efficient cost structure and fast time to market
- ✓ **Strong focus on IT & Operations** and more flexibility
- ✓ **Strong operating leverage** thanks to best in class operating platform and internal IT culture



INNOVATION

- ✓ **Digitization** as a main market trend and a key driver for Sustainability
- ✓ Anticipate customers need by **simplifying** their life
- ✓ Lending: strong competitive advantage leveraging on **Big Data analytics**



TRANSPARENCY

- ✓ **Fairness** and respect for all our stakeholders
- ✓ **High quality** products and services for our clients
- ✓ **Fair pricing⁽²⁾** and **no performance fees**
- ✓ **Cost of funding** close to zero
- ✓ **High quality lending portfolio**, offered only to existing base of clients and low cost of risk

Our ESG ratings

- ✓ **Standard Ethics⁽¹⁾ has upgraded FinecoBank's rating at "EE+" (very strong) from "EE"**, thus placing the Bank among the only three credit institutions that achieved the most solid level currently assigned. In 2019 Standard Ethics also assigned us an **ESG Award**
- ✓ **MSCI has upgraded FinecoBank's rating at "A" from "BBB"**

⁽¹⁾ Standard Ethics is an independent agency which assigns Solicited Sustainability Ratings to companies and sovereign issuers. Fineco is included in the Standard Ethics Italian Banks Index© and in the Standard Ethics Italian Index, among the major environmental, social and governance performance indices and benchmarks. The Standard Ethics Rating is an assessment of sustainability and governance based on the principles and voluntary directions of the United Nations, the Organization for Economic Cooperation and Development (OECD) and the European Union.

⁽²⁾ In 2019 we were ranked as the most transparent player in Mifid2 reports by ADUC, an Italian consumer association

Sustainability as main pillar of growth

Total alignment with clients' interest in the way we grow the business



CUSTOMER SATISFACTION at 97%⁽¹⁾
No.1 Bank in terms of REPUTATION⁽²⁾



NO short-term aggressive COMMERCIAL OFFERS
and **ZERO REMUNERATION** on current accounts



Total **ABSENCE OF PERFORMANCE FEES**



BENEFITS from FAM SHARED WITH CLIENTS:
better quality and timely products with lower TER

Low UPFRONT FEES representing only

3%

of Investing fees ⁽³⁾



FOCUS ON ORGANIC GROWTH
Low incidence of net sales from recruiting (~10%) ⁽³⁾

⁽¹⁾ Source: Kantar Tri*M Index, Dec. 2019

⁽²⁾ Source: Reputation Institute, Dec. 2019

⁽³⁾ Figures as of March 31st, 2020

Fineco Asset Management, adding value to our sustainable strategy

FAM sustainable approach is fully aligned to our long-term sustainable strategy



✓ **FAIR PRICING** to our customers, **NO PERFORMANCE FEES** as a strategic choice



✓ **BETTER TIME-TO-MARKET, LOWER FEES TO CLIENTS AND HIGHER MARGINS** thanks to **OPERATIONAL EFFICIENCY** shared with both PFAs and clients (operational efficiency comes from internalization of the value chain of the investing business coupled with a vertically integrated business model)



✓ **INNOVATION AND FLEXIBILITY** to deliver the right products for customers' risk appetite in every market condition (latest solutions: decumulation products to take advantage of bear market, capital preservation fund)



✓ **STRONG RISK MANAGEMENT** thanks to the look-through on daily basis on funds' underlying assets

Stakeholder engagement



CUSTOMERS

- Customer satisfaction
- Instant feedback
- Brand Reputation
- Customer Care
- Social Media



REGULATORS

- Meetings
- Conference Calls
- Cooperative Compliance Scheme



EMPLOYEES

- People survey
- Performance Management
- Intranet Portal
- Onboarding new hires
- Ad-hoc surveys on specific topics



FINANCIAL ADVISORS

- Dedicated Platform
- Specific meetings at different levels (AM, GM, Team, one-to-one)
- Calls and web conferences
- Workshops and training activities
- Committees

