

**FINECO**

B A N K

# 2018 COMPENSATION POLICY

**FINECO. SIMPLIFYING BANKING.**



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# 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 2018.

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 2017; the “Compensation Policy”, which describes the key principles of our approach to the remuneration and incentive systems for Employees and Financial Advisors in 2018; finally, the “Annual Remuneration Report”, which provides detailed information on FinecoBank remuneration practices and the results of the processes implemented in 2017.

Also this year, in support of our efforts to ensure maximum clarity in remuneration practices, we propose a clear, complete and immediately accessible policy. Our values are based on the concept of transparency, as an element that can protect and strengthen our reputation and create value in the long term, in the interest of all the Bank’s stakeholders.

For Fineco, 2017 was once again a year of great results, with record figures, confirming the sustainability of our growth and a well-diversified business model that received the solid contribution from all areas of the Bank.

This approach is reflected in the trust that our customers continue to put in this model and in the ability of our professionals to face new challenges positively.

The Remuneration Committee was renewed in April 2017, picking up the inheritance left by the previous Committee, which we thank for the excellent work done and the commitment to define a remuneration policy in line with the principles and mission of FinecoBank.

In continuity with last year, we have worked to consolidate and continuously improve remuneration policies, involving the main corporate bodies and functions from time to time. Our model of remuneration governance aims to guarantee adequate control of all the Bank’s remuneration processes, ensuring that decisions, after receiving all the relevant information, 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 the design of the incentive plans, with the goal of guaranteeing an architecture that suits the Bank’s remuneration strategy, in line with applicable regulations and consistent with the best market practices.

The goal of our remuneration policy is to attract, motivate and retain the best resources, rewarding merit and talent and guaranteeing a solid process of performance assessment, avoiding excessive risk-taking.

This year, with the aim of retaining key resources, and at the same time motivating and encouraging them towards our long-term goals for the three-year period 2018-2020, specific Long-Term Incentive Plans have been defined.

These Plans represent the main innovation introduced in the 2018 Compensation Policy compared to the 2017 Compensation Policy, which we were proudly and widely appreciated for by you Shareholders and the market in general.

On behalf of the Remuneration Committee, I would also like to thank you Shareholders for the constant willingness to discuss and share each need and point of view, and for the time you will spend reading our 2018 Policy, trusting in your appreciation.

Sincerely,

**GIANMARCO MONTANARI**  
Chairman of the Remuneration Committee

A handwritten signature in black ink that reads "Gianmarco Montanari". The signature is fluid and cursive.



SECTION I –

**EXECUTIVE  
SUMMARY**

# Executive Summary

## 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.

FinecoBank 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.



## Elements of our 2018 compensation approach and key results of 2017:

Key elements of 2018 Compensation Policy	Description
<b>1. Key principles</b> <ul style="list-style-type: none"> <li>• Clear and transparent governance</li> <li>• Compliance with regulatory requirements and principles of good professional conduct</li> <li>• Continuous monitoring of market trends and practices</li> <li>• Sustainable pay for sustainable performance</li> <li>• Motivation and retention of all staff, with particular focus on talents and mission-critical resources</li> </ul>	<b>Details – Section II</b> <ul style="list-style-type: none"> <li>• <b>The key principles of our Compensation Policy</b> ensure a correct definition of competitive compensation levels, internal equity and transparency</li> <li>• Compensation Policy is aligned to the national and international regulatory requirements. Full compliance of compensation policies and processes is assured through <b>involvement of Company Control Functions</b>: such as Compliance and Risk Management, that also guarantee the coherence with the <i>Risk Appetite Framework</i>, in line with sector regulations<sup>1</sup></li> </ul>
<b>2. Compensation Benchmarking</b> <ul style="list-style-type: none"> <li>• Update of the peer group for compensation benchmarking, performed by the independent advisor of the Remuneration Committee</li> </ul>	<b>Details – Section III paragraph 3</b> <ul style="list-style-type: none"> <li>• With specific reference to <i>Identified Staff</i> population of FinecoBank, the Remuneration Committee identifies, supported by the independent external advisor, the <b>peer group</b>, considering our main Italian and European peers on which compensation benchmarking analysis are performed</li> </ul>
<b>3. Identified Staff definition</b> <ul style="list-style-type: none"> <li>• Application of qualitative and quantitative criteria which are common at European level defined by EBA Regulatory Technical Standards</li> </ul>	<b>Details – Section III paragraph 5.1</b> <ul style="list-style-type: none"> <li>• As per Bank of Italy request, also for 2018 the identification of the <b>Identified Staff</b> has followed a structured assessment process both at Group and local level, involving <i>Compliance</i> and <i>Risk Management</i> functions of FinecoBank. The self-evaluation brought to a total number of Identified Staff for 2018 equal to <b>16 employees and 7 Financial Advisors</b></li> </ul>
<b>4. Ratio between variable and fixed remuneration</b> <ul style="list-style-type: none"> <li>• 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 <i>Identified Staff</i></li> </ul>	<b>Details – Section II paragraph 3.1</b> <ul style="list-style-type: none"> <li>• 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, <b>except for the Identified staff of the Company Control Functions<sup>2</sup>, for which it is provided that the variable remuneration</b> could not exceed 1/3 of the fixed remuneration and that incentive mechanisms are consistent with the assigned tasks as well as independent of results from areas under their control</li> <li>• With reference to applicable regulations, regarding the <b>Financial Advisors belonging to Identified Staff</b>, the 2:1 ratio will be adopted between the non-recurring and the recurring component of the remuneration</li> <li>• 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 requirements</li> <li>• 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, avoiding the decrease of deferred compensation</li> </ul>
<b>5. Incentive system linked to the annual performance for the employees belonging to Identified Staff</b> <ul style="list-style-type: none"> <li>• The FinecoBank 2018 Incentive System, that confirms the "bonus pool" approach, provides for a strong link between remuneration, risk and sustainable profitability</li> <li>• Such system provides for an overall performance assessment both at individual level and at Group and local level</li> </ul>	<b>Details – Section III paragraph 5.3</b> <ul style="list-style-type: none"> <li>• <b>Bonus pool</b> whose size is linked to the Bank profitability;</li> <li>• <b>Entry and malus conditions</b>: defined on the basis of performance indicators in terms of profitability, capital and liquidity defined at both Group and local level</li> <li>• <b>Risk adjustment</b> on the basis of indicators coherent with Fineco's Risk Appetite Framework</li> <li>• <b>Bonus allocation</b>: incentives are allocated taking into consideration the available bonus pool and the individual performance evaluation based on specific performance indicators</li> <li>• <b>Pay-out</b>: individual bonuses composed of 50% cash and 50% shares; pay-out over a multi-year period, ensuring alignment with shareholders' interests; each payment is subject to <i>malus</i> and claw-back conditions, as well as to compliance assessment of individual behaviours</li> </ul>

<sup>1</sup> i.e. Capital Requirement Directive IV (CRD IV); EBA Regulatory Technical Standards (RTS); Bank of Italy "Disposizioni di vigilanza per le Banche", 7th update to the Circular n. 285 of 17th December 2013.

<sup>2</sup> Meaning Risk Management, Compliance and Human Resources functions. Human Resources function is considered Company Control Function, as far as remuneration and incentive policies and practices are concerned, pursuant to Bank of Italy Circular nr. 285 of 17 December 2013. Audit function is outsourced in Holding.

## Executive Summary (CONTINUED)

## Elements of our 2018 compensation approach and key results of 2017: (CONTINUED)

Key elements of 2018 Compensation Policy	Description
<p><b>NEW</b></p> <p><b>6. 2018-2020 share based Long Term Incentive Plan for Employees</b></p> <ul style="list-style-type: none"> <li>A new share-based Long Term Incentive Plan for the three years performance period 2018-2020, has been defined, to incentive, motivate and retain selected Employees.</li> <li>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.</li> </ul>	<p><b>Details – Section III paragraph 5.4</b></p> <ul style="list-style-type: none"> <li><b>Performance goals</b> 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.</li> <li><b>Entry and malus conditions:</b> defined on the basis of performance indicators in terms of profitability, capital and liquidity defined at both Group and local level</li> <li><b>Risk adjustment</b> on the basis of indicators coherent with Fineco's Risk Appetite Framework</li> <li><b>Individual bonus payment</b> in Fineco shares, in installments, in a multi-year period, subject to malus and claw-back condition and to compliance assessment of individual behaviours</li> </ul>
<p><b>7. Share Ownership Guidelines</b></p> <ul style="list-style-type: none"> <li>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</li> </ul>	<p><b>Details – Section II paragraph 3.5</b></p> <ul style="list-style-type: none"> <li>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)</li> </ul>
<p><b>8. Termination payments</b></p> <ul style="list-style-type: none"> <li>Severance 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)</li> </ul>	<p><b>Details – Section II paragraph 3.3</b></p> <ul style="list-style-type: none"> <li>the <b>Termination Payments Policy</b> (also "Severance Policy") – approved by the 2017 Annual General Meeting - is defined according to the regulatory requirements issued by Bank of Italy in the Circular no. 285 of 17th December 2013, 7th update. The document defines criteria, limits and authorization processes for severance payments</li> </ul>
<p><b>9. Performance measurement</b></p> <ul style="list-style-type: none"> <li>Review of the "<i>KPI (Key Performance Indicators), Bluebook</i>", that supports manager and incumbent to define the Performance Screen that refers to the annual Incentive System for the employees <i>Identified Staff</i></li> </ul>	<p><b>Details – Section III paragraph 5.3.1</b></p> <ul style="list-style-type: none"> <li>The <b>KPI Bluebook</b> 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 <i>KPI Bluebook</i>, are certified with the involvement of Group functions <i>Human Resources, Finance, Risk Management, Compliance, Group Sustainability, Group Stakeholder and Service Intelligence and Audit</i>, which reflect the Bank's core operating profitability and risk profile. Also this year the <i>KPI Bluebook</i> has been structured and clustered on the basis of the different Group's business</li> </ul>
<p><b>10. Incentive system linked to the annual performance for the Financial Advisors belonging to Identified Staff</b></p> <ul style="list-style-type: none"> <li>The provisions of FinecoBank Compensation Policy also apply to the members of the Financial Advisors Network, in line with the Advisors specific remuneration</li> <li>In line with the incentive model provided for the employees Identified Staff, the 2018 PFA Incentive System provides for a strong link between remuneration, risk and sustainable profitability</li> <li>Such system provides for an overall performance assessment both at individual level and at Group and local level</li> </ul>	<p><b>Details – Section III paragraph 5.5</b></p> <ul style="list-style-type: none"> <li><b>Bonus pool</b> whose size is linked to the Bank profitability;</li> <li><b>Entry and malus conditions:</b> defined on the basis of performance indicators in terms of profitability, capital and liquidity defined at Group and local level</li> <li><b>Risk adjustment</b> on the basis of indicators coherent with Fineco's Risk Appetite Framework</li> <li><b>Bonus allocation:</b> incentives are allocated taking into consideration the available bonus pool and the individual performance evaluation based on specific performance indicators</li> <li><b>Pay-out:</b> individual bonuses composed of 50% cash and 50% shares; pay-out over a multi-year period, ensuring alignment with shareholders' interests; each payment is subject to <i>malus</i> and claw-back conditions, as well as to compliance assessment of individual behaviours.</li> </ul>
<p><b>NEW</b></p> <p><b>11. 2018-2020 Long Term Incentive Plan for Financial Advisors Identified Staff</b></p> <ul style="list-style-type: none"> <li>A new Long Term Incentive Plan for the three years performance period 2018-2020, has been defined, to incentive, motivate and retain selected Financial Advisors.</li> <li>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.</li> </ul>	<p><b>Details – Section III paragraph 5.6</b></p> <ul style="list-style-type: none"> <li><b>Individual performance goals</b> defined on the basis of commercial targets cumulated within the three-years performance period</li> <li><b>Entry and malus conditions:</b> defined on the basis of performance indicators in terms of profitability, capital and liquidity defined at individual, Bank and both Group level</li> <li><b>Risk adjustment</b> on the basis of indicators coherent with Fineco's Risk Appetite Framework</li> <li><b>Individual bonus payment</b> 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</li> </ul>

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.

