



THE NEW BANK



THE NEW BANK



# 2016

## COMPENSATION POLICY

**FINECO, THE BANK THAT SIMPLIFIES BANKING.**

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SECTION I

# EXECUTIVE SUMMARY

FINECO, THE BANK THAT SIMPLIFIES BANKING.



# SECTION I – 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 UniCredit Group one, is compliant with the most recent national and international regulatory requirements and guarantees the link to the performance, the market framework, the alignment with business strategy and the long-term shareholders' interest.

The key pillars 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 activities and to avoid distorted incentives that could lead to a breach of law or to excessive risk taking.

## Elements of our compensation approach and key results of 2015:

| Key elements of 2016 Compensation Policy   | Description  |
|--|--|
| <b>1. Key pillars</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 pillars 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 latest national and international regulatory requirements. Full compliance of compensation policies and processes is assured through <b>involvement of Company Control Functions</b>: such as <i>Compliance</i> and <i>Risk Management</i>, that also guarantee the coherence with the <i>Risk Appetite Framework</i>, in line with sector regulations<sup>1</sup></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*”, 7<sup>th</sup> update to the Circular n. 285 of 17<sup>th</sup> December 2013.

## 2. Compensation benchmarking

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

### Details – Section III paragraph 3

- With specific reference to *Identified Staff* population of FinecoBank, the Remuneration and Appointments Committee identifies, supported by the independent external advisor, the **peer group**, considering our main Italian and European peers on which compensation benchmarking analysis are performed

## 3. Identified Staff definition

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

### Details – Section III paragraph 5.1

- As per Bank of Italy request, also for 2016 the identification of the **Identified Staff** has followed a structured assessment process both at Group and local level, involving *Compliance* and *Risk Management* functions of FinecoBank. The self-evaluation, supported also by the independent external advisor who ensured the compliance, brought to a total number of Identified Staff for 2016 equal to **13 employees and 11 Financial Advisors**

## 4. Ratio between variable and fixed remuneration

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

### Details – Section II paragraph 3.1

- In compliance with applicable regulations, the adoption of a maximum ratio between variable and fixed remuneration of 2:1 has not changed for the employees belonging to the business functions. For the rest of the employees, a maximum ratio between the components of remuneration equal to 1:1 is usually adopted, **except for the staff of the Company Control Functions<sup>2</sup>, for which it is provided that the variable remuneration could not exceed 33% 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 don't have any implication on bank's capacity to continue to respect all prudential rules, in particular capital requirements
- This approach allows FinecoBank to maintain a strong link between pay and

<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.

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

## 5. Incentive system linked to the annual performance for the employees belonging to *Identified Staff*

- The FinecoBank 2016 Incentive System, that confirms the “bonus pool” approach introduced in 2014, provides for a strong link between remuneration, risk and sustainable profitability
- Such system provides for an overall performance assessment both at individual level and at Group and local level

### *Details – Section III paragraph 5.3*

- **Bonus pool** whose size is linked to the Bank profitability; bonus pool adjustments driven by the evaluation of the economy and risk sustainability (alignment to the Bank’s Strategic Plan and to the *Risk Appetite Framework*)
- **Entry conditions:** a mechanism that determines the possible application of *malus* clause (Zero Factor), on the basis of performance indicators in terms of profitability, capital and liquidity defined at both Group and local level
- **Bonus allocation:** incentives are allocated taking into consideration the managerial evaluation, the available bonus pool, the individual performance evaluation based on risk-adjusted indicators and a specific reference value for each position
- **Pay-out:** individual bonuses composed of 50% cash and 50% shares; pay-out over a period up to maximum 6 years, ensuring alignment with shareholders’ interests and subject to *malus* and claw-back conditions, as legally enforceable

## 6. Performance measurement

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

### *Details – Section III paragraph 5.4*

- The ***KPI Bluebook*** supports the definition of Performance Screens providing a **set of performance indicators and guidelines**. The categories of the main indicators of financial and non-financial Group performance, annually defined within the *KPI Bluebook*, are certified with the involvement of Group functions *Human Resources, Strategy & Finance, Risk Management, Compliance, Group Sustainability, Group Stakeholder and Service Intelligence and Audit*, which reflect the Bank’s core operating profitability and risk profile. This year the *KPI Bluebook* has been structured and clustered on the basis of the different pools used for the bonus pool process and focused on the different Group’s business

## 7. Termination payments

- Continuous alignment with regulations / contract timely in force
- 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 in excess of the indemnity in lieu of notice (in case of lack of law / National Labour agreement provisions locally applicable)

### Details – Section II paragraph 3.3

- A **specific Policy** (“**Termination Payments Policy**”) on payments to be agreed in case of early termination of a contract (so called *severance*) was **approved at the 2015 Annual General Meeting**, according to the regulatory requirements issued by Bank of Italy in “*Disposizioni di vigilanza per le banche*” (Circolare no. 285 of 17<sup>th</sup> December 2013, 7<sup>th</sup> update of 18<sup>th</sup> November 2014). For details on criteria, limits and authorization processes, reference is made in the above mentioned Policy

## 8. Incentive system linked to the annual performance for the Financial Advisors belonging to Identified Staff

- The provisions of FinecoBank Compensation Policy also apply to the members of the Financial Advisors' Network, in line with the Advisors' specific remuneration
- The 2016 PFA<sup>3</sup> Incentive System provides for a strong link between remuneration, risk and sustainable profitability
- Such system provides for an overall performance assessment both at individual level and at Group and local level

### Details – Section III paragraph 5.5

- **Bonus pool** whose size is linked to the Bank profitability; bonus pool adjustments driven by the evaluation of the economy and risk sustainability (alignment to the Bank's Strategic Plan and to the *Risk Appetite Framework*)
- **Entry conditions:** a mechanism that determines the possible application of *malus* clause (Zero Factor), on the basis of performance indicators in terms of capital and liquidity defined at both Group and local level (at local level also profitability will be taken into account)
- **Bonus allocation:** incentives are allocated taking into consideration the available bonus pool and the individual performance evaluation based on risk-adjusted indicators
- **Pay-out:** individual bonuses composed of 50% cash and 50% shares; pay-out over a period up to maximum 5 years, ensuring alignment with shareholders' interests and subject to *malus* and claw-back conditions, as legally enforceable

## Our Compensation Disclosure

The **Annual Compensation Report** (Section III) provides the description of our compensation practices and the implementation outcomes of FinecoBank Incentive Systems, as well as remuneration data with a focus on *Identified Staff*, defined in line with regulatory requirements. Full disclosure on compensation amounts, deferrals and ratio between variable and fixed components of remuneration for the Identified staff is provided in the Annual Compensation Report (paragraph 6.1), including data regarding Directors, General Managers and other Executives with strategic responsibilities. Data pursuant sect. 84-quarter Consob Issuers Regulation Nr. 11971, “Compensation report – Section III”, as well as the information on incentive systems under 114-bis of legislative decree 58/1998 (“*Testo Unico della Finanza*” – “*TUF*”) are included in this document as well as in the annex to the 2016 FinecoBank Compensation Policy, named “*2016 Compensation Systems based on financial instruments*”.