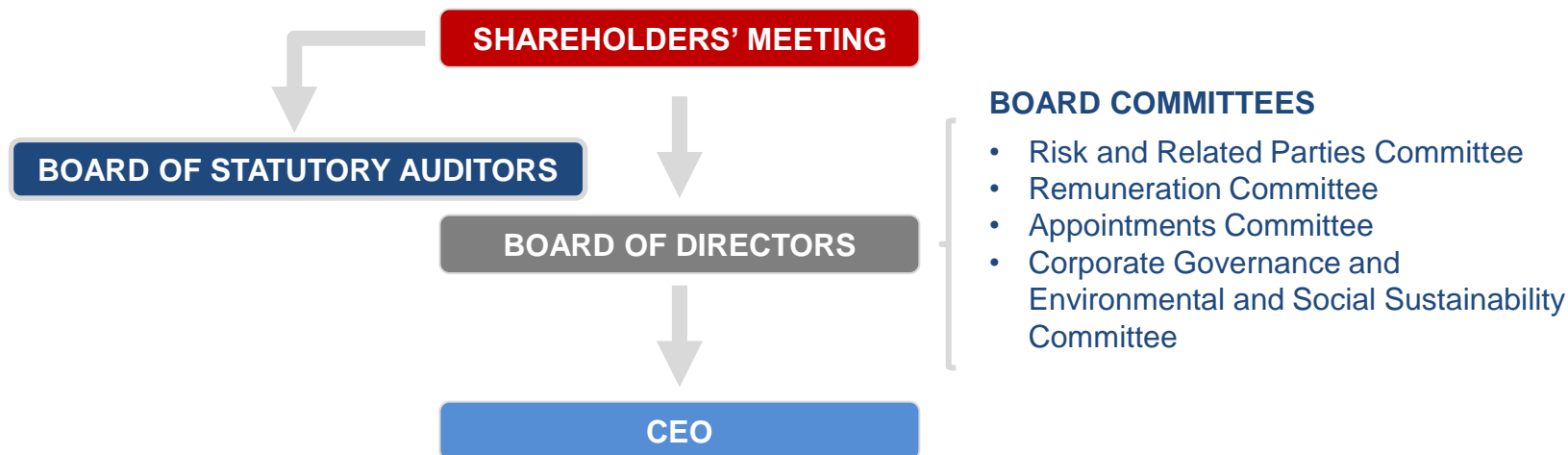


SHAREHOLDERS

- Shareholders' Meetings
- Meetings with analysts, investors and proxy advisors
- Investor Relations activities

Our Corporate Governance as a fully independent public company

Traditional management and control system based on **two bodies** appointed by the Shareholders' Meeting: **Board of Directors (BoD)** and **Board of Statutory Auditors**:



Board of Directors

A new Board of Directors was appointed by the Ordinary Shareholders' Meeting on **April 28th 2020**, this year based on lists of candidates submitted by the Board of Directors and the Shareholders⁽¹⁾. Specifically, two Directors were assigned to the list that came second in terms of number of votes. The composition is consistent with the current regulations⁽²⁾ and Fineco's Statute.



11 members
(+ 2 vs 2019)