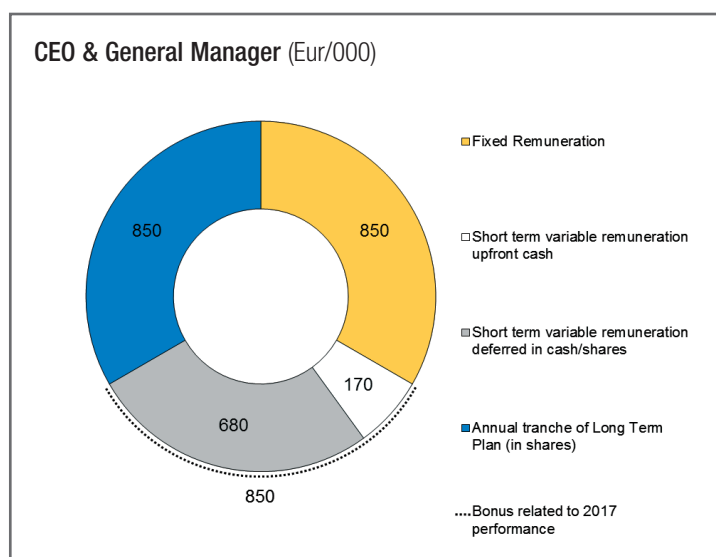
Data pursuant sect. 84-quarter Consob Issuers Regulation Nr. 11971, Compensation report – Section II, as well as the information on incentive systems under 114-bis of legislative decree 58/1998 ("Consolidated Text of Finance" – "TUF") are included in this document as well as in the annexes of the 2018 FinecoBank Compensation Policy.

### Chief Executive Officer and General Manager variable and fixed compensation data

2017 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 5th and 6<sup>th</sup>, 2018.

In 2017, 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 2017.





## Executive Summary (CONTINUED)

## Our compensation disclosure (CONTINUED)

Looking forward to 2018, 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	RISK CORRELATION SUSTAINABILITY GOAL
1	ROAC	FinecoBank	vs. budget	Execution & Discipline	 
2	EVA	FinecoBank	vs budget	Risk Management	 
3	Operating Costs	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. previous years	Customers First	
5	Net sales of Guided Products	FinecoBank	vs budget	Execution & Discipline	
6	New Business EL %	FinecoBank	vs. target	Risk Management	 
7	Sustain value through People	FinecoBank	vs. qualitative assessment based on: • Y/Y delta on Pay for Performance metrics on variable and fix pay • Y/Y delta on Gender Pay Gap / Gender Balance dashboard / Gender Diversity Initiatives • Succession Planning / Building up a sustainable Talent Management Support • Retention rate or voluntary turnover	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	

Legenda	
	Sustainability KPI
	Risk adjusted KPI



SECTION II –

# **COMPENSATION POLICY**

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# 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.

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 members<sup>4</sup>.

### 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.

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

## 2. Governance (CONTINUED)

### 2.3 Definition of FinecoBank Compensation Policy

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 *Network PFA 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:

- by *Human Resources* function for the employees
- by *Network PFA 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 function<sup>5</sup> yearly verifies the implementation of Fineco policies and practices and carries out controls on data and processes. The function provides a final judgement on the activity performed, informing the competent Bodies on the possible findings, in order to adopt the corrective measures.

<sup>5</sup> Outsourced in UniCredit S.p.A.

## 3. Fundamentals

### 3.1 Ratio between variable and fixed remuneration

- 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 applicable regulations, the adoption of a maximum ratio between variable and fixed remuneration of 2:1<sup>6</sup> 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 Functions<sup>7</sup>, for which it is provided that the variable remuneration could not exceed 1/3 of the fixed remuneration and that 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;
- individual performance appraisal cannot be based only on financial criteria, but should be also based on non-financial criteria<sup>8</sup>, considering the specificity of the various roles;
- consider also performance indicators such as risk management, adherence with Company values or other behaviours;
- it is crucial to avoid in the individual performance screens, measures linked to economic results for Company Control Functions (*Risk Management*<sup>9</sup>, *Compliance* and *Human Resources*<sup>10</sup>);
- 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<sup>11</sup>;

<sup>6</sup> As approved by the Fineco Shareholders Meeting on June 5<sup>th</sup> 2014.

<sup>7</sup> Meaning Risk Management, Compliance and Human Resources functions. Human Resources function is considered Company Control Function, as far as remuneration and incentive policies and practices are concerned, pursuant to Bank of Italy Circular nr. 285 of 17 December 2013. Audit function is outsourced in Holding.

<sup>8</sup> 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.

<sup>9</sup> 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.

<sup>10</sup> *Human Resources* function is considered Company Control Function only pursuant to Bank of Italy Circular nr. 285 of 17 December 2013.

<sup>11</sup> Where CFO roles cover also Financial Statements preparation, possible economic measures have to be chosen in a conflict-avoidance perspective.

- 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.

### 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 situation<sup>12</sup> 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.

#### Focus on compliance breach, individual Malus and Claw-Back

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

The malus mechanisms, (i.e. the reduction/cancelation 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.

<sup>12</sup> E.g. *Common Equity Tier 1 Ratio Transitional* dropping under the minimum regulatory requirement, in a persistent “recession” scenario.

## 3. Fundamentals (CONTINUED)

### 3.2 Sustainability of the variable compensation (CONTINUED)

The claw-back mechanisms can be activated for a period up to 4 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 employee<sup>13</sup>:

- 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;
- 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.

Currently some activities are in place in order to further standardize the compliance breach management and the related impacts on remuneration.

### 3.3 Termination payments

- According to the regulatory requirements issued by Bank of Italy in “*Disposizioni di vigilanza per le banche*” (Circolare no. 285 of December 17<sup>th</sup>, 2013, 7<sup>th</sup> update of November 18<sup>th</sup>, 2014), a specific policy (“*Termination Payments Policy*”) on payments to be agreed in case of early termination of a contract (so called *severance*) has been approved in 2017 by the Shareholders’ Meeting, updating the document previously approved in 2015.
- 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 compensation<sup>14</sup>, 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 cases, 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.

<sup>13</sup> Employees and Personal Financial Advisors.

<sup>14</sup> In any case, the amount of payments in addition to the indemnity in lieu of notice does not exceed 18 months of total compensation.

### 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).
- 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.

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

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.

## 3. Fundamentals (CONTINUED)

### 3.6 Compliance Drivers

TO SUPPORT THE DESIGN OF REMUNERATION AND INCENTIVE SYSTEMS THE FOLLOWING "COMPLIANCE DRIVERS" WERE DEFINED:	
<ul style="list-style-type: none"> <li>• 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)</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• 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)</li> </ul>
<ul style="list-style-type: none"> <li>• set and communicate <i>ex-ante</i> clear and pre-defined parameters as drivers of individual performance</li> </ul>	<ul style="list-style-type: none"> <li>• avoidance of incentives with excessively short timeframes (e.g. less than three months)</li> </ul>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• economic goals must be avoided for Company Control Functions<sup>15</sup> 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</li> </ul>
<ul style="list-style-type: none"> <li>• 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 customers<sup>16</sup></li> </ul>	<ul style="list-style-type: none"> <li>• the approach for Company Control Functions<sup>17</sup> 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 regulations</li> </ul>
<ul style="list-style-type: none"> <li>• avoidance of incentives on a single product / financial instrument or specific categories of financial instruments, as well as single banking product</li> </ul>	<ul style="list-style-type: none"> <li>• 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</li> </ul>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• 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"> <li>- compliance to external (i.e. laws / regulations) and internal rules (i.e. policies)</li> <li>- mandatory training completion</li> <li>- existence of disciplinary procedures officially activated and/or disciplinary sanctions actually applied</li> </ul> </li> </ul>
<ul style="list-style-type: none"> <li>• 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</li> </ul>	<ul style="list-style-type: none"> <li>• the entire evaluation process must be conveniently put in writing and documented</li> </ul>
<ul style="list-style-type: none"> <li>• 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 requirements<sup>18</sup>. The results of managerial discretionary evaluation should be formalized for the adequate and predefined monitoring process by the proper functions</li> </ul>	

Within network roles incentive systems, particular attention is put on all commercial initiatives that involve the Personal Financial Advisor network<sup>19</sup>.

<sup>15</sup> Company Control Functions meaning Risk Management, Compliance and Human Resources. Human Resources is considered Company Control Function only pursuant to the Bank of Italy Circ. 285. 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..

<sup>16</sup> 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.

<sup>17</sup> For instance, functions covering accounting and tax functions. Where CFO covers the financial statement related activities, the financial measures should be set in the perspective of avoiding conflict of interests.

<sup>18</sup> Also in line with the regulation references reported in the note above.

<sup>19</sup> As described in paragraph 4.2.2.



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 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.