<sup>3</sup> PFA – Personal Financial Advisors.



SECTION II

# COMPENSATION POLICY

**FINECO, THE BANK THAT SIMPLIFIES BANKING.**



## 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 pillars** of our Compensation Policy were confirmed:

- **Clear and transparent governance**, through efficient corporate and organizational governance structures, as well as clear and rigorous governance and 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 vis-à-vis customers.
- **Continuous monitoring of market trends and practices** and awareness of international practices, aimed at sound formulation of competitive compensation as well as at 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 means by which they are achieved.
- **Motivation and retention of all staff, with particular focus on talents and mission-critical resources**, with the aim to attract, motivate and retain the best resources capable of achieving our company mission in adherence to Bank 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 and Appointments 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 and Appointments Committee is vested with the role of providing advice and opinions submitted 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 and Appointments Committee, instituted in 2014, consists of 3 non-executive members all independent.

As per regulatory requirements, at least one of the Committee's member has an adequate knowledge and experience in finance or remuneration policies.

### 2.2 Market benchmark

With specific reference to *Identified Staff*, an independent external advisor supports the Remuneration and Appointments 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 and Appointments 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 to adopt a competitive compensation structure for effective retention and motivation of our critical resources, as well as payments consistent with long-term value for stakeholders.

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

### 2.3 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* function for all compliance-related aspects, before being submitted to the Remuneration and Appointments Committee. On annual basis the Compensation Policy, as proposed by the Remuneration and Appointments 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<sup>4</sup> 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 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.

FinecoBank Incentive Systems are defined with the involvement and collaboration of CRO and CFO functions, for the overall qualitative assessment of economic sustainability and of risk and *Compliance* function to ensure 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).

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 ensure 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 strategic

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<sup>4</sup> A “Compliance Outsourcing agreement” was signed with UniCredit S.p.A.

risk appetite defined by 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 and in the performance appraisal. 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 assumption of risk is properly bound to incentives related to risk management.

## 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 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 staff of the Company Control Functions<sup>5</sup>, for which it is provided that the variable remuneration could not exceed 33% 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 don'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").

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<sup>5</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.

### 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;
- use both absolute and relative performance achievement metrics, where relative performance-based measures are based on comparison of achieved results to those of market peers;
- consider performance on basis of annual achievements and on their impact over time;
- include reflection of the impact of individual's / business units' return on the overall value creation of related business groups and organization as a whole;
- maintain an adequate mix of financial and non-financial (quantitative and qualitative) goals, considering also performance objectives as for example risk management, adherence to Company values or other behaviours;
- it is crucial to avoid measures linked to economic results for Company Control Functions (*Risk Management*<sup>6</sup>, *Compliance* and *Human Resources*<sup>7</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>8</sup>.
- 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

<sup>6</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>7</sup> *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.

<sup>8</sup> Where CFO roles cover also Financial Statements preparation, possible economic measures have to be chosen in a conflict-avoidance perspective.



in presence of an exceptionally negative situation<sup>9</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

- Evaluate the opportunity to phase, 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.

#### *Focus on claw-back*

The Company reserves the right to activate claw-back mechanisms, namely the return of any form of variable compensation already paid (both the immediate and deferred element, to the extent of 100% of the amount awarded) within, as a rule, the deferral period applied to the payment structure of the variable award, unless different provisions by local regulations are in force. This applies in the case of verification of behaviours adopted in the reference period, for which the employee:

- 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 local level;
- engaged in misconduct and/or fails to take expected actions which contributed to significant reputational harm to 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 the remuneration and incentive system.

The claw-back mechanisms can be activated also after the employee's contract termination and/or the end of the appointment and take into account the relative legal, contribution and fiscal profiles and the time limits prescribed by local regulations and applicable practices.

<sup>9</sup> E.g. *Common Equity Tier 1 Ratio Transitional* dropping under the minimum regulatory requirement, in a persistent "recession" scenario.

### 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*) was approved by 2015 Shareholders’ Meeting. For details on criteria, limits and authorization processes, reference is made in the above mentioned Policy.
- 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.
- Any severance provision exceeding the ones provided by the Law / National Labor agreement which are locally applicable were avoided. In cases where there is a lack of such regulations, any severance beyond the notice period don’t exceed, as a rule, 24 months of total compensation and are scaled according to the length of employment.
- None of the non-Executive 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.
- 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.

### 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, allowance).
- 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 UniCredit and FinecoBank governance processes, periodically monitored and disclosed as for regulatory requirements and must be subject to *malus* conditions and claw-back actions, as legally enforceable.

### 3.5 Compliance Drivers

**To support the design of remuneration and incentive systems, and with particular reference to Company Control Functions, the following “compliance drivers” were defined):**

|   |  |
|---|--|
| ✓ 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)  | ✓ qualitative measures must be accompanied by an <i>ex-ante</i> indication of objective parameters to be considered in the evaluation, the descriptions of expected performance and the person in charge for the evaluation  |
| ✓ 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                             | ✓ 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)                        |
| ✓ set and communicate <i>ex-ante</i> clear and pre-defined parameters as drivers of individual performance  | ✓ avoidance of incentives with excessively short timeframes (e.g. less than three months)  |
| ✓ 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              | ✓ 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 |
| ✓ 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 | ✓ economic goals must be avoided for Company Control Functions <sup>10</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  |
| ✓ define – for personnel providing investment services and activities – incentives that are not only based on financial parameters, but also take into  | ✓ The approach for control functions is also recommended where possible conflicts may arise due to function’s activities. This is the case in particular of functions of the Company   |

<sup>10</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. 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.