10 Independent directors



1 Executive director (CEO and GM)



5 / 11 Female members (45%)⁽³⁾



58.4 avg age



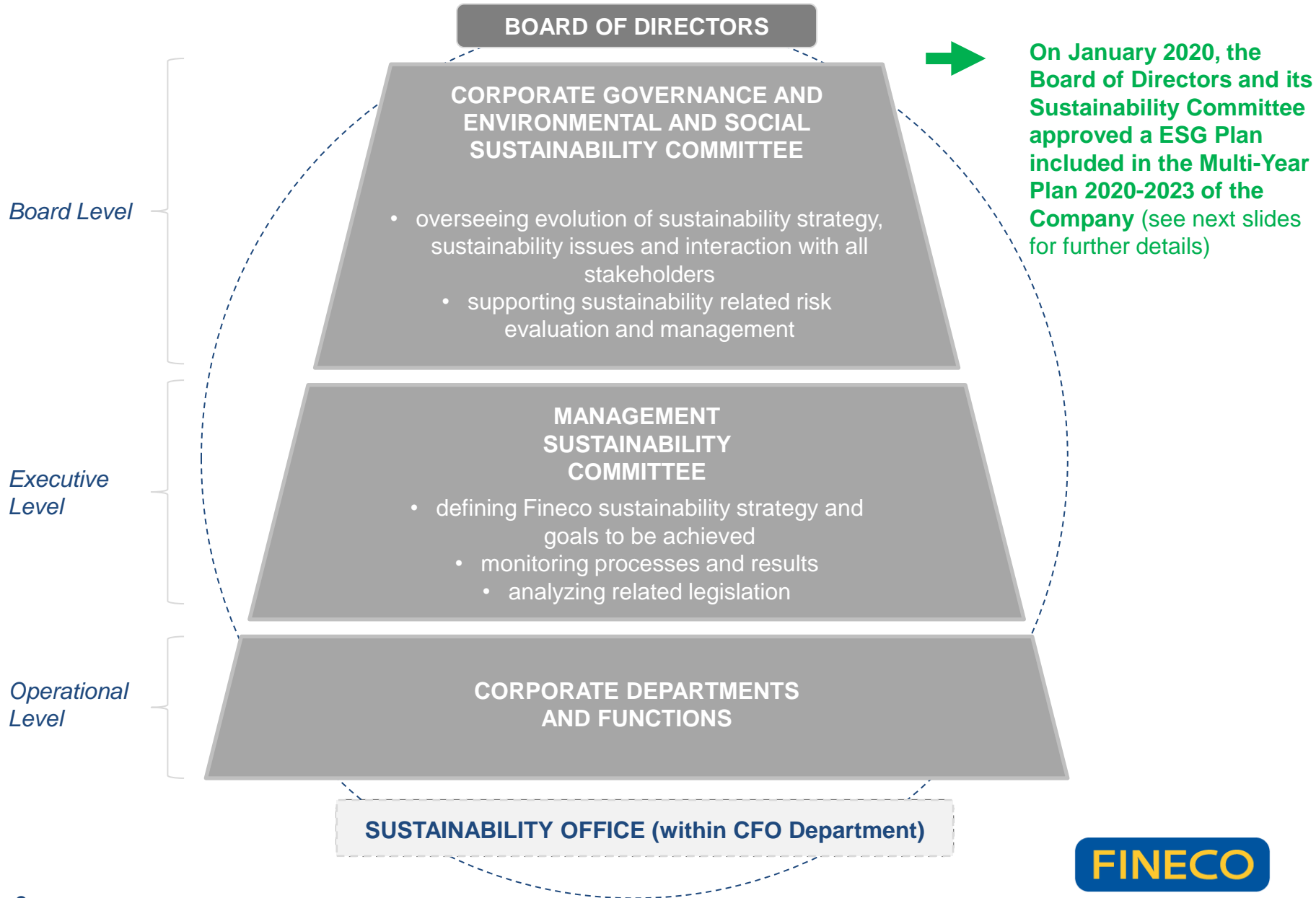
97% avg Board meeting attendance (FY19)

⁽¹⁾ It will remain in office until December **31st 2022**.

⁽²⁾ Supervisory Authorities (e.g. Banca d'Italia, CONSOB) and the Corporate Governance Code for listed companies (Borsa Italiana S.p.A.)

⁽³⁾ Following the amendments made by law no. 160/2019 to Article 147-ter, paragraph 1-ter of the Consolidated Finance Act, at least 2/5 of the **8** directors should belong to the least represented gender (40%).

Governance of Sustainability



Compliance and responsible business

We are committed to promoting a shared compliance culture throughout the Company. This is the reason why we are reviewing and updating all Company's compliance related policies, in order to make them suitable to for the new Fineco reality.