## 4. 2018 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
<b>4.1.1 FIXED COMPENSATION</b>		
<p><b>The fixed salary remunerates the role covered and the scope of responsibilities, reflecting the experience and skills required for each position, as well as the level of excellence demonstrated and the overall quality of the contribution to business results</b></p>	<p>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.</p> <p>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.</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"> <li>• 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;</li> <li>• the positioning in terms of compensation, in line with relevant market’s competitive levels, defining operational guidelines to perform individual compensation reviews as necessary.</li> </ul>
<b>4.1.2 VARIABLE COMPENSATION</b>		
<p><b>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)</b></p>	<p>Variable compensation aims to remunerate achievements by directly linking pay to performance outcomes in the short, medium and long-term, and risk adjusted.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• Incentives remunerate the achievement of performance objectives, both quantitative and qualitative, by providing for a variable bonus payment.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• More details on the design of remuneration and incentive systems, with particular reference to Control Functions, are reported in the section “Compliance Drivers”.</li> </ul>

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TYPE OF REMUNERATION	PURPOSES	FEATURES
<p><b>Incentive Systems linked to yearly performance (Short Term Incentives or STI)</b></p>	<p>Aim to attract, motivate and retain strategic resources and maintain full alignment with national and international regulatory requirements and with best market's practices.</p>	<ul style="list-style-type: none"> <li>• Pay-out is based on a "bonus pool" approach providing for a comprehensive performance measurement at individual and at Group and local level.</li> <li>• 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.</li> <li>• The <i>Executive Development Plan (EDP)</i> as the Group-wide framework for <i>Identified Staff</i> performance management is a cornerstone of fair and coherent appraisal across the organization.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• The individuals' behaviours (compliance with internal and external rules and regulations, absence of disciplinary actions and completion of mandatory training) are also evaluation elements to assign individual incentives.</li> </ul>
<p><b>Long-term Incentive plans (Long Term Incentive or LTI)</b></p>	<p>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.</p>	<p>For 2018-2020 three years performance period, a share based Long Term Incentive Plan for selected Employees considered "key roles", has been approved by Fineco Board of Directors.</p> <p>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.</p> <p>The Plan provides entry and malus conditions set at Bank and Group level, a claw-back condition and a specific risk adjustment.</p> <p>The Plan provides for the payment of a bonus in Fineco shares, in a multi-year period.</p> <p>For the Plan details, please refer to the specific section of the Annual Compensation Report.</p>
<p><b>4.1.3 BENEFIT</b></p>		
<p><b>Benefits include welfare benefits that are supplementary to social security plans and are intended to provide substantial guarantees for the well-being of staff and their family members during their active career as well as their 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</b></p>	<p>Benefits aim to reflect internal equity and overall coherence of our remuneration systems, catering to the needs of different categories as appropriate and relevant.</p>	<ul style="list-style-type: none"> <li>• In coherence with Group governance framework and Global Job Model<sup>20</sup>, benefits are aligned against general common criteria for each employee category, while benefits plans are established on the basis of FinecoBank practices.</li> </ul>

20 The Global Job Model is a system that allows to descript and evaluate all the roles in the Group as well as to manage persons and processes in a linear and consistent way.

## 4. 2018 Compensation Structure (CONTINUED)

### 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
<b>4.2.1 RECURRING REMUNERATION</b>		
<b>This is the most stable and ordinary part of the total remuneration, equivalent to the fixed salary of employees</b>	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.	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> </ul>

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TYPE OF REMUNERATION	PURPOSES	FEATURES
<b>4.2.2 NON-RECURRING REMUNERATION</b>		
<p><b>Incentive Systems linked to short term performance.</b>  <b>This is the incentive element, in other words it is tied to reach certain goals, equivalent to the variable compensation of employees</b></p>	<p>Aims at motivating, retaining and rewarding Financial Advisors and Managers of the Network, in full alignment with the regulatory requirements.</p>	<ul style="list-style-type: none"> <li>• Pay-out is based on a “<i>bonus pool</i>” approach providing for a comprehensive performance measurement at individual and at Group and local level.</li> <li>• Reward is directly linked to performance, which is evaluated on the basis of results achieved.</li> <li>• For the Financial Advisors belonging to <i>Identified Staff</i>, a dedicated incentive system (“<i>PFA Incentive System</i>”<sup>21</sup>) 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.</li> <li>• For all the Financial Advisors not belonging to <i>Identified Staff</i>, specific incentive systems were defined, as, for example, “<i>Incentive Plans for PFA-Area Managers-Group Managers</i>”, and specific retention initiatives such as the “<b>Additional Future Program</b>”. 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.</li> <li>• All the incentive systems provide for <i>ex-ante</i> (“entry conditions”) and <i>ex-post</i> (<i>malus</i> on any deferred components) adjustment mechanisms and claw-back clauses.</li> <li>• The individual behaviours (compliance with internal and external rules and regulations and absence of disciplinary actions) are also evaluation elements to assign individual incentives.</li> </ul>
<p><b>Long-term incentive plans</b></p>	<p>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.</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> <ol style="list-style-type: none"> <li>1) A <b>long term Incentive Plan</b> with bonuses in cash and Fineco shares for <b>Financial Advisors</b> that will be qualified as <b>Identified Staff</b> 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.</li> <li>2) A <b>Long Term cash-based Incentive plan</b> for selected <b>Financial advisors not belonging to Identified Staff population</b>.  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.</li> </ol>

21 Please refer to the specific section of the Annual Compensation Report.

## 4. 2018 Compensation Structure (CONTINUED)

### 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**



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# 1. Introduction

The *Annual Compensation Report* (hereinafter, the “Annual Report”) discloses all relevant FinecoBank compensation-related information and methodologies with the aim of 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 2017 outcomes, as well as *ex-ante* disclosure for 2018 approach, covering our *Identified Staff* population (both employees and Financial Advisors) and Corporate Bodies’ members.

Remuneration solutions implemented in 2017 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 year 2017 we constantly kept abreast of ongoing changes in national and international regulations. (see for instance, the ongoing procedure for the implementation at national level of the “*Guidelines on sound remuneration policy*”<sup>22</sup>).

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 14<sup>th</sup> 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 24<sup>th</sup> 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 2018 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.

<sup>22</sup> Guidelines on sound remuneration policies under Article 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013.

## 2. Governance & Compliance

### 2.1 Remuneration Committee

The Remuneration Committee, established by the Board of Directors' resolution on April 11<sup>th</sup>, 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.

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 2017<sup>23</sup> 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:

- 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;
- 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;
- monitors the implementation of the decisions adopted by the Board and specifically verifies that the performance targets are actually achieved;
- examines any share-based or cash incentive plans for employees and financial advisors of the Company and strategic staff development policies;
- 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;
- 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;
- ensures the involvement of the relevant business functions in the process of drawing up and monitoring remuneration and incentive policies and practices;
- provides an adequate reporting on the activities carried out by the Corporate Bodies, including the Shareholders' Meeting .

In 2017 the Remuneration Committee met 11 times<sup>24</sup>. The meetings had an average duration of two hours. From the beginning of 2018 and until the approval of the present 2018 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 30.000€ for 2017), has started a collaboration with an external advisor - whose independence has been previously verified - who is invited to the Committee's meeting when required.

<sup>23</sup> From January 1st to April 10<sup>th</sup> 2017 the tasks of the Remuneration Committee have been performed by the Remuneration and Appointments Committee, whose Chairman was Mr Gianluigi Bertolli.

<sup>24</sup> Of which 5 as Remuneration and Appointments Committee and 6 as Remuneration Committee.

## 2. Governance & Compliance (CONTINUED)

### 2.1 Remuneration Committee (CONTINUED)

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 2017 the Head of *Human Resources* has been always invited to Committee's meetings. The Chairman has also invited the Head of *Legal & Corporate Affairs* to introduce Corporate Governance topics (see for instance the results of the Board of Directors' self-evaluation process<sup>25</sup>) 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 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 2017 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*<sup>26</sup> function to the meeting related to the annual audit performed on FinecoBank remuneration policies and practices.

During 2017 the key activities of the Remuneration Committee included:

MAIN COMMITTEE'S ACTIVITIES IN 2017	
<b>January</b> (as Remuneration and Appointments Committee)	<ul style="list-style-type: none"> <li>• 2017 Identified Staff definition and 2017 Incentive System for Employees Identified Staff</li> <li>• 2017 Incentive System for PFAs Identified Staff;</li> <li>• New Contest "Qualità".</li> </ul>
<b>February</b> (as Remuneration and Appointments Committee)	<ul style="list-style-type: none"> <li>• Bonus Pool 2016 and execution of 2016 and previous Incentive Systems for Employees Identified Staff;</li> <li>• 2017 Performance goals for Employees Identified Staff</li> <li>• Share based plans "2014-2017 Multi-year Plan Top Management" and "2014 Plan Key People" execution and update of the Rules of "2014-2017 Multi-year Plan Top Management"</li> <li>• Identification of Financial Advisors Identified Staff 2017</li> <li>• Bonus Pool 2016 and execution of 2016 and previous Incentive Systems for Financial Advisors Identified Staff</li> <li>• Stock Granting Plan "2014 Plan PFA" execution and update on KPIs status of "2015-2017 Plan PFA"</li> <li>• Execution of "2016 Incentive Plans" and "Additional Future Program" for Network PFAs and Manager and update of the Rules of "Additional Future Program" dedicated to Financial Advisors and Network Managers</li> <li>• 2017 Incentive System for Financial Advisors and Network Managers and related Rules</li> <li>• Directors requirements verification</li> </ul>
<b>March</b> (as Remuneration and Appointments Committee)	<ul style="list-style-type: none"> <li>• 2017 Compensation Policy</li> <li>• 2017 Severance Policy</li> <li>• Rules of 2017 Incentive System for Employees Identified Staff</li> <li>• Rules of 2017 Incentive System for Financial Advisors Identified Staff</li> <li>• Report on Corporate Governance and Ownership Structures - for the section related to the Directors remuneration</li> <li>• Appointment of FinecoBank Chief Audit Executive</li> <li>• Salary Review proposal for Identified</li> <li>• New Contest "Qualità" prorogation.</li> <li>• List of candidates for the role of FinecoBank Director</li> </ul>
<b>May</b> (as Remuneration Committee)	<ul style="list-style-type: none"> <li>• New edition of "Contest Qualità"</li> </ul>
<b>June</b> (as Remuneration Committee)	<ul style="list-style-type: none"> <li>• CRO Dashboard calculation methodology for Bonus Pool 2017 determination</li> <li>• Salary review for the Head of Information Security and Fraud Management</li> <li>• Share Ownership Guidelines Rules</li> </ul>
<b>July</b> (as Remuneration Committee)	<ul style="list-style-type: none"> <li>• New edition of "Contest Qualità"</li> </ul>

<sup>25</sup> Submitted to Remuneration and Appointments Committee, in place until April 2017.

<sup>26</sup> Internal Audit function is outsourced in UniCredit and works based on a specific service contract.

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 2017.

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 2017 (both as Remuneration and Appointment Committee and as Remuneration Committee) 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% since April 11 2017, i.e. from the appointment	C
Elena Biffi		X	X	X	100% since April 11 2017, i.e. from the appointment	M
Enrico Cotta Ramusino		X		X	100% since April 11 2017, i.e. from the appointment	M
----- Members terminated during the exercise -----						
Gianluigi Bertolli		X	X	X	100% until April 11 2017, date of termination	C
Mariangela Grosoli		X	X	X	80% until April 11 2017, date of termination	M
Girolamo Ielo		X	X	X	100% until April 11 2017, date of termination	M
<b>N. Committee's meetings: 11</b>						

(\*) 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 2017 of FinecoBank *Compliance* function, for all aspects that fall within its perimeter, included:

- validation of the 2017 Compensation Policy submitted to the Board of Directors for subsequent approval of the Shareholders' Meeting on April 11<sup>th</sup>, 2017;
- validation of the 2017 Incentive System for employees of FinecoBank belonging to *Identified Staff*;
- validation of the 2017 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 10/2017*);
- participation in specific initiatives of *Human Resources* function (e.g.: review of definition of *Identified Staff* for the application of Incentive System).

In 2018, 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 2017 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.

## 2. Governance & Compliance (CONTINUED)

### 2.2 The Role of Company Control Functions: Compliance, *Risk Management* and *Audit* (CONTINUED)

#### **Internal Audit Report on the 2017 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 for by Delegated Regulation (EU) No 604/2014.

Furthermore, a *follow up* of the previous audit recommendations was performed.

Main audit results were presented to the Remuneration Committee on 28<sup>th</sup> February 2018.

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

1. all the Identified Staff;
2. a sample of 177 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 2017 (16% ca of the overall population as on 31/12/2017);
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 65% ca of 2017 total incentives.