|   |   |
|---|---|
| account the qualitative aspects of the performance; this in order to avoid potential conflicts of interest in the relationship with customers <sup>11</sup>   | (if any) performing control activities pursuant to internal / external regulations <sup>12</sup>  |
| ✓ avoidance of incentives on a single product / financial instrument or specific categories of financial instruments, as well as single banking product   | ✓ 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   |
| ✓ 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 Employees, incentives must be set in order to avoid potential conflict of interest with customers   | ✓ 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> |
| ✓ 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  | ✓ the entire evaluation process must be conveniently put in writing and documented  |
| ✓ 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>13</sup> . The results of managerial discretionary evaluation should be formalized for the adequate and predefined monitoring process by the |   |

<sup>11</sup> As for example:

- ESMA requirements, with reference to MIFID remuneration policies and practices
- Technical Advice ESMA on MiFid II (Final Report 2014/1569)
- MiFid II specific articles regarding remuneration / incentives for relevant subjects

<sup>12</sup> E.g. structures that perform accounting / tax activities. Where CFO roles cover also Financial Statements preparation, possible economic measures have to be chosen in a conflict-avoidance perspective.

<sup>13</sup> Also in line with the regulation references reported in the note above.

proper functions

Within network roles incentive systems, particular attention is put on “*Commercial Campaigns*”.

Such Campaigns 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, for instance on a half-year basis) and with a direct impact on the budget and related incentive systems.

Among the distinctive features of commercial campaigns, there is the expectation of the award - in cash or non-monetary reward. Commercial Campaigns can also have the function to accelerate the achievement of certain objectives of the incentive system. The grant of awards related to a Campaign 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 a Campaign’s objectives with the objectives set when defining the budget and when assigning targets to the sales network
- ✓ avoidance of “commercial campaigns” on a single financial or Banking product / financial instrument
- ✓ inclusion of clauses for zero bonus payment in case of relevant non-compliant behaviour or qualified disciplinary actions
- ✓ avoidance of campaigns 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 campaigns 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 campaigns 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. 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, total compensation is set around upper quartile, with individual positioning being defined on the basis of specific performance, potential and people strategy decisions.

With particular reference to *Identified Staff*, the Remuneration and Appointments 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<br/>Fixed compensation</b><br><br><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>Fixed salary is appropriately defined for the specific business in which an individual works and for the talents, 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 were 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 and Appointments Committee establishes :</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 single compensation reviews as necessary.</li> </ul> |

#### 4.1.2 Variable compensation

**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)**

Variable compensation aims to remunerate achievements by directly linking pay to performance outcomes in the short, medium and long-term, and risk adjusted .

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.

- Adequate range and managerial flexibility in performance-based pay-outs are an inherent characteristic of well-managed, accountable and sustainable variable compensation, which may be awarded via mechanisms differing by time horizon and typology of reward.
- Incentives remunerate the achievement of performance objectives, both quantitative and qualitative, by providing for a variable bonus payment .
- An appropriately balanced performance-based compensation element is encouraged for all employee categories as a key driver of motivation and alignment with organizational goals, and is set as a policy requirement for all business roles.
- The design 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.
- Group common guidelines on the key elements of contracts for *Identified Staff* ensure alignment with regulatory requirements and also with Audit recommendations, in particular regarding contract elements with specific regulatory provisions, such as variable compensation and *severance* provisions.
- More details on the design of remuneration and incentive systems, with particular reference to Control Functions, are reported in the section "*Compliance Drivers*".

**Incentive Systems linked to yearly performance**

Aim to attract, motivate and retain strategic resources and maintain full alignment with the latest national and international regulatory requirements and with best market's practices.

- Pay-out is based on a “*bonus pool*” approach providing for a comprehensive performance measurement at individual and at Group and local level .
- Reward is directly linked to performance, which is evaluated on the basis of results achieved and on the alignment with our leadership model and values.
- The *Executive Development Plan* (EDP) as the Group-wide framework for *Identified Staff* performance management is a cornerstone of fair and coherent appraisal across the organization.
- For the remaining employees annual incentives are determined on a discretionary basis according to the individual performance appraisal (e.g. *Performance Management*) that foresees a yearly, written, and documented process for the goals setting, self-assessment, managerial assessment and the definition of an individual development plan.
- Where foreseen by regulations, the pay-out is phased to coincide with an appropriate risk time horizon. The design features of incentive plans for *Identified Staff* are aligned with shareholder interests and long-term, firm-wide profitability, providing for an appropriate allocation of a performance related incentive in cash and in shares, upfront and deferred.
- Each year, detailed information about our compensation governance, key figures and the features of our incentive systems, is fully disclosed in the Annual Compensation Report.
- The individuals’ behaviours (compliance with internal and external rules and regulations, absence of disciplinary actions and completion of mandatory training) are also evaluation elements to assign individual incentives.

|                                       |   |   |
|---------------------------------------|---|---|
| <p><b>Long-term loyalty plans</b></p> | <p>The aim of these plans is the allocation of free shares, in order to build retention, subject to the fulfilment of specific sustainability conditions.</p> | <p>In 2014, FinecoBank's Board of Directors approved the following plans, when applied for listing on the Italian Stock Exchange and subject to the favourable outcome of it:</p> <ul style="list-style-type: none"> <li>▪ <i>"2014-2017 Multi-year plan Top Management"</i> for the Chief Executive Officer and General Manager and for the Executives with strategic responsibilities;</li> <li>▪ <i>"2014 Plan Key People"</i> for selected people.</li> </ul> |
|---------------------------------------|---|---|

#### 4.1.3 *Benefits*

|   |  |  |
|---|--|--|
| <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, benefits are aligned against general common criteria for each employee category, while benefits plans are established on the basis of FinecoBank practices.</li> <li>▪ FinecoBank employees can also join the Group Employee Share Ownership Plan, named <i>"Let's Share"</i> which was launched for the first time in 2008. The plan offers to the participants the opportunity to buy ordinary UniCredit shares and to receive a 25% discount in the form of free shares allocated by the Company with a one-year restriction period.</li> </ul> |
|---|--|--|



## 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

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 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. Therefore 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</b><br><b>Recurring remuneration</b><br><b>This is the most stable and ordinary part of the total remuneration, equivalent to the fixed salary of employees</b> | <p>Recurring remuneration is 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 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> | <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> |