Already updated

- ✓ **Organisation and Management Model and Code of Ethics (Leg. Dec. 231/2001)** containing rules aimed at ensuring that everyone's conduct is always guided by criteria of fairness, cooperation, loyalty, transparency and mutual respect
- ✓ **Global Policy Antimoney laundering and counter terrorism financing**
- ✓ **Global Policy - Anti-trust and Unfair Commercial Practices**
- ✓ **Global Policy – Group Tax Strategy**
- ✓ **Global policy for the management of transactions with persons in potential conflict of interest**
- ✓ **Global Policy Whistleblowing**, employees and personal financial advisors can report anonymously any conduct in violation of the law or the Bank's internal rules



To be updated

- **Code of Conduct and Charter of Integrity**, defining the general principles of ethics and conduct we recognize as our own, with the aim of promoting our culture of compliance and our commitment to sustainability among our employees, financial advisors as well as suppliers
- **Global Anticorruption Policy** setting minimum standards for anti-corruption compliance and applies to officers and members of strategic, supervisory and executive bodies, employees and financial advisors
- **Human Rights Commitment**

Training initiatives

FINECO

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Risk and compliance culture to ensure long-term sustainable profitability (1/2)

Fineco adopts a **Risk Appetite Framework (RAF)** that establishes the level of risk acceptable to the Bank, in line with business objectives. **The RAF is geared towards achieving sustainable profitability and steady business growth.**



OPERATIONAL RISKS

- Fineco monitor on a monthly basis about **70 Key Risk Indicators**, aiming at providing an overview of the Group's performance, assessing the effectiveness of the processes and strategies adopted for risk mitigation and safeguarding the interests of customers (for example, KRIs relating to complaints). We also make scenario analysis in order to examine extreme but possible situations, we collect and categorize all operational losses > € 500 (10 years history) and we subscribe insurance policies in order to mitigate the residual risk (i.e: unloyal financial advisors)
- Moreover, we use a remote monitoring system on financial advisors activities: **System for Fraud Identification and Analysis (SoFIA)**
- As of 2019, we formalized the risk assessment process as well as the validation of the internalization activities

➔ **Goal '20-'23: fully integrating ESG risk into the Risk Management system of the Bank**

Risk and compliance culture to ensure long-term sustainable profitability (2/2)



CYBER SECURITY

- Security strategy follows a multi-tiered approach based on deep customer knowledge, behavioral analysis and risk assessment; **vulnerability analysis** and management capabilities well defined; strong monitoring of ICT Risk at 1 and 2 levels
- Formal and comprehensive **Security Incident Response Plan**. A detailed plan with a number of different levels (governance, organization, operation and reporting) tested at least annually
- **2 specific indicators monitored in RAF**, related to **losses for system failure** and **ICT incidents**; the system collects also ICT incidents data, which did not cause any losses
- Core system and security services **internally managed: ICT&Security Office Department** (CIO – 20% of total FTEs) with a dedicated **Anti-Fraud Team**

No security breaches involving customers' information⁽¹⁾

No information security/cybersecurity related fines/penalties⁽¹⁾

> 99,9% uptime of homebanking during first months of 2020

No significant losses registered for system failure (27k)⁽¹⁾



ANTI MONEY LAUNDERING

- + **20 procedures**, guiding AML processes related to Know Your Customer and Customer Due Diligence considering many factors, among which: type of customers, their operating sector, geographical areas, type of products and services provided
- **3 levels of controls: Offices** responsible for detecting and controlling AML risk (**1st**); **Risk Assessment & Controls Team** for controls on AML processes in place and for the AML risk self-assessment (**2nd**); **Internal Audit** carrying out independent assessments, periodically ensuring the effectiveness of the risk management, governance, and internal control processes (**3rd**).