The Internal Audit “good” evaluation was based on the overall correct application of the 2017 “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 non-recurring, higher than Euro 750.000, as well as of the Managers coordinating Financial Advisors managing 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.

In alignment with the audit results, further enhancements of the compensation process are going to be implemented for the next year.

## 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 2018 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 2017 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)
- Monte Paschi di Siena
- Intesa SanPaolo
- UBI Banca
- Carige
- 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 (€)	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"> <li>▪ € 330.000 for the Board of Directors<sup>1</sup></li> <li>▪ € 50.000 for Board Committees</li> <li>▪ € 20.000 and € 15.000 for the Chairman and member of the Supervisory Board<sup>2</sup></li> <li>▪ € 300 as attendance fee for participating to each meeting of<sup>3</sup>:               <ul style="list-style-type: none"> <li>- Board of Directors</li> <li>- Board Committees</li> </ul> </li> </ul>	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"> <li>▪ € 200.000 for each year of activity, split between:               <ul style="list-style-type: none"> <li>- Board Chairman</li> <li>- Board Vice Chairman</li> </ul> </li> </ul>	
Statutory Auditors	Only fixed compensation	Shareholders' Meeting of April 11th 2017	Compensation for each year of activity <sup>4</sup> : <ul style="list-style-type: none"> <li>▪ € 50.000 for the Chairman of Board of Statutory Auditors</li> <li>▪ € 40.000 for each Standing Auditor</li> <li>▪ € 300 as attendance fee for participating to each meeting of the Board of Directors<sup>3</sup></li> </ul>	
Executives with strategic responsibilities <sup>5</sup>	Fixed and variable compensation	Board of Directors	2017 Compensation level: <ul style="list-style-type: none"> <li>▪ € 850.000 fixed + € 850.000 variable for the CEO and GM</li> <li>▪ € 1.647.976 fixed + € 1.487.976 bonuses for the other 5 Executives with strategic responsibilities</li> </ul>	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.

<sup>1</sup> Total compensation for the entire Board of Directors (Executive Directors included) approved by the Shareholders' Meeting is equal to Eur 370.000.

<sup>2</sup> 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".

<sup>3</sup> Even if these meetings held in the same day.

<sup>4</sup> 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.

<sup>5</sup> The Board of Directors has identified as "Executives with strategic responsibilities" – to the ends of the application of all statutory and regulatory instructions – 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, the Head of Investment Services and Private Banking as well as the Chief Financial Officer.

### Further details on compensation of Executives with strategic responsibilities

For 2017, 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 measures<sup>27</sup>.

- 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. 2017 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 2017 incentive plan implementation and outcomes are provided further in chapter 5.2.

The Chief Executive Officer and General Manager, on top of 2017 Incentive System, benefits also from:

- "2013 Group Incentive System – Executive Vice President & Above" (hereinafter also "Group Incentive System 2013")
- "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"

- 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 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.

### **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.

<sup>27</sup> 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.

## 5. Compensation Systems

### 5.1 Target population

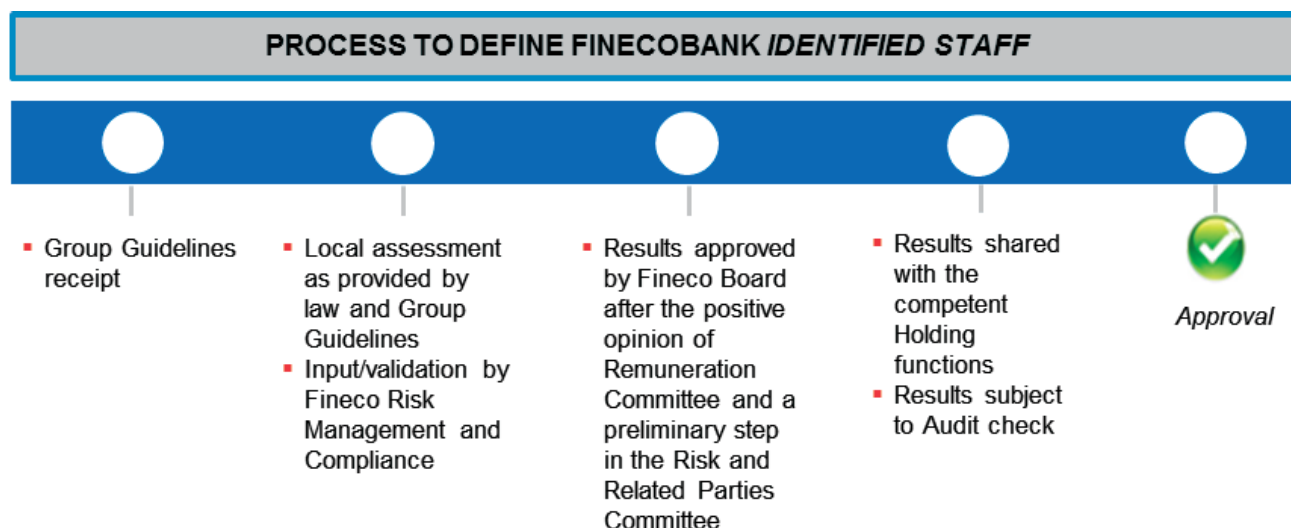
FinecoBank, starting from 2014 conducted, in alignment with specific regulation, the annual self-evaluation process to define *Identified Staff* population, both employees and Financial Advisors, to whom, according to regulators, specific remuneration rules apply.

The identification of 2018 *Identified Staff*, pursuant to the European criteria foreseen in the *European Banking Authority Regulatory Technical Standard (RTS)*<sup>28</sup>, followed a structured and formalized assessment process both at Group and local level, based on the guidelines provided by the Group functions *Human Resources* with the contribution of *Risk Management* and *Compliance*, to guarantee a unique and common approach at Group level.

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 level<sup>29</sup>.

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 16 employees and 7 Financial Advisors for 2018<sup>30</sup>.

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

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 2017 are disclosed in chapter 6 and in the Annexes.

<sup>28</sup> 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.

<sup>29</sup> 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.

<sup>30</sup> *Identified Staff* data refers to the population at the date of February 2018, providing for an *ex-ante* definition, in line with regulatory requirements.

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 identified for 2018 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 level<sup>31</sup> the exclusion from Identified Staff of 17 PFA whose total remuneration in 2017 is equal or exceeds € 500.000 is submitted to the European Central Bank and to Bank of Italy.

## 5.2 Implementation and Outcomes of 2017 Incentive Systems

### 5.2.1 2017 Incentive System for employees belonging to *Identified Staff*

The 2017 Incentive System, approved by FinecoBank Board of Directors on January 9<sup>th</sup>, 2017, provides - in total continuity with 2016 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.

#### 2017 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 defined both local and Group level as Entry Conditions. In particular, metrics and thresholds for 2017 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 $\geq 0$ and	Net Operating Profit adjusted $\geq 0$ and
Net Profit $\geq 0$ and	Net Profit $\geq 0$ and
Common Equity Tier 1 ratio transitional $\geq 10,25\%$ and	Common Equity Tier 1 ratio transitional $\geq 10,25\%$ and
Liquidity Coverage Ratio $\geq 100\%$ and	Liquidity Coverage Ratio $\geq 100\%$
Net Stable Funding Ratio $\geq 100\%$	

- **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.

<sup>31</sup> ECB Decision (EU) 2015/2218 dated November 20th 2015; EBA RTS chapter 4, §4.

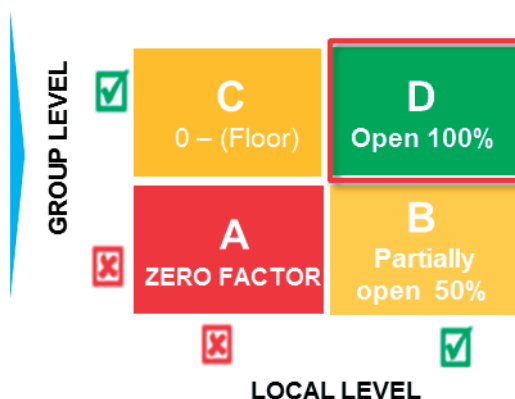
## 5. Compensation Systems (CONTINUED)

### 5.2 Implementation and Outcomes of 2017 Incentive Systems (CONTINUED)

- **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 6<sup>th</sup>, 2018, the relevant entry conditions have been achieved both at Group and local level, confirming the theoretical<sup>32</sup> FinecoBank bonus pool.

	ENTRY CONDITIONS	RESULT
GROUP	Net Profit $\geq 0$ €/mln	✓
	NOP Adjusted $\geq 0$ €/mln	✓
	CET 1 Ratio Transitional $\geq 10,25\%$	✓
	Liquidity Coverage Ratio $\geq 100\%$	✓
	NSFR $\geq 100\%$	✓
FINECO	Net Profit $\geq 0$ €/mln	✓
	NOP Adjusted $\geq 0$ €/mln	✓
	CET 1 Ratio Transitional $\geq 10,25\%$	✓
	Liquidity Coverage Ratio $\geq 100\%$	✓



#### 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”<sup>33</sup>, carried out by the Fineco CRO on the basis of a specific methodology defined at Group level and approved by the Fineco Board of Directors in July 2017.

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, 2017 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 6<sup>th</sup>, 2018, has approved the allocation of a total number of shares equal to 142.290 to be assigned in 2020, 2021, 2022 and 2023.

On the same date, the Board of Directors also approved the implementation - in 2018 - of the Incentive Systems 2014, 2015, 2016 and the “2014-2017 Multi-year Plan Top Management Plan”<sup>34</sup>.

#### Focus on the performance evaluation of the CEO and General Manager

The Board of Directors, upon positive opinion of Remuneration Committee, assessed the 2017 performance of FinecoBank CEO and General Manager as *Exceeds Expectations*. Below the details of the individual scorecard assessment.

<sup>32</sup> Calculated applying the funding rate percentage to the profitability results.

<sup>33</sup> The CRO Dashboard 2017 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 2017).

<sup>34</sup> The data relating to the assignments are included in the information reported in chapter 6 of the Annual Compensation Report and in the Annexes.