#### 4.2.2 Non-recurring remuneration

|   |  |  |
|---|--|--|
| <p><b>Incentive Systems linked to yearly performance. 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>Aim to motivate, retain and incentive Financial Advisors and Managers of the Network, maintain 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>”) 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>”, “<i>Additional Future Program</i>”, and “<i>Iniziativa Riqualificazione Prodotti Risparmio Gestito</i>”.</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 individuals’ 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 loyalty plans</b></p>   | <p>The aim is to retain and motivate Financial Advisors and Managers of the Network.</p>   | <p>In 2014, FinecoBank's Board of Directors approved the following plans, when applied for listing on the Italian Stock Exchange and subject to the favourable outcome of it:</p> <ul style="list-style-type: none"> <li>▪ “<i>2014 Plan PFA</i>”, subject to the fulfilment of specific performance targets for 2014;</li> <li>▪ “<i>2015-2017 Plan PFA</i>”, subject to the fulfilment of specific performance targets for the period 2015-2017.</li> </ul>  |



SECTION III

# ANNUAL COMPENSATION REPORT

**FINECO, THE BANK THAT SIMPLIFIES BANKING.**



# SECTION III –

## ANNUAL COMPENSATION REPORT

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# 1. Introduction

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

The report provides *ex-post* information on 2015 outcomes, as well as *ex-ante* disclosure for 2016 approach, covering our *Identified Staff* population (both employees and Financial Advisors) and Corporate Bodies' members.

Remuneration solutions implemented in 2015 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 we constantly kept abreast of ongoing changes in national and international regulations. Among most recent innovations in the regulatory framework, the following is highlight: EBA published on December 21<sup>st</sup>, 2015 the document "*Guidelines on sound remuneration policy*"<sup>14</sup>. Such guidelines would be applied starting from January, 1<sup>st</sup> 2017.

In 2015 we gave our contribution, through UniCredit by means we provided disclosure to Bank of Italy, to the *European Banking Authority's* ("EBA") remuneration benchmarking exercise and data collection of high earners. In particular our contribution was related to information regarding the remuneration for 2014 of all staff and of *Identified Staff*, including the number of individuals in pay brackets of at least 1 mln Euros.

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 of the Italian National Commission for Listed Companies (Consob) Issuers Regulation no.11971, as well as the information on incentive systems under section 114-bis<sup>15</sup>, are included in this report and in the annex to the 2016 FinecoBank Compensation Policy, named "*2016 Compensation Systems based on Financial Instruments*".

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<sup>14</sup> Draft 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.

<sup>15</sup> Legislative decree no. 58 of February 24th 1998 as well as to the provisions of the issuer "Regulations" adopted by CONSOB with resolution no. 11971 of May 14th 1999 regarding the information to be disclosed to the market in relation to the granting of awarding plans based on financial instruments.

## 2. Governance & Compliance

### 2.1 Remuneration and Appointments Committee

The Remuneration and Appointments Committee, established by the Board of Directors' resolution on May 13<sup>th</sup>, 2014, performs a strategic role in supporting Board of Directors' oversight of FinecoBank Compensation Policy and plans design.

According to the Corporate Governance rules, this Committee is composed by 3 non-executive members, Mr. Gianluigi Bertolli, Mrs. Mariangela Grosoli and Mr. Girolamo Ielo, who met the independence requirements set out in Article 3.C.1 of the Corporate Governance Code and also Article 147 (4) and 148 (3) of the TUF and have adequate knowledge and experience in finance or remuneration policies.

The Chairman, Mr. Gianluigi Bertolli, has presided the Committee's meetings during 2015.

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

- A. provides opinions to the Board of Directors - on the proposals formulated, as appropriate, by the Chairman of the Board or by the Chief Executive Officer and General Manager - concerning:
  - the definition of policies for appointing the Company's directors (including the qualitative- quantitative characteristics required by the Supervisory Regulations of the Bank of Italy);
  - the appointment of the Chief Executive Officer and General Manager and the other Executives with strategic responsibilities;
  - the definition of any succession plans for the Chief Executive Officer and General Manager and for the other Executives with strategic responsibilities;
  - the identification of FinecoBank director candidates in the event of co-optation, and of independent director candidates to be submitted for approval by the Company shareholders' meeting, taking into account any reports received from shareholders;
  - the appointment of members of the Committees established within the Board of Directors, upon the proposal of the Chairman;
- B. presents proposals to the Board for the definition of a general remuneration policy for the Chief Executive Officer and General Manager, for the other Executives with strategic responsibilities, for the Heads of Company Control Functions e for the other *Identified Staff* – also so that the Board is able to prepare the Annual Compensation Report 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;
- C. presents proposals to the Board relating to the total remuneration of the Chief Executive Officer and General Manager, of the other Executives with strategic responsibilities, of the Heads of Company Control Functions e of the other *Identified Staff*, including the relevant performance targets related to the variable component of the remuneration;
- D. monitors the implementation of the decisions adopted by the Board and verifies, in particular, the achievement of the performance targets;
- E. examines any share-based or cash incentive plans for employees of the Company, and strategic staff development policies.

In 2015 the Remuneration and Appointments Committee met 12 times. The meetings had an average duration of two hours. As of March 2016, 3 meetings of the Committee have been held this year. Minutes are taken of each meeting of the Remuneration and Appointments Committee and placed on record by the Secretary designated by Committee itself.

From December 2014 on the Committee, by means of its budget assigned for the year, has started a collaboration with an independent external advisor who is invited to the Committee's meeting when required.

The Committee may, when it deems it appropriate, invite other individuals from within the Company to attend the meetings, in relation to the corporate functions and organizations concerned by the issues at hand, including members of other committees within the Board of Directors, or external parties, whose presence may facilitate the Committee in performing its functions. The Committee shall meet when convened by its Chairman, whenever he/she deems necessary, or upon the request of one of its members.

In 2015 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 the results of the Board of Directors' self-evaluation process and the Head of *Network Controls, Monitoring and Service Department* to analyse the Stock Granting Plans, Incentive Systems and related rules for the Financial Advisors. The Chairman has also invited the *Internal Audit*<sup>16</sup> function to the meeting related to the annual audit performed on FinecoBank remuneration policies and practices.