No AML related fines or penalties

⁽¹⁾ 4Q 2019

Training initiatives

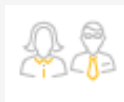


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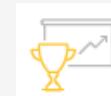
Our People



1,225 employees
98% permanent



60% new hires < 30 years old
42.4% women



2,541 Financial Advisors
50% of new PFAs beginners

Diversity & Inclusion

- Specific Monitoring of employees returning from maternity leave
- Gender Pay Gap monitoring
- **ABI Women in Bank: Enhancing Gender Diversity Charter**
- Association Agreement with **Valore D** and participation to specific training courses

- ➔ Update **Global Gender Equality Policy**
- ➔ Monitoring the Y/Y delta on **Gender Pay Gap**⁽¹⁾
- ➔ **Promotion of women in managerial roles**
- ➔ Employee **training awareness** on these topics

Main ESG strategic goals 2020-2023

- **Joint Commission** for **work-life balance, innovation** and **welfare**
- **New Health Plan** for all employees, with new features (i.e: 'Maternity package', reimbursement of psychotherapy)
- Reimbursement of bike-sharing annual fee for all employees

- ➔ **Extention of the range of welfare solutions** (activity enhanced during Covid 19 outbreak)

Welfare

Training

- **25** average training hours for employees and **72** for PFAs
- Increased "**Behavioral training**" for employees (+1,508 vs '18)
- **Multidisciplinary courses** for PFAs including social dynamics, technological developments and relational skills

- ➔ Training initiatives on **ESG issues** for financial advisors

Figures as of FY 2019

Our Customers

EASE OF USE



> **1,300,000** customers



97% satisfied clients (96% in '18)

QUALITY

Adivice Platform with **ESG Funds research**



2.396 claims 2019 (vs 3.308 in '18)

FAIR PRICING

+90% processed

ESG Offer

- **FINECO ASSET MANAGEMENT:** strong contribution to our focus on sustainability and **full alignment with customers' interests through its product innovation, time-to-market, fair pricing and total absence of performance fees.**
Latest ESG oriented products:
 - **FAM Megatrends** allocating 25% of asset in sustainable investments in 8 themes⁽¹⁾
 - **FAM Sustainable Target Boost**, defining equity portfolio in funds exposed to global companies with ESG criteria in their business.
- **41%** funds with **ESG Rating** above «Average» (more than 2,500 funds in open architecture platform or € 6.7 bn AUM)⁽²⁾
- **Wealth Management - Private Value Lines** based on sustainable strategy ⁽²⁾
- **New ESG Funds available on our Platform from April 2020**, following specific ESG strategies (i.e.: Climate Action, Emerging Market)
- **Green Mortgages: 22%** of total amount granted (for purchase of energy class A or B properties)

Main ESG strategic goals 2020-2023

- ➔ Increasing offer of funds with ESG rating
- ➔ Increasing our offer with social&environmental benefits (lending)
- ➔ Designing new funds based on ESG criteria

Figures as of FY 2019

⁽¹⁾ Water, climate change, automation and electric transports, smart cities, fintech, drones and oncology

⁽²⁾ At March 31st, 2020

Environmental Impacts

We are starting a 3-years project on the implementation of an **Environmental Management System** (EMS – in compliance with **EMAS Regulation**) aiming at analyzing, monitoring and setting cross-functional targets about both direct and indirect environmental impacts of the Bank.

Main ESG strategic goals 2020-2023

Direct Impacts

Responsible use of resources

- **2.2 tons** of paper saved vs 2018 thanks to **dematerialisation and process automation**

Energy Consumption and GHG emissions

- **83%** of total energy consumption (42 TJ) due to indirect energy consumption*
- **81%** of electric energy purchased from renewable sources
- **430 tCO₂e** direct emission (Scope 1)

→ Implementation of **EMS** aiming at analyzing the “as is” situation and setting targets to be pursued regarding use of resources and waste management as well as energy consumption and GHG emissions (reduction targets)