GOAL	RESULT	ASSESSMENT				
		Below	Almost meets	Meets	Exceeds	Greatly exceeds
<b>ROAC</b> <i>vs. budget</i>	Bdg: 53,7% - Result ACT: 62,6%					
<b>EVA</b> <i>vs. budget</i>	Bdg: 162.423 k€ - Result: 193.901 k€					
<b>Operating Costs</b> <i>vs. budget</i>	Bdg: -241.205 k€ - Result -233.100 k€					
<b>Net New Clients</b> <i>vs target</i>	Target IN 103.593 OUT -38.559 NET 65.034 STOCK EOP 1.184.231 Result: IN 114.509 OUT -30.744 NET 83.765 STOCK EOP 1.199.828					
<b>Net Sales of Guided Products</b> <i>vs. budget</i>	Bdg 4.500.000 k€ - Result: 4.559.314 k€					
<b>New business EL</b> <i>vs. budget</i>	Bdg 0,38% - Result: 0,27%					
<b>Sustain value through people</b> <i>Qualitative assessment based on:</i> - <i>YY delta on Pay for Performance metrics on variable and fix pay</i> - <i>YY delta on Gender Pay Gap / Gender Balance dashboard / Gender Diversity Initiatives / Succession Planning / Building up a sustainable Talent Management Support</i> - <i>People Engagement Index</i>	Outstanding results have been achieved in terms of: - pay for performance: fully consistent in 2017 - gender pay gap: no gap in 2017 Furthermore, Succession Plan presented to FinecoBank Board on 5/12/2017, shows full coverage of managerial positions. In addition several initiatives have been put in place in order to: • improve Executives capability to respond and communicate Gender Balance issues • ensure for all development/Training initiatives equal opportunity and exposure for all Female • ensure for all nomination for the managerial position balanced shortlist in terms of gender People Engagement Index results remain excellent 81% (previous year result 83%)					
<b>Tone from the top on Compliance Culture</b> <i>Qualitative assessment based on:</i> - <i>Scope, kind and numbers of documented initiatives - pre-committed with CEO Office / Country's CEO, aimed at promoting staff integrity / customer protection / trustworthiness</i> - <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>	- Several initiatives and ad hoc communication on compliance culture within the Bank as well as on staff integrity and behavioral expectations - Overall 2017 finding # decreasing from 2016 by 33% with no major findings open					

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 850.000<sup>35</sup>.

## 5.2.2 2017 Incentive System for Financial Advisors belonging to Identified Staff

The 2017 Incentive System PFA, approved by FinecoBank Board of Directors on January 9<sup>th</sup> 2017, 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 2017 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.

<sup>35</sup> For the picture presenting the total remuneration package of CEO and General Manager, see the Executive Summary section.

## 5. Compensation Systems (CONTINUED)

### 5.2 Implementation and Outcomes of 2017 Incentive Systems (CONTINUED)

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.

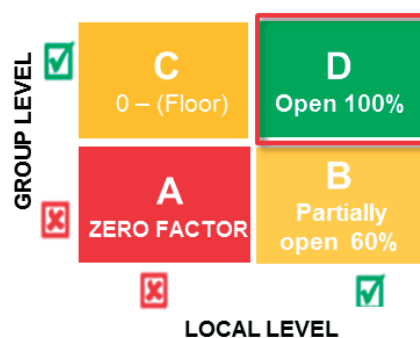
#### 2017 Entry conditions at Group and local level

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, metrics<sup>36</sup> and thresholds for 2017 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 $\geq 0$ and
	Net Profit $\geq 0$ and
Common Equity Tier 1 ratio transitional $\geq 10,25\%$ and	Common Equity Tier 1 ratio transitional $\geq 10,25\%$ and
Liquidity Coverage Ratio $\geq 100\%$ and	Liquidity Coverage Ratio $\geq 100\%$
Net Stable Funding Ratio $\geq 100\%$	

According to the actual results, verified and approved by the Board of Directors of FinecoBank on February 6<sup>th</sup> 2018, the relevant entry conditions have been achieved both at local and Group level, confirming the theoretical<sup>37</sup> FinecoBank PFA bonus pool.

	ENTRY CONDITIONS	RESULT
GROUP	CET 1 Ratio Transitional $\geq 10,25\%$	✓
	Liquidity Coverage Ratio $\geq 100\%$	✓
	NSFR $\geq 100\%$	✓
FINECO	ENTRY CONDITIONS	RESULT
	Net Profit $\geq 0$ €/mln	✓
	NOP Adjusted $\geq 0$ €/mln	✓
	CET 1 Ratio Transitional $\geq 10,25\%$	✓
	Liquidity Coverage Ratio $\geq 100\%$	✓



#### 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”<sup>38</sup>, carried out by the Fineco CRO on the basis of a specific methodology defined at Group level and approved by the Fineco Board of Directors in July 2017.

#### Evaluation and pay-out for Identified Staff

In line with FinecoBank governance, 2017 evaluations and pay-outs for PFA *Identified Staff* have been approved by the Board of Directors, based on the positive opinion of Remuneration Committee.

<sup>36</sup> For the KPIs definition see chapter 5.2.1

<sup>37</sup> Calculated applying the funding rate percentage to the profitability results

<sup>38</sup> The CRO Dashboard 2017 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 2017). The assessment methodology is the one used for Employees.

The Board of Directors of FinecoBank on February 6<sup>th</sup>, 2018, has approved the allocation of a total number of shares equal to 27.644 to be assigned in 2020, 2021 and 2022.

On the same date, the Board of Directors also approved the implementation - in 2018 - of the 2015 and 2016 Incentive Systems<sup>39</sup>.

### 5.2.3 Share-based Plan “2015 - 2017 PFA Plan” for Financial Advisors

In 2014, on the occasion of the request for admission to the listing on the Italian Stock Exchange by the Company and subject to the successful outcome, the FinecoBank Shareholders' Meeting approved the “2015-2017 Plan PFA”, which provides for the allocation in 2018 of a number of Fineco shares to be assigned in three tranches in 2018, 2019 and 2020 respectively, once verified:

- the entry conditions valid from year to year (in 2017 Net Profit  $\geq$  0 and Common Equity Tier 1  $\geq$  10.25%);
- the individual compliance and the existence of the agency relationship;
- the results of the performance of the beneficiaries in terms of Net Sales and Net Sales of Guided Products<sup>40</sup> cumulated in the three-years of performance (2015-2017).

#### Evaluation and pay-out for Identified Staff

In line with the governance of FinecoBank, and based on the conditions listed above, the valuations and payments referred to the Plan have been approved by the Board of Directors on February 6<sup>th</sup> 2018, upon positive opinion of the Remuneration Committee<sup>41</sup>.

## 5.3 2018 Incentive System for employees belonging to Identified Staff

As in the past years, the 2018 Incentive System, as approved by the Board of Directors of FinecoBank on January 10<sup>th</sup>, 2018, 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 shares<sup>42</sup>, 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 2 years for upfront shares and of 1 year for 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 2018 will be zeroed, while previous systems deferrals could be reduced from 50% to 100% of their value, based on final effective results.

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

<sup>40</sup> Guided products refer to high added value products and developed services, considering the different customers risk profiles

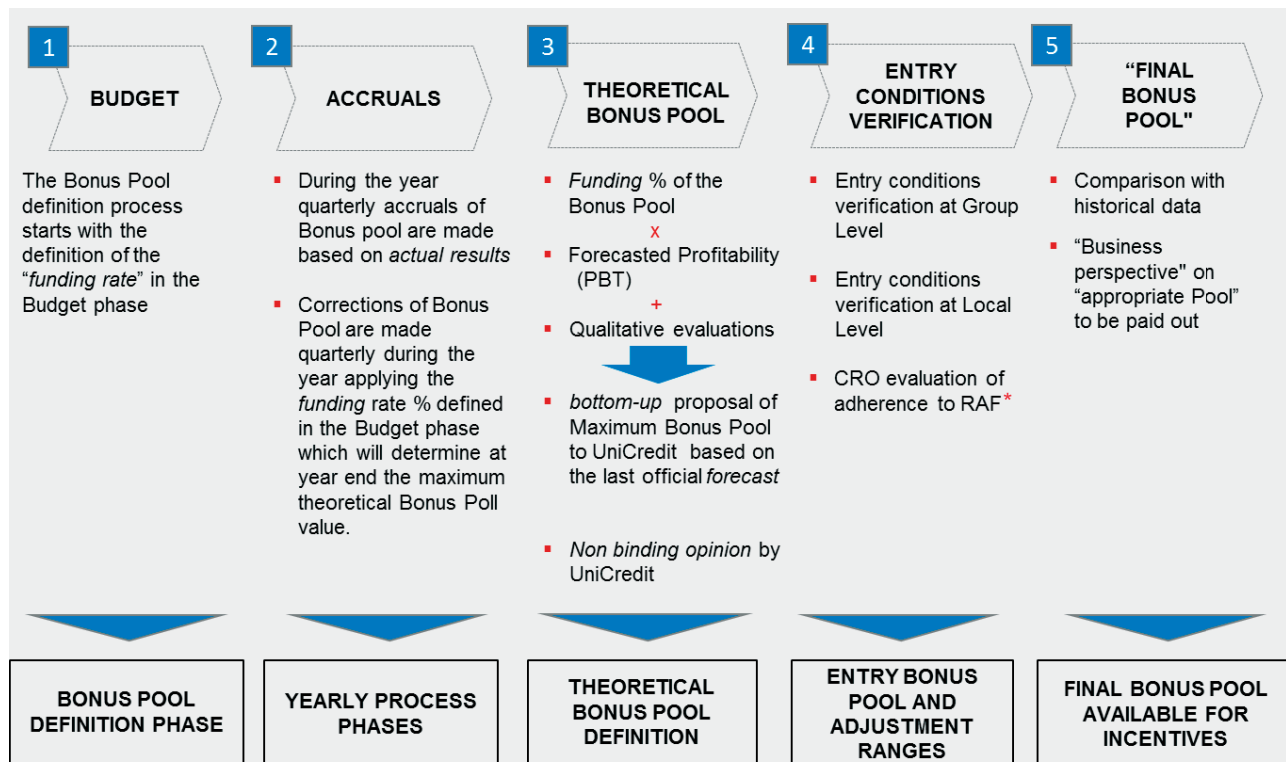
<sup>41</sup> The data relating to the assignments are included in the information reported in chapter 6 of the Annual Compensation Report and in the Annexes.

<sup>42</sup> The Company reserves the right to assign instruments other than the free ordinary shares of FinecoBank, if this is required by law.

## 5. Compensation Systems (CONTINUED)

### 5.3 2018 Incentive System for employees belonging to Identified Staff (CONTINUED)

The bonus pool process includes the following steps:



\* Risk Appetite Framework

#### 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 2018 – working also as malus conditions for the previous incentive systems deferrals - are reported in the following table

Group level	Local level
<i>Net Operating Profit adjusted <math>\geq 0</math> and</i>	<i>Net Operating Profit adjusted <math>\geq 0</math> and</i>
<i>Net Profit <math>\geq 0</math> and</i>	<i>Net Profit <math>\geq 0</math> and</i>
<i>Common Equity Tier 1 Ratio Transitional <math>&gt; 10,43\%^*</math> and</i>	<i>Common Equity Tier 1 Ratio Transitional <math>&gt; 10,43\%^{**}</math> and</i>
<i>Liquidity Coverage Ratio <math>&gt; 101\%^*</math> and</i>	<i>Liquidity Coverage Ratio <math>&gt; 101\%^{**}</math> and</i>
<i>Net Stable Funding Ratio <math>&gt; 101\%^*</math></i>	<i>Net Stable Funding Ratio <math>&gt; 101\%^{**}</math></i>

\* In line with 2018 Group RAF (Trigger for CET1, Limit for LCR and NSFR). In case of amendments to the RAF parameters, the thresholds will be modified accordingly

\*\* Values aligned with the Group ones. In case of amendments to RAF parameters, the thresholds will be modified accordingly.

In particular, the indicators (or the relative thresholds) that have been modified or added compared to the 2017 System are highlighted.