During 2015 the key activities of the Remuneration and Appointments Committee included:

| KEY ACTIVITIES OF THE COMMITTEE IN 2015 |  |
|---|--|
| <b>January</b>                          | <ul style="list-style-type: none"> <li>2015 Incentive System for employees belonging to <i>Identified Staff</i></li> <li>Confirmation of the 2:1 ratio between variable and fixed compensation for <i>Identified Staff</i> belonging to business functions</li> <li>2015 performance goals for <i>Identified Staff</i></li> </ul>  |
| <b>February</b>                         | <ul style="list-style-type: none"> <li>Bonus Pool 2014</li> <li>Execution of 2014 Incentive System and individual bonuses 2014 for <i>Identified Staff</i></li> <li>Execution of stock granting plans "2014-2017 Multi-year Plan Top Management" and "2014 Plan Key People" for employees</li> <li>Execution of the plan "2014 PFA Plan" for Financial Advisors</li> </ul>   |
| <b>March</b>                            | <ul style="list-style-type: none"> <li>Evaluation of the independence requirements of the Administrative Bodies as per Article 3 of the Corporate Governance Code and Article 148 (3) of the TUF</li> <li>Report on Corporate Governance and Ownership Structures 2014</li> <li>2015 Compensation Policy (Annual Compensation Report and Audit report included)</li> <li>Termination Payments Policy</li> <li>Rules of the 2015 Incentive System for employees belonging to <i>Identified Staff</i></li> <li>Definition of 2015 <i>Identified Staff</i></li> <li>2015 Incentive System for Financial Advisors belonging to <i>Identified Staff</i></li> <li>2015 Incentive Plans for Financial Advisors (PFA/GM/AM) and related rules</li> </ul> |
| <b>April</b>                            | <ul style="list-style-type: none"> <li>Salary review for <i>Identified Staff</i></li> <li>Rules of the 2015 Incentive System for Financial Advisors belonging to <i>Identified Staff</i></li> </ul>  |
| <b>June</b>                             | <ul style="list-style-type: none"> <li>Change of one entry condition parameter of <i>stock granting plan</i> for employees</li> </ul>  |
| <b>July</b>                             | <ul style="list-style-type: none"> <li>Execution of the plan "2014 PFA Plan" for Financial Advisors (little amendments to what already approved in the previous meeting)</li> </ul>  |

<sup>16</sup> Internal Audit function is centralized in UniCredit and works based on a specific service contract.



|                  |   |
|------------------|---|
|                  | <ul style="list-style-type: none"> <li>Rules of the plans “<i>Loyalty Plan</i>” for Financial Advisors and Managers of the Network of FinecoBank</li> <li>Change of entry conditions for the plans “<i>Bonus All in Fee</i>”, “2015 Incentive Plans (Bonus Raccolta Netta)” for Financial Advisors (PFA/GM/AM), “2014 PFA Plan” and “2015-2017 PFA Plan” and related new rules</li> <li>Development plans and succession plans</li> <li>Change of the name of the plans “<i>Loyalty Plan</i>” for Financial Advisors and Managers of the Network of FinecoBank to “<i>Additional Future Program</i>” and related new rules</li> </ul> |
| <b>September</b> | <ul style="list-style-type: none"> <li>Global Policy “Compensation processes for <i>Identified Staff</i> population”</li> </ul>   |
| <b>November</b>  | <ul style="list-style-type: none"> <li>Corrective measures after the results of the Board of Directors’ self-evaluation process made by <i>Egon Zehnder International</i></li> </ul>  |
| <b>December</b>  | <ul style="list-style-type: none"> <li>Appointment new Deputy General Manager</li> <li>2016 performance goals for <i>Identified Staff</i></li> <li>Share Netting / Share Cashing process</li> </ul>   |

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 following table summarizes the composition of the Committee in 2015 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.

| REMUNERATION AND APPOINTMENTS COMMITTEE – (YEAR 01/01/2015 – 31/12/2015)  |                    |                           |     |   |    |      |
|---|--------------------|---------------------------|-----|---|----|------|
| Office  | Name               | Independency according to |     | * | ** | ***  |
|   |                    | Code                      | TUF |   |    |      |
| Members currently in office   |                    |                           |     |   |    |      |
| Chairman  | Gianluigi Bertolli | Yes                       | Yes | C | 12 | 100% |
| Director  | Mariangela Grosoli | Yes                       | Yes | M | 12 | 100% |
| Director  | Girolamo Ielo      | Yes                       | Yes | M | 12 | 92%  |
| Notes   |                    |                           |     |   |    |      |
| (*) In this column is pointed out the office covered in the Committee (C=Chairman; M=Member)  |                    |                           |     |   |    |      |
| (**) In this column is pointed out the number of meetings attended during the period when the office has been covered   |                    |                           |     |   |    |      |
| (***) In this column is pointed out the percentage of attending to Committee’s meetings (no. of participation / no. of meetings taken during the effective period when the office has been covered) |                    |                           |     |   |    |      |

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

Key contributions in 2015 of FinecoBank *Compliance* function, for all aspects that fall within its perimeter and in collaboration with *Group Compliance*, included:

- validation of the 2015 Compensation Policy submitted to the Board of Directors for subsequent approval of the Shareholders' Meeting on April 23<sup>rd</sup>, 2015;
- validation of the 2015 Incentive System for employees of FinecoBank belonging to *Identified Staff*;
- validation of the 2015 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 23/2015*);
- participation in specific initiatives of *Human Resources* function (e.g.: review of definition of *Identified Staff* for the application of Incentive System).

In 2016, 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 2015 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 and Appointments Committee draw upon the input of involved functions to define the link between profitability, risk and reward within FinecoBank incentive systems.

### ***Internal Audit of the 2015 FinecoBank remuneration policies and practices***

The Internal Audit function performed the annual audit on FinecoBank variable remuneration system, in consistency with the provisions issued by Bank of Italy.

The objective was to assess the correct implementation of the 2015 remuneration process, verifying the consistency with internal and external regulations. It has been also performed a follow-up of the recommendations issued by the previous audit

The results of the audit have been presented to the Remuneration and Appointments Committee on March 4<sup>th</sup>, 2016.

Audit has been conducted on a population in scope that included the following categories, to whom FinecoBank Compensation Policy applies:

- all the employees belonging to “*Identified Staff*”;
- a sample of no. 180 employees not belonging to “*Identified Staff*” (*below executive*), chosen taking into consideration employees that have received in 2015 an incentive higher than Euro 5.000 (around 17% of the overall population on 31/12/15);
- members of Corporate Bodies;
- the Financial Advisors of the Bank, with particular attention to the “non-recurring” remuneration named “Net Inflows Bonus”, representing around 70% of the total variable compensation paid in 2015.