→ **Environmental Policy**

Indirect Impacts

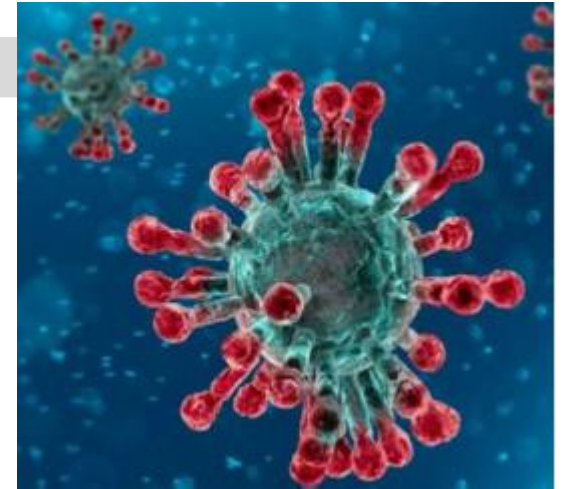
→ Implementation of EMS (EMAS Regulation) aiming at analyze the “as is” situation in terms of **integration of environmental criteria in core business** (investing, credit and lending products&services), assessing environmental **indirect risks** and set **targets**

→ **Environmental Policy**

Focus: Covid 19 emergency

PROTECTING OUR PEOPLE

- **SMART WORKING** extended to all employees – 5 days a week since the emergency broke out and **PAID TIME OFF** for particular family matters
- **ENHANCED WELFARE SYSTEM** with new solutions that can be used from home free of charge, including wellness and online nutrition advices, sports on demand and language training
- **PHONE MEDICAL CONSULTATION** for sanitary emergency and **PSYCHOLOGICAL SUPPORT** in phase 2 available for 3 months
- **REFUND OF BIKE SHARING ANNUAL FEE** available for all employees from Milan and Reggio Emilia (phase 2)



DIGITIZATION AS DRIVER FOR A BEST-IN-CLASS CUSTOMER EXPERIENCE



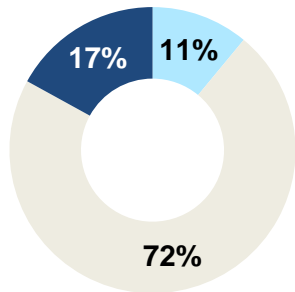
- **PROMPT SUPPORT** to clients thanks to integrated platforms available for Financial Advisors, (such as X-Net) providing a complete and immediate analysis of clients individual needs as well as clients platforms always available
- **TRAINING ACTIVITIES** both for financial advisors and clients aiming at guiding them to better cope the emergency (more than 700 events, involving about 40.000 customers and prospects in the 1H2020)
- **CREDIT LINE** aimed at anticipating the compensation fund directly to the clients in lay-off
- **SUSPENSION OF MORTGAGE INSTALLMENTS** according to Italian legislation in place