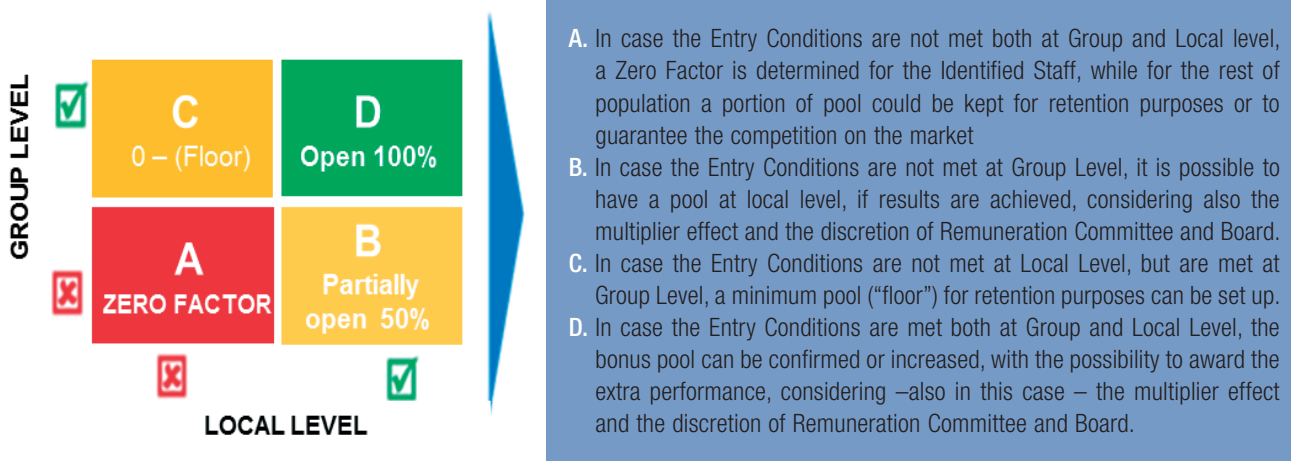
In this regard, we highlight the addition - at Fineco level - of a liquidity indicator (Net Stable Funding Ratio) mirroring the one used at Group level.

It should also be noted that the thresholds for the capital and liquidity indicators have been changed in a more restrictive sense, increased compared to last year.

## 5. Compensation Systems (CONTINUED)

### 5.3 2018 Incentive System for employees belonging to Identified Staff (CONTINUED)

The Entry Conditions matrix and related effects on Fineco Bonus Pool follows the same logics provided in 2017, as shown below:



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.

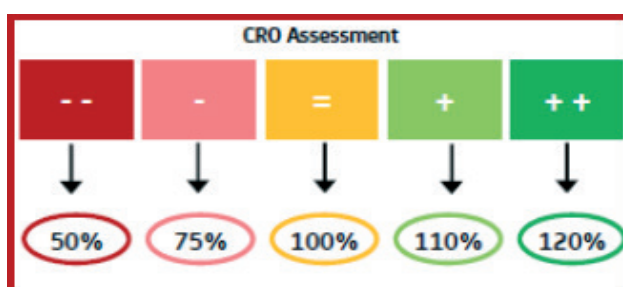
The CRO dashboard (defined in coherence with the FinecoBank and Group Risk Appetite Framework) includes KPIs taken from FinecoBank Risk Appetite Framework (plus one indicator related to operational risk), measured with reference to the respective relevant thresholds (*limit*, *trigger* and *target*).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

DIMENSION		2018			
		KPIs	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	Op. Losses / Operating income			

**SAMPLE**

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 2017 Incentive System, as follows.



As provided in the 2017 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 2018 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 Fundamentals<sup>43</sup> of Group Competency Model<sup>44</sup>. 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”).

43 See also chapter 5.3.1.

44 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.

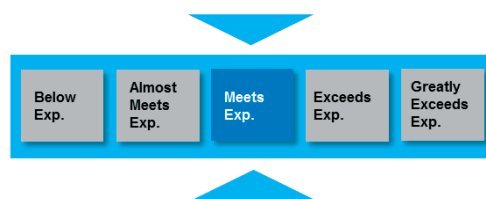
# 5. Compensation Systems (CONTINUED)

## 5.3 2018 Incentive System for employees belonging to Identified Staff (CONTINUED)

Sample of 2018 Performance Screen

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	<span style="color:red">S</span>
GOAL 2	FinecoBank	vs budget	Risk Management	KPI BB	<span style="color:red">S</span>
GOAL 3	FinecoBank	vs budget	People Development	KPI BB	<span style="color:red">S</span>
GOAL 4	FinecoBank	vs qualitative assessment	Customers First	KPI BB	<span style="color:red">S</span>
GOAL 5	FinecoBank	vs previous years	Cooperation and Synergies	Custom	
GOAL 6	FinecoBank	vs target	Risk Management	Custom	

Sample of 2018 evaluation



For the purposes of bonus individual allocation, the 2018 Incentive System provides also a preliminary check on the completion – by the System beneficiaries – of the Compliance mandatory trainings.

### BONUS PAYOUT

- As approved by the Board of Directors of January 10<sup>th</sup>, 2018, with reference to pay-out structure, the *Identified Staff* population will be differentiated into two clusters, using a combined approach of banding and compensation:

- CEO/GM and other roles provided by law: 5 years deferral scheme
- Other identified Staff: 3 years deferral scheme.

- The pay-out of incentives will be done through upfront and deferred instalments, in cash or in Fineco ordinary shares, up to a maximum 6-year period:

- in 2019 the first instalment (1<sup>st</sup> tranche) of the total incentive will be paid in cash in absence of any individual values /compliance breach<sup>45</sup>;
- over the period 2020-2024 the remaining part of the overall incentive will be paid in cash and/or Fineco ordinary shares; each further tranche will be subject to the application of the Zero Factor for the year of allocation and in absence of any individual / values compliance breach;

#### REGULATORY REQUIREMENTS

- In line with regulatory requirements:
- 5-year deferral period maintained only for Top Management and selected key senior roles. In general a deferral period from 3 to 5 years is required, and the request for 5 years is limited to «high earners», Top Management and Head of key business lines as well as the direct reports to strategic supervisory, management and control bodies
  - minimum 50% of bonus to be allocated in shares or other financial instruments
  - minimum 40% of bonus to be paid out under a deferral period (minimum 60% for specific positions and particularly high amounts)
  - 2 years minimum retention period for the upfront shares and shorter retention period (1 year) for the deferred shares

<sup>45</sup> Considering also the seriousness of any internal/external findings (e.g. Audit, Bank of Italy, Consob and/or analogous local authorities).

	2018	2019	2020	2021	2022	2023	2024
<b>CEO/GM AND OTHER ROLES PROVIDED BY LAW</b>	PERFORMANCE YEAR	20% UPFRONT CASH	10% DEFERRED CASH	20% UPFRONT SHARES	10% DEFERRED SHARES	10% DEFERRED SHARES	20% DEFERRED CASH 10% DEFERRED SHARES
<b>OTHER IDENTIFIED STAFF</b>	PERFORMANCE YEAR	30% UPFRONT CASH	10% DEFERRED CASH	30% UPFRONT SHARES	10% DEFERRED CASH 10% DEFERRED SHARES	10% DEFERRED SHARES	

- all the instalments are subject to the application of claw-back conditions;
- in coherence with 2017, a minimum threshold<sup>46</sup> 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 2019, 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 2018 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 2018 Incentive System provides for an expected impact on FinecoBank share capital of approximately 0,08%, 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 1,14%;
- 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 2018 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 Resources, Finance, Risk Management, Compliance, Group Sustainability, Audit, Group Stakeholder and Service Intelligence*) 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, in order to ensure their independence (e.g. avoid KPI linked to economic measure).

<sup>46</sup> Equal to Euro 75.000 that will be paid in cash.

# 5. Compensation Systems (CONTINUED)

## 5.3 2018 Incentive System for employees belonging to Identified Staff (CONTINUED)

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








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*<sup>47</sup> (as shown above) is pre-set, conferring a specific qualitative connotation to the goal itself.



### 2018 Chief Executive Officer and General Manager Performance Screen

2018 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 2017, also for 2018 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.

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.

#	GOAL NAME	PERIMETER	REFERENCE TARGET	LINK TO 5 FUNDAMENTALS	RISK CORRELATION SUSTAINABILITY GOAL
1	ROAC	FinecoBank	vs. budget	Execution & Discipline	 
2	EVA	FinecoBank	vs budget	Risk Management	 
3	Operating Costs	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. previous years	Customers First	
5	Net sales of Guided Products	FinecoBank	vs budget	Execution & Discipline	
6	New Business EL %	FinecoBank	vs. target	Risk Management	 
7	Sustain value through People	FinecoBank	vs. qualitative assessment based on: • Y/Y delta on Pay for Performance metrics on variable and fix pay • Y/Y delta on Gender Pay Gap / Gender Balance dashboard / Gender Diversity Initiatives • Succession Planning / Building up a sustainable Talent Management Support • Retention rate or voluntary turnover	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	

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 Company Control Functions.

## 5. Compensation Systems (CONTINUED)

### 5.4 2018-2020 share based Long Term Incentive Plan (LTI) 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, 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 on progressive thresholds, which will correspond to increasing percentages of bonuses from 0 to 100% with a linear progression<sup>48</sup>, 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

#### ENTRY CONDITIONS AND MALUS

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

<sup>48</sup> 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.



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 Loaded<sup>49</sup>, Liquidity Coverage Ratio and Net Stable Funding Ratio) will be calculated annually, while a “cumulative” assessment of profitability indicators is envisaged.

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 NP >0	Σ 2018-2020 NP >0	Σ NP >0	Σ NP >0
CET 1 Ratio Fully loaded > 10,4%*	CET 1 Ratio Fully loaded > 10,4%**	CET 1 Ratio Fully loaded > 10,4%*	CET 1 Ratio Fully loaded > 10,4%**
LCR > 101%*	LCR > 101%**	LCR > 101%*	LCR > 101%**
NSFR > 101%*	NSFR > 101%**	NSFR > 101%*	NSFR > 101%**

1) In case annual entry conditions at Group Lever are not satisfied, is provided a reduction of bonuses of 10% per year (30% reduction in case of non achievement of Group cumulated conditions). Thus the maximum reduction provided in case of non achievement of Group conditions – annual or cumulated – is 30%.  
 2) In case of non achievement of the cumulated Fineco conditions, bonuses are zeroed.  
 3) In case of non achievement of Fineco annual conditions, bonuses will be reduced pro-quota.

1) In case of non achievement of conditions at Group level (both annual and cumulated), it is provided a reduction of deferred portion, in any case not higher than 30%  
 2) In case of non achievement of Fineco cumulated conditions the deferred portion will be zeroed.  
 3) In case of non achievement of the annual Fineco conditions, it is provided the zeroing of the deferred portion for the year of competence

\* In line with Group RAF 2018 (Trigger for CET1, Limit for LCR and NSFR). In case of more restrictive amendments provided by law in the Plan performance years, the thresholds will be modified accordingly.

\*\* Values in line with Group ones. In case of more restrictive amendments provided by law in the Plan performance years, the thresholds will be modified accordingly.

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

The bonus payment is subject to claw-back<sup>50</sup>.

## 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 systems will be taken into consideration for each year of the Plan's performance. The presence of several 'neutral' annual assessments<sup>51</sup> 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

<sup>49</sup> 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.