The annual Internal Audit assessment resulted in a satisfactory rating, based on the overall correct implementation of the bonus mechanism, as defined in FinecoBank Compensation Policy, with particular reference to the adherence of the pre-fixed limit of 2:1 (1:1 for the Company Control Functions) for the ratio between variable and fixed remuneration.

Regarding the Financial Advisors Network, it has been suggested to the Management to adopt some improvement actions, focused mainly on the integration of the internal rules of the incentive plans “Bonus Raccolta Netta” with the provision of qualitative goals inspired, *inter alia*, to principles of honesty in the relationship with customers and to adherence to regulatory requirements (e.g. compliance foreseen by MIFID regulation). In particular it is necessary to introduce in all the incentive plans rules:

- goals linked to the fulfilment of the new MIFID questionnaire, released on November 2015, with the adaptation to the rules foreseen by ESMA requirements;
- corrective measures to the incentives to each single Manager in case of behaviour of the coordinated Financial Advisors not compliant with regulations (related to the supervision duties foreseen by the extra responsibility on top of the mandate as Financial Advisor conferred by the Bank.

It is signalled that the improvements proposed have been already accepted by the Management and acknowledged in the 2016 rules.

Regarding the incentive system for the employees, it is necessary to formalize in a more accurate way the goals assigned to below executive population during the Performance Management process.

### 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 and Appointments Committee include:

- the definition of Compensation Policy for the *Identified Staff*, both employees and Financial Advisors, with particular reference to the design of the 2016 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 and Appointments 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-socio-economic environment

The peer group is subject to annual review to assure its continuing relevance. For 2016 it has been defined a national peer group that includes:

- some Banks operating in the same industry of FinecoBank or Banks used by financial analysts as comparable, as:
  - Banca Generali and Generali Investments Europe SGR
  - Allianz Bank Financial Advisor
  - Gruppo Mediolanum
  - Azimut
- positions of Asset Management, Wealth Management, Trading internal to national Banks:
  - Banca Popolare Vicenza
  - BNP Paribas (BNP Investment Partners included)
  - BPER
  - Credem
  - Deutsche Bank
  - Gruppo Banco Popolare (*Prospect*)
  - Gruppo Generali
  - ING Direct
  - Gruppo Mediobanca (CheBanca and Banca Esperia)
  - Monte Paschi di Siena
  - Intesa SanPaolo
  - UBI Banca
  - Veneto Banca (*Prospect*)

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.

Only for the Chief Executive Officer and General Manager it will be added also a benchmark with a sample of European Banks with Wealth Management, Asset Management and Private Banking activities, trading platform, on top of a US comparables' analysis.



## 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 15th, 2014   | Compensation for each year of activity: <ul style="list-style-type: none"> <li>■ € 290.000 for the Board of Directors<sup>1</sup></li> <li>■ € 50.000 for Board Committees</li> <li>■ € 20.000 for the Chairman of the Supervisory Board</li> <li>■ € 300 as attendance fee for participating to each meeting of<sup>2</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 15th, 2014, 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<sup>3</sup>, 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 15th, 2014  | Compensation for each year of activity <sup>3</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>2</sup></li> </ul>  |  |
| Executives with strategic responsibilities <sup>4</sup> | Fixed and variable compensation | Board of Directors   | 2015 Compensation level: <ul style="list-style-type: none"> <li>■ € 850.000 fixed + € 850.000 2015 bonus for the CEO and General Manager</li> <li>■ € 1.648.000 fixed + € 1.485.000 2015 bonuses for the other 5 Executives with strategic responsibilities</li> </ul>   | For 2015 fixed and variable remuneration components of the CEO/General Manager and of the other Executives with strategic responsibilities are balanced, through the <i>ex-ante</i> definition of the maximum ratio between variable and fixed remuneration component. |

1. Total compensation for the entire Board of Directors (Executive Directors included) approved by the Shareholders' Meeting is equal to € 370.000.  
2. Even if these meetings held in the same day.  
3. 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.  
4. 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 Direct Banking, the Head of Commercial PFA Network, the Head of Investment Services and Wealth Management as well as the Chief Financial Officer.

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

For 2015, 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 Appointments Committee and heard the opinion of Board of the Statutory Auditors, as appropriate.

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, the satisfaction of the customer, risk and financial sustainability indicators and profitability measures. → *More information regarding our performance management and evaluation are provided further in chapter 5.4*

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. 2015 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 deferring period, thus creating a link between the evolution of the share price and the actual value of the incentive. → *More information regarding the 2015 incentive plan implementation and outcomes are provided further in chapter 5.2.*

The Chief Executive Officer and General Manager, on top of 2015 Incentive System, benefits also from:

- “2012 Group Incentive System – Executive Vice President”
- “2013 Group Incentive System – Executive Vice President & Above”
- “2014 Group Incentive System – Executive Vice President & Above”
- “2014-2017 Multi-year Plan Top Management”

→ *More information regarding the plans above mentioned are provided further in chapters 6 and 7.*

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 dated February 29, 2012 renewed with the Agreement dated July 13, 2015. 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 "Termination Payments Policy" of FinecoBank approved by Shareholders' Meeting on April 23<sup>rd</sup>, 2015.

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

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

## 5. Compensation Systems

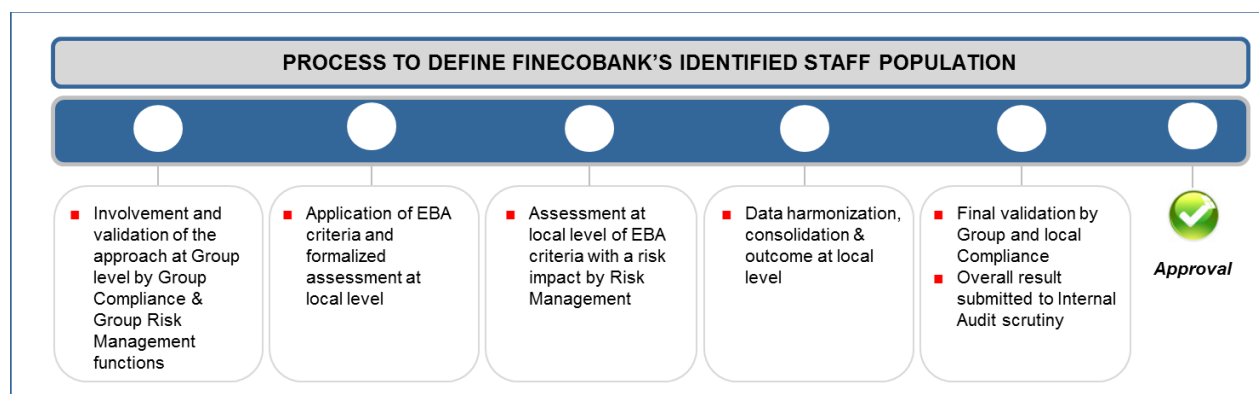
### 5.1 Target population

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

The identification of 2016 *Identified Staff*, pursuant to the European criteria foreseen in the *European Banking Authority Regulatory Technical Standard (RTS)*<sup>17</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.