Our People

COMPOSITION

 **39 years**
Average age of employees

 **60%**
of new hires were under 30



■ Over 50 years ■ 31 to 50 years
■ Up to 30 years

EMPLOYEES BY EMPLOYEE CATEGORY AND GENDER

	2019		Total
	Men	Women	
Executives	30	5	35
Managers	285	109	394
Professional employees	391	405	796
Total	706	519	1,225

PERFORMANCE MANAGEMENT

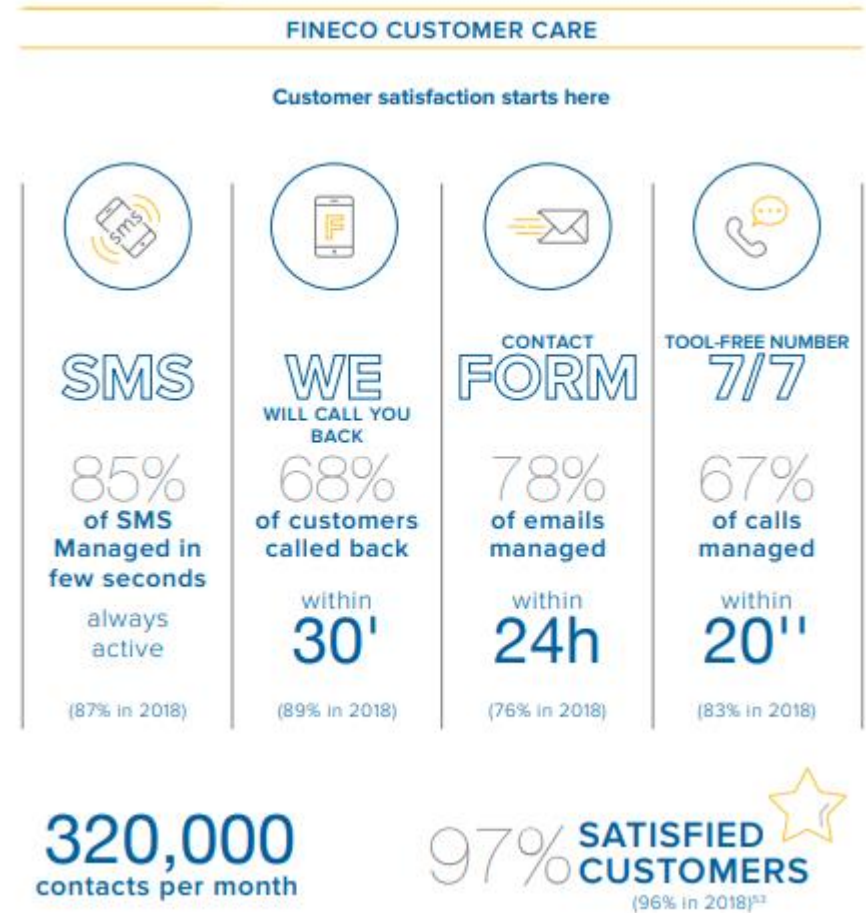
- ➔ **Culture of feedback** at all levels
- ➔ **Transparency, training and professional development** to improve motivation and commitment
- ➔ **Annual review** to plan, manage and develop initiatives to meet colleagues' professional growing needs



Customers

Internal Customer Care: **16% of total FTEs**

- ➔ **One-Stop Solution:** our customers can access banking, brokerage and investment services through a single current account
- ➔ **Excellence at all times:** We constantly develop high-quality products and services easy-to-use, able to satisfy the full range of customers' financial needs
- ➔ **Constant dialogue with customers** through our internal Customer Care and the network of financial advisors



Training is central for the Bank

EMPLOYEES

Average hours of training, by gender and employee category

Average hours of training by employee	2019	2018
	25.1	28.2

Average hours of training by employee category	2019	2018
Executives	18.9	31.3
Managers	54.7	24.7
Professional employees	10.7	29.7

Hours of training by training field

Hours of training	2019	2018
Technical	11,677	14,183
Linguistic	8,712	9,918
Mandatory	8,422	8,414
Behavioural	1,937	429

FINANCIAL ADVISORS

- ➔ **2-years training course** for young Financial Advisors to improve technical and soft-skills (total over 1,000 training days)
 - ➔ **184,000** total training hours provided in 2019 (+ 25,000 hours vs 2018)
 - 117,221** training hours in mandatory fields
 - 59,273** training hours in business-related fields
 - 1,605** training hours private sector training
 - 6,398** training hours for new financial advisors
- Training courses designed periodically with the management team and differentiated by field based on the current needs of the network.

CUSTOMERS

Increase awareness about the proper use of financial instruments and the way to better manage own resources

- Financial markets
- Market movers
- financial products and services
- Particular attention to **behavioral finance**



In 2019, about **17,000 people** joined Fineco courses (+124 courses vs 2018):

- **135** seminars
- **142** webinars
- **282** short videos

Figures as of FY 2019

Relationship with Regulators

Relationship with Regulators is based on principles of integrity, transparency, fairness and cooperation



July 2017: Admitted to the Cooperative Compliance Scheme⁽¹⁾, which allows the Bank to take part to a register of taxpayers (published on the Revenue Agency's official website) **operating in full transparency with the Italian tax Authorities**. This is a **fundamental milestone** for Fineco.



In From 2016: Fineco has adopted a **public Tax Strategy** that describes the guidelines and principles of Fineco for the management of tax issues and specifically of the associated risks (both financial and reputational) – Published on corporate website



In 2020, Fineco was the first bank in Italy to which the Italian tax Authorities has recognized a **tax benefit “Patent Box”** (around 22 mln €) thanks to the income deriving from the use of intangible assets such as the Trademark and some internally developed softwares (Advice, Website, PowerDesk, Internalization)