<sup>50</sup> See par. 3.2, section II

<sup>51</sup> See paragraphs 5.3 and 5.5

## 5. Compensation Systems (CONTINUED)

### 5.4 2018-2020 share based Long Term Incentive Plan (LTI) for Employees (CONTINUED)

#### BONUS PAYMENT

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 shares<sup>52</sup>, according to the payment schemes shown below.

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

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 governance<sup>53</sup>.

<sup>52</sup> The Bank reserves the possibility to assign different instruments from the FinecoBank ordinary shares, where requested by law.

<sup>53</sup> 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.

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 allocated in the respective instalments – at the conditions stated above - shall be 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 will execute the Shareholders Meeting resolution related to the Plan.

The Plan provides for an expected impact on FinecoBank share capital of approximately 0,3%, 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 1,14%.

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. Compensation Systems (CONTINUED)

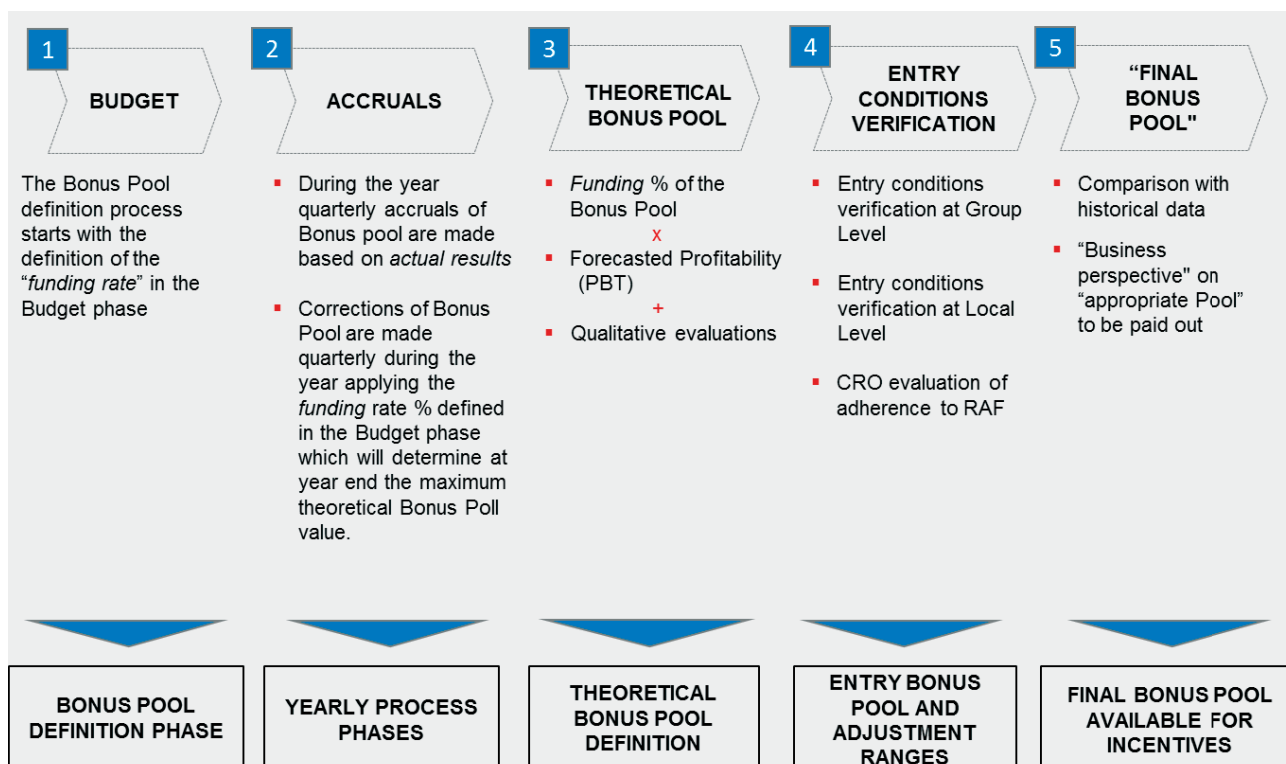
### 5.5 2018 Incentive System for Financial Advisors belonging to Identified Staff

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 2018 System for PFA Identified Staff – as approved by the Board on January 10<sup>th</sup> 2018 - 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 5 years;
- distribution of share<sup>54</sup> 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 2 years for upfront shares and of 1 year for 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 2018 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:



<sup>54</sup> 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.

## 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 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 2018 – working also as malus conditions for the deferrals of previous years incentive systems - are reported in the following table.

Group level	Local level
	<i>Net Operating Profit adjusted <math>\geq 0</math> and</i>
	<i>Net Profit <math>\geq 0</math> and</i>
<i>Common Equity Tier 1 Ratio Transitional <math>&gt; 10,43\%^*</math> and</i>	<i>Common Equity Tier 1 Ratio Transitional <math>&gt; 10,43\%^{**}</math> and</i>
<i>Liquidity Coverage Ratio <math>&gt; 101\%^*</math> and</i>	<i>Liquidity Coverage Ratio <math>&gt; 101\%^{**}</math> and</i>
<i>Net Stable Funding Ratio <math>&gt; 101\%^*</math></i>	<i>Net Stable Funding Ratio <math>&gt; 101\%^{**}</math></i>

\* In line with 2018 Group RAF (Trigger for CET1, Limit for LCR and NSFR). In case of amendments to RAF parameters, the defined thresholds will be modified accordingly.

\*\* Values aligned with Group ones. In case of amendments to RAF parameters, the defined thresholds will be modified accordingly.

In particular, the indicators (or the relative thresholds) that have been modified or added compared to the 2017 System are highlighted.

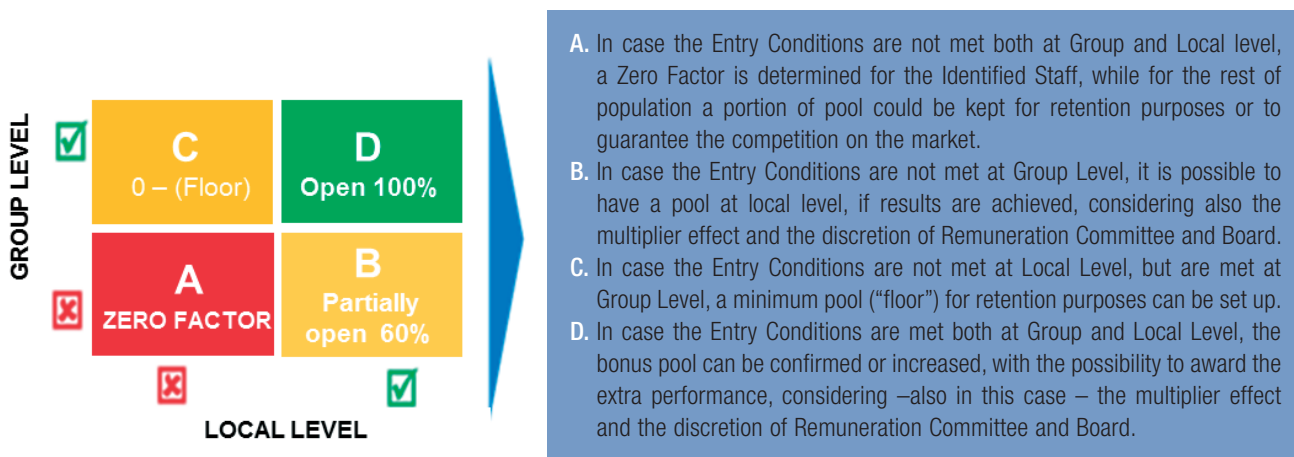
In this regard, we highlight the addition - at Fineco level - of a liquidity indicator (Net Stable Funding Ratio) mirroring the one used at Group level.

## 5. Compensation Systems (CONTINUED)

### 5.5 2018 Incentive System for Financial Advisors belonging to Identified Staff (CONTINUED)

It should also be noted that the thresholds for the capital and liquidity indicators have been changed in a more restrictive sense, increased compared to last year.

The Entry Conditions matrix and related effects on Fineco Bonus Pool follows the same logics provided in 2017, as shown below.



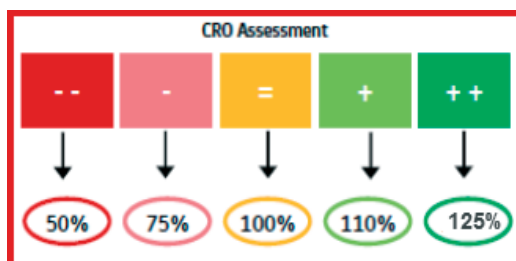
In continuity with the 2017 System, in case the pool is in the box “B” the starting percentage of bonus pool is higher than the one provided for the Employee’s System<sup>55</sup>.

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*)<sup>56</sup>.

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 2017 Incentive System, as follows.



<sup>55</sup> 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.

<sup>56</sup> See paragraph 5.3.

As provided in the 2017 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.

## BONUS PAYOUT

For the Financial Advisors included in the Identified Staff, a payout mechanism with a 3 years deferral is provided. The possible 2018 bonus will be paid up to a maximum 5 years period. In particular:

- in 2019 will be paid in cash the 1<sup>st</sup> tranche of the overall bonus, in absence of any individual values /compliance breach<sup>57</sup>;
- in the period 2020–2023 the remaining part of the overall incentive will be paid in cash and/or Fineco ordinary shares; each further tranche will be subject to the application of the Zero Factor for the year of allocation and in absence of any individual / values compliance breach;

2018	2019	2020	2021	2022	2023
<b>PERFORMANCE YEAR</b>	30% <b>UPFRONT CASH</b>	10% <b>DEFERRED CASH</b>	30% <b>UPFRONT SHARES</b>	10% <b>DEFERRED CASH</b> 10% <b>DEFERRED SHARES</b>	10% <b>DEFERRED SHARES</b>

- all the instalments are subject to the application of claw-back conditions, as legally enforceable;
- in coherence with 2017, a minimum threshold<sup>58</sup> 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 2019, 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 2018 performance achievements;
- free Fineco ordinary shares that will be allocated will be freely transferable;
- the 2018 Incentive System provides for an expected impact on FinecoBank share capital of approximately 0,05%, 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 1,14%. However, the 2018 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.

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.

<sup>57</sup> Considering also the seriousness of any internal/external findings (e.g. Audit, Bank of Italy, Consob and/or analogous local authorities).

<sup>58</sup> Equal to Euro 75.000 that will be paid in cash.

## 5. Compensation Systems (CONTINUED)

### 5.5 2018 Incentive System for Financial Advisors belonging to *Identified Staff* (CONTINUED)

#### 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 2018 Incentive System for PFA<sup>59</sup> 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);
- net sales of asset under management goal;
- 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 Products<sup>60</sup> in comparison with the group overall goal<sup>61</sup>;
- percentage of achievement of individual net sales goal and percentage of net sales of asset under management in comparison with the individual goal<sup>62</sup>;
- value generated by the requalification of assets in liquidity and asset under custody in Guided Products.

<sup>59</sup> Always taking into account the individual compliance condition, as described above

<sup>60</sup> Guided products refer to high added value products and developed services, considering the different customers risk profiles

<sup>61</sup> For the Financial Advisors with managerial positions with more than 5 PFA coordinated

<sup>62</sup> For PFAs and Financial Advisors with managerial position and less than 5 PFA coordinated



## 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 Managers<sup>63</sup>, 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 estimated<sup>64</sup>.