At local level, the control functions mentioned above have been appropriately involved for their respective areas of competence.

The recognition of employee with significant impact on Group and local risk 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 13 employees and 11 Financial Advisors for 2016<sup>18</sup>.

Regarding the employees, as a result of the analysis and as approved by the Board of Directors upon Remuneration and Appointments Committee proposal, the following categories of employees have been confirmed for 2016 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. → [Compensation data and vehicles used for the target population in 2015 are disclosed in chapters 6 e 7.](#)

<sup>17</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>18</sup> *Identified Staff* data refers to the population at the date of January 2016, providing for an *ex-ante* definition, in line with regulatory requirements.

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.

As a result of the analysis and as approved by the Board of Directors upon Remuneration and Appointments Committee proposal, the following categories of employees have been identified for 2016 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.

## 5.2 Implementation and Outcomes of 2015 Incentive Systems

### 5.2.1 2015 Incentive System for employees belonging to *Identified Staff*

The 2015 Incentive System, approved by FinecoBank Board of Directors on January 22<sup>nd</sup>, 2015, provides 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.

#### ***2015 Entry conditions at Group and local level***

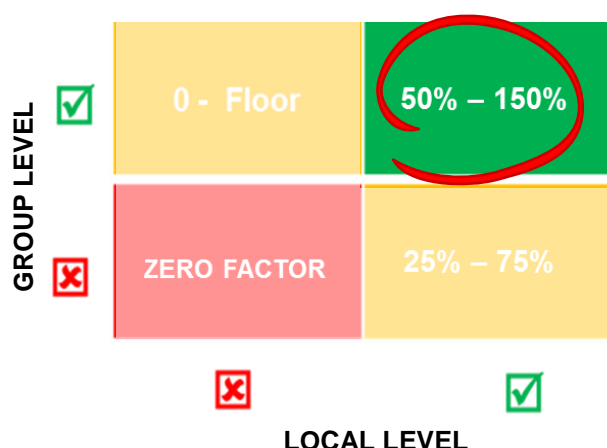
In order to align to regulatory requirements, specific indicators measuring annual profitability, solidity and liquidity results had been set both local and Group level as Entry Conditions. In particular, risk metrics and thresholds for 2015 Incentive System as defined within the Entry Conditions that confirm, reduce or cancel upfront and deferred pay-outs include:



| 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 $\geq 0$                        |
| Common Equity Tier 1 ratio transitional $\geq 7\%$ and |  |
| Cash Horizon $\geq 90$ days                            |  |

- **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 and Appointments 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.
- **Cash Horizon** to measure the Bank's capacity to face up to its liquidity obligations consistent with Basel 3 Horizon Liquidity Coverage. The threshold is set at 90 days.

According to the actual results, verified and approved by the Board of Directors of FinecoBank on February 8<sup>th</sup>, 2016, and by the Board of Directors of UniCredit on February 9<sup>th</sup>, 2016, at local and Group level the relevant entry conditions have been achieved. As a consequence, FinecoBank bonus pool falls in a range between 50% and 150% of the theoretical bonus pool value, calculated applying the funding rate percentage to the actual profitability results



The Entry Conditions were achieved both at Group and local level.

Therefore, no *malus* condition is activated both for 2015 incentive and installments referred to previous years deferral.

### Risk & Financial sustainability

After the verification of the Entry Conditions achievement, the actual bonus pool of FinecoBank had been adjusted within respective ranges, based on the assessment of the overall financial and risk sustainability evaluated by CRO & CFO dashboards including respectively:

- risk indicators linked to local *RAF (Risk Appetite Framework)*, to evaluate risk sustainability
- performance indicators connected with the Multi-Year Strategic Plan, to evaluate the financial sustainability

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

In line with FinecoBank governance, 2015 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 favourable advice of Remuneration and Appointments Committee

The Board of Directors of FinecoBank on February 8<sup>th</sup>, 2016, has approved the allocation of a total number of shares equal to 210.288 to be assigned in 2018, 2019, 2020 and 2021.

### **5.2.2 2015 Incentive System for Financial Advisors belonging to *Identified Staff***

The 2015 Incentive System PFA, approved by FinecoBank Board of Directors on March 10<sup>th</sup> 2015, takes into consideration the most recent national and international regulatory requirements and directly links bonuses with the objectives of growth in the medium and long term, in a general framework of overall sustainability.

The System, implemented within the framework of our policy and governance, provides for the allocation of a performance related bonus in cash and/or Phantom shares over 5 years.

Based on the effective results approved by the Board of Directors of FinecoBank on February 8<sup>th</sup>, 2016, all entry conditions were achieved and was approved the allocation of a total number of Phantom shares equal to 45.171 to be assigned in 2018, 2019 and 2020.

### **5.3 2016 Incentive System for employees belonging to *Identified Staff***

As in the past years, the 2016 Incentive System, as approved by the Board of Directors of FinecoBank on January 12<sup>th</sup>, 2016, is based on a “*bonus pool*” approach which takes into consideration most recent 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.