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 31<sup>st</sup> 2020, on Total Financial Asset (TFA) as at December 31<sup>st</sup> 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.

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 reached<sup>65</sup>.

NS	250%	70%	80%	100%	} Theoretical Bonus
	200%	60%	70%	80%	
	150%	50%	60%	70%	
		150%	200%	250%	NSGP

*Vs 2018-20 budgets*

<sup>63</sup> Group Managers and Area Managers (Financial Advisors with accessory assignment of other PFAs coordination)

<sup>64</sup> Identified pursuant to the regulation in place at the time

<sup>65</sup> Group Manager that at December 31<sup>st</sup> 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 Guided Products in the period of the coordinated PFAs.

## 5. Compensation Systems (CONTINUED)

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

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 provided<sup>66</sup>.

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

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 Management<sup>67</sup>, 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

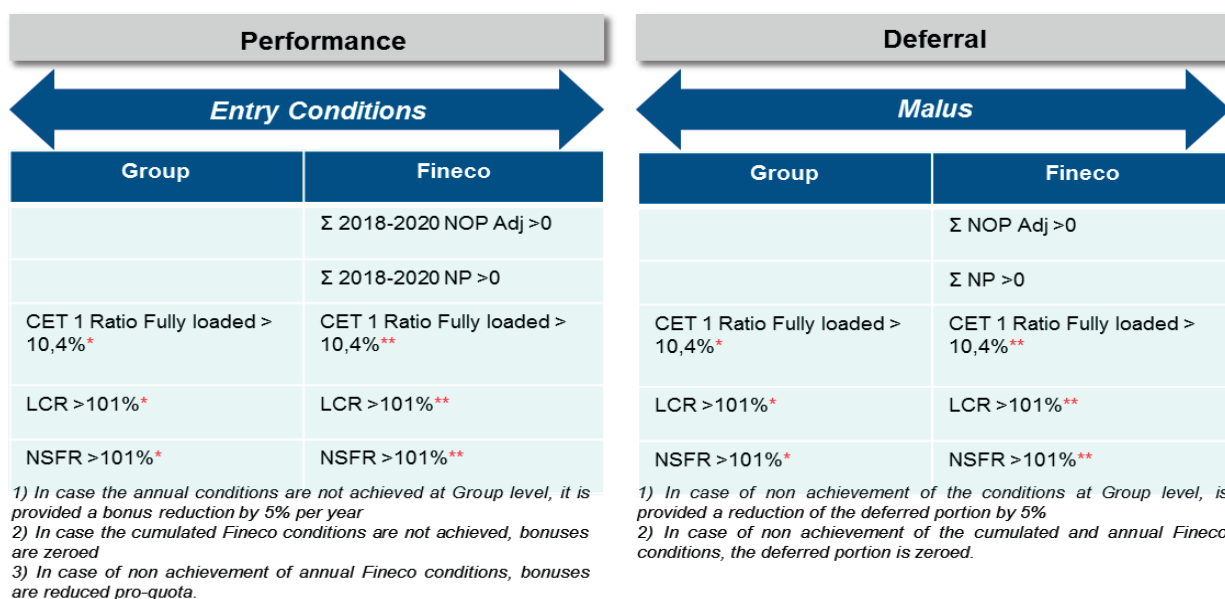
In order to comply with regulatory provisions, are defined:

- 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.

<sup>66</sup> 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.

<sup>67</sup> Measured at 31/12/2020 as “cumulated” within the Plan performance years

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.

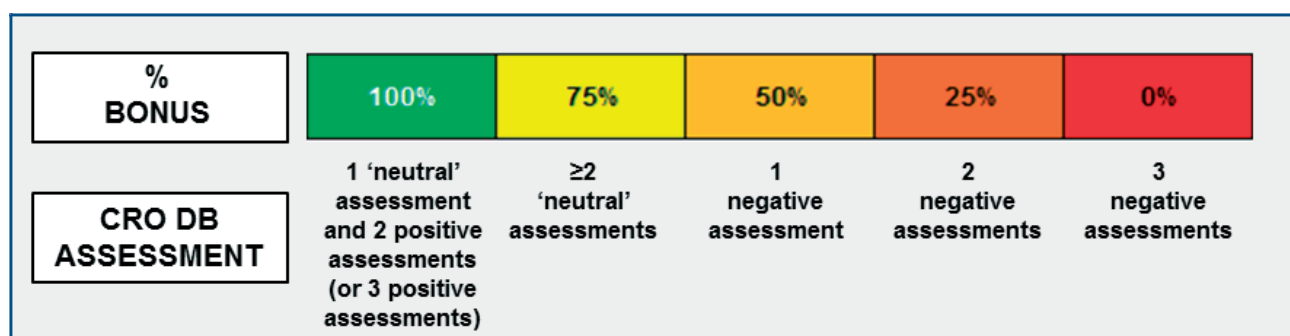


\* In line with Group RAF 2018 (Trigger for CET1, Limit for LCR and NSFR). In case of more restrictive amendments provided by law in the Plan performance years, the thresholds will be modified accordingly.  
\*\* Values in line with Group ones. In case of more restrictive amendments provided by law in the Plan performance years, the thresholds will be modified accordingly.

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 - back<sup>68</sup>.

### 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 systems<sup>69</sup> 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.



68 See paragraph 3.2.  
69 See paragraphs 5.3 and 5.5

## 5. Compensation Systems (CONTINUED)

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

#### 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

2018 - 2020	2021	2022	2023	2024	2025
<b>PERFORMANCE</b>	20% <b>UPFRONT</b> CASH	20% DEFERRED CASH	20% <b>UPFRONT</b> 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 governance<sup>70</sup>.

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.

<sup>70</sup> 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.

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 1,14%. 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.

## 6. Compensation Data

### 6.1 2017 Compensation Outcomes

#### Employees

Euro/ 000												
Population as of 31/12/2017	No.	Fix	2017 Short Term Variable				Deferred variable from previous exercises***				Variable paid in 2017 from previous exercises ***	
			Upfront		Deferred		Vested in 2017		Unvested		€	Shares
			€	Shares	€	Shares	€	Shares	€	Shares		
			€	Shares	€	Shares	€	Shares	€	Shares	€	Shares
Chief Executive Officer and General Manager (CEO) *	1	850	170	-	255	425	56	2.371	282	4.041	395	1.425
Non-executives Directors**	13	707	-	-	-	-	-	-	-	-	-	-
Executives with strategic responsibilities	5	1.648	298	-	446	744	98	4.120	493	7.004	552	2.310
Other Identified staff	8	1.404	394	-	116	210	14	271	147	385	428	359

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

\*\* Including members of the BoD whose office ended in 2017, members appointed and confirmed by the BoD on 11/04/2017 and members employees of Unicredit Group. The fix amount of members employees 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".

\*\*\* 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 as of 31/12/2017	No.	Fix	2017 Short Term Variable				Deferred variable from previous exercises**				Variable paid in 2017 from previous exercises **	
			Upfront		Deferred		Vested in 2017		Unvested		€	Shares
			€	Shares	€	Shares	€	Shares	€	Shares		
			€	Shares	€	Shares	€	Shares	€	Shares	€	Shares
Identified Staff belonging to business functions *	5	2.178	436	-	653	1.089	144	6.059	722	10.295	888	3.485
Identified Staff belonging to support functions	6	1.140	226	-	164	290	24	520	118	949	324	479
Identified Staff belonging to control functions	3	583	200	-	-	-	-	183	82	187	163	129

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

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

The vested component refers to cash and equity awards to which the right matured in 2017 as the performance conditions were achieved:

- vested cash payments refer to 2016 *Group Incentive System*;
- vested equity payments refer to 2013, 2014, 2015 *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 2017 and for which any potential future gain has not been yet realized and remains subject to future performance:

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

The value of the shares shown as 2017 short term variable and deferred variable from previous exercises is calculated considering:

- for 2014, 2015, 2016, 2017 *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 5<sup>th</sup> to February 5<sup>th</sup>, 2018;
- for 2014 and 2013 *Group Incentive System* based on UniCredit shares, the arithmetic mean of the official closing prices of UniCredit ordinary shares from January 23<sup>th</sup> to February 23<sup>th</sup>, 2018.

Variable paid in 2017 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, to the “2014-2017 Multi-year Plan Top Management” and to the “2014 Plan Key People”.

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 3 Executives with strategic responsibilities for 2017 have been rewarded with more than 1 mln Euros.

In the end, it is underlined that in 2017 any non standard<sup>71</sup> remuneration has been paid for the Identified Staff.

It is underlined that in 2017 no Severance<sup>72</sup> has been paid to or agreed with Identified Staff.

## Financial Advisors

Euro/ 000

Population as of 31/12/2017	No.	Fix*	2017 Short Term Variable **				Deferred variable from previous exercises **				Variable paid in 2017 from previous exercises **	
			Upfront		Deferred		Vested in 2017		Unvested			
			€	Shares	€	Shares	€	Shares ***	€	Shares ***		
Personal Financial Advisors belonging to Identified Staff	7	4.608	311	0	107	268	34	355	97	656	344	124

\* Recurring remuneration

\*\* Non-recurring remuneration

\*\*\* Phantom Share

The vested component refers to cash, equity and phantom shares awards to which the right matured in 2017 as the performance conditions were achieved. In particular:

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

The unvested component refer to cash, equity and to Phantom shares to which the right did not matured in 2017 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 “2015 Group Incentive System PFA” and to “2016 Group Incentive System PFA” for Financial Advisors and Managers of the Network.
- the unvested phantom shares refer to “2015 Group Incentive System PFA” for Financial Advisors and Managers of the Network
- the unvested equity refer to “2016 Group Incentive System PFA” and to “2015-2017 Plan PFA” for Financial Advisors and Managers of the Network.

The value of the shares / Phantom shares shown as 2017 short term variable and deferred variable from previous exercises is calculated considering the arithmetic mean of the official closing prices of Fineco ordinary shares from January 5<sup>th</sup> to February 5<sup>th</sup>, 2018.

Variable paid in 2017 from previous exercises includes pay-outs based on actual performance achievements related to “2014 Plan PFA”, to “2015 Group Incentive System PFA”, to “2016 Group Incentive System PFA” and to the “2014 Contest” plan for Financial Advisors and Managers of the Network.

71 See paragraph 3.4.

72 See paragraph 3.3.

## 6. Compensation Data (CONTINUED)

### 6.2 2017 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	77%	23%
Support function	92%	8%
Overall Company	89%	11%



## 6.3. Benefits 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 both defined performance funds (whose performances, which come to fruition once the retirement requirements are reached, are known in advance as they are set by the fund statute) and defined contribution plans (whose performances depend on the results of the asset management).

Complementary pension plans can also be classified as external or internal pension funds, where external funds are legally autonomous from the Group, while internal funds are accounting items entered into UniCredit S.p.A.'s balance sheet, whose creditor counterparts are the employees enrolled (both active and retired).

Both these categories are closed and, as such, they do not allow new subscriptions. The only exception is represented by the individual capitalization section of the "Fondo Pensione per il Personale delle Aziende del Gruppo UniCredit". Within this section subscribers can distribute their 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.