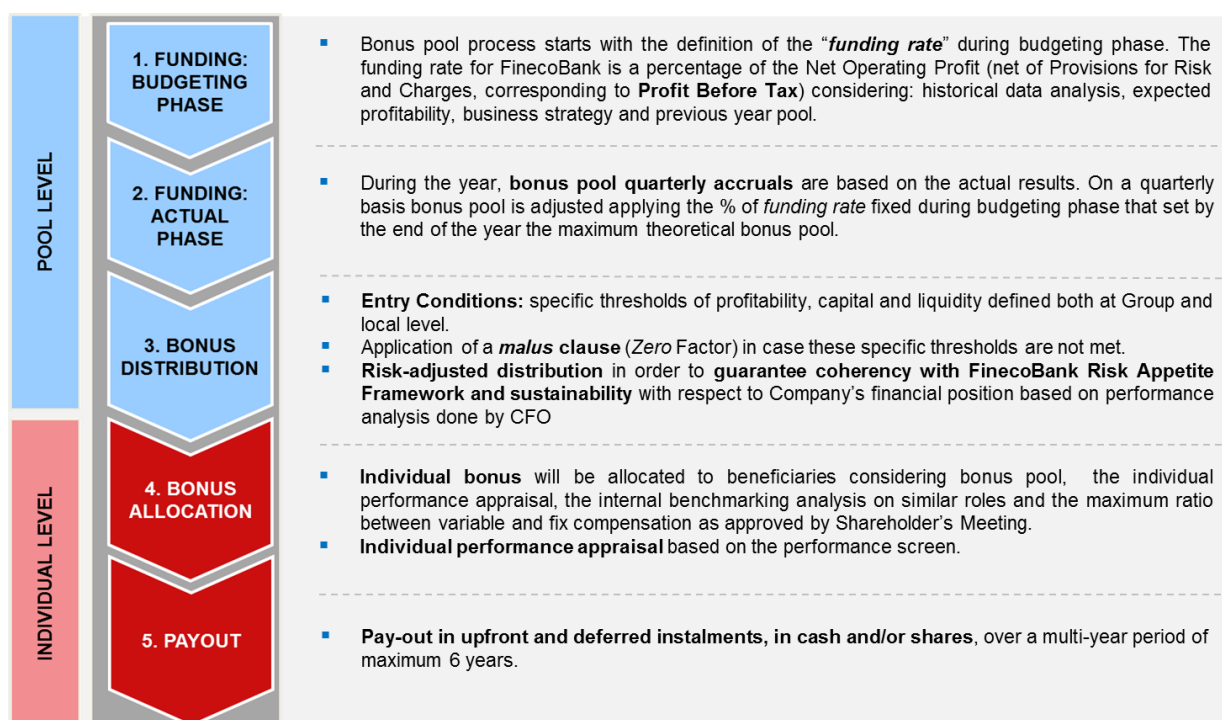
In particular, the system provides for:

- 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 in shares, 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 local level. In particular, the bonus pool of 2016 will be zeroed, while previous systems deferrals could be reduced from 50% to 100% of their value, based on final effective results and dashboards assessments done by CRO and CFO.

The bonus pool process includes the following steps:



### 1. FUNDING: BUDGETING PHASE

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

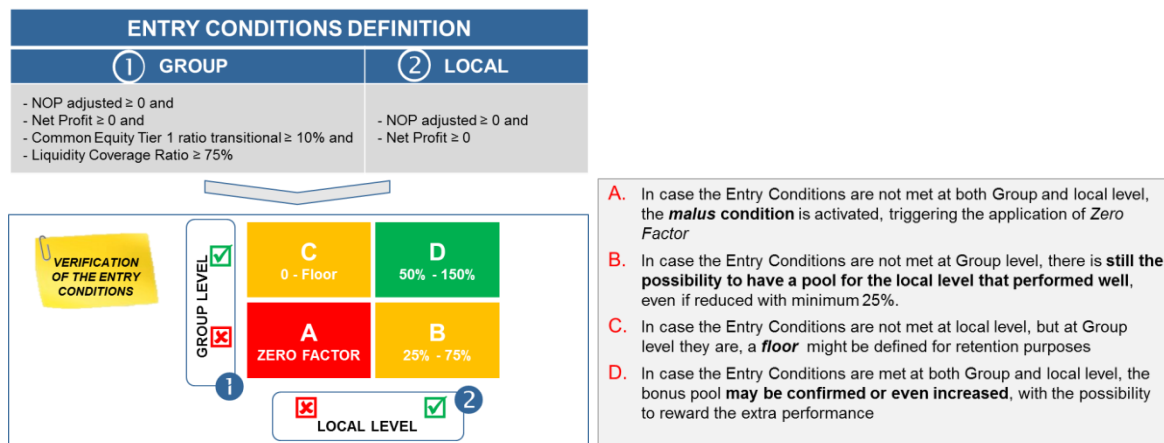
### 2. FUNDING: ACTUAL PHASE

- 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.

### 3. BONUS DISTRIBUTION

- 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 Company’s financial position based on FinecoBank *Risk Appetite Framework* and further performance analysis done by CFO;
- 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 *malus* clause (Zero Factor) on the basis of performance indicators in terms of profitability, capital and liquidity defined at both Group and local level.



- *NOP adjusted*: Net Operating Profit (NOP) excluding income from buy-back of own debt and from the fair value accounting of own liabilities.
- *Net Profit*: Net Profit stated in the Balance Sheet, excluding any extraordinary items as considered appropriate by the Board of Directors upon Remuneration and Appointments Committee proposal.
- *Common Equity Tier 1 Ratio Transitional*: the level of CET1 Ratio transitional, certified by Group CFO, ensures the alignment with the threshold set as the outcome of the SREP process (Supervisory Review and Evaluation Process) coordinated by the European Central Bank. The level of 10% includes also the 0,25% buffer set for systemically relevant banks for 2016.
- *Liquidity Coverage Ratio*, aims to ensure that banks maintain an adequate level of not restricted "High Quality Liquid Assets" in a sufficient quantity to cover the overall 'Net Cash Outflows', over a period of thirty days, under gravely stressed conditions specified by Supervisors.

In order to align to regulatory requirements, in case both at Group and local level set KPIs are not met (box A of the matrix included in the scheme “Entry Conditions definition”), a Zero Factor will apply to the *Identified Staff* population<sup>19</sup> whereas for the rest of the population it could be applied a Zero Factor or it could be allocated a discretionary pool for retention purposes and/or to maintain the minimum pay levels needed to play in the market. Moreover, at individual level it will be also considered the respect and the individual adherence to provisions of discipline, conduct and behaviour and the application of claw-back clauses, as legally enforceable.

In case entry conditions are met at local level (boxes B and D of the matrix included in the scheme “Entry Conditions definition”), bonus pool adjustments will be applied within

<sup>19</sup> The bonus pool of 2016 will be zeroed, while deferrals of previous year systems could be reduced from 50% to 100% of their value, based on final effective results and dashboard assessments done by CFO and CRO.

respective ranges based on the assessment of local and Group performance and risk factors.

The Group and local risk dashboards include indicators covering all relevant risks including cost of capital and different risks such as credit, market and liquidity and are measured against their relevant thresholds (limit, trigger and target), which are set in alignment with *Risk Appetite Framework* of FinecoBank and the Group.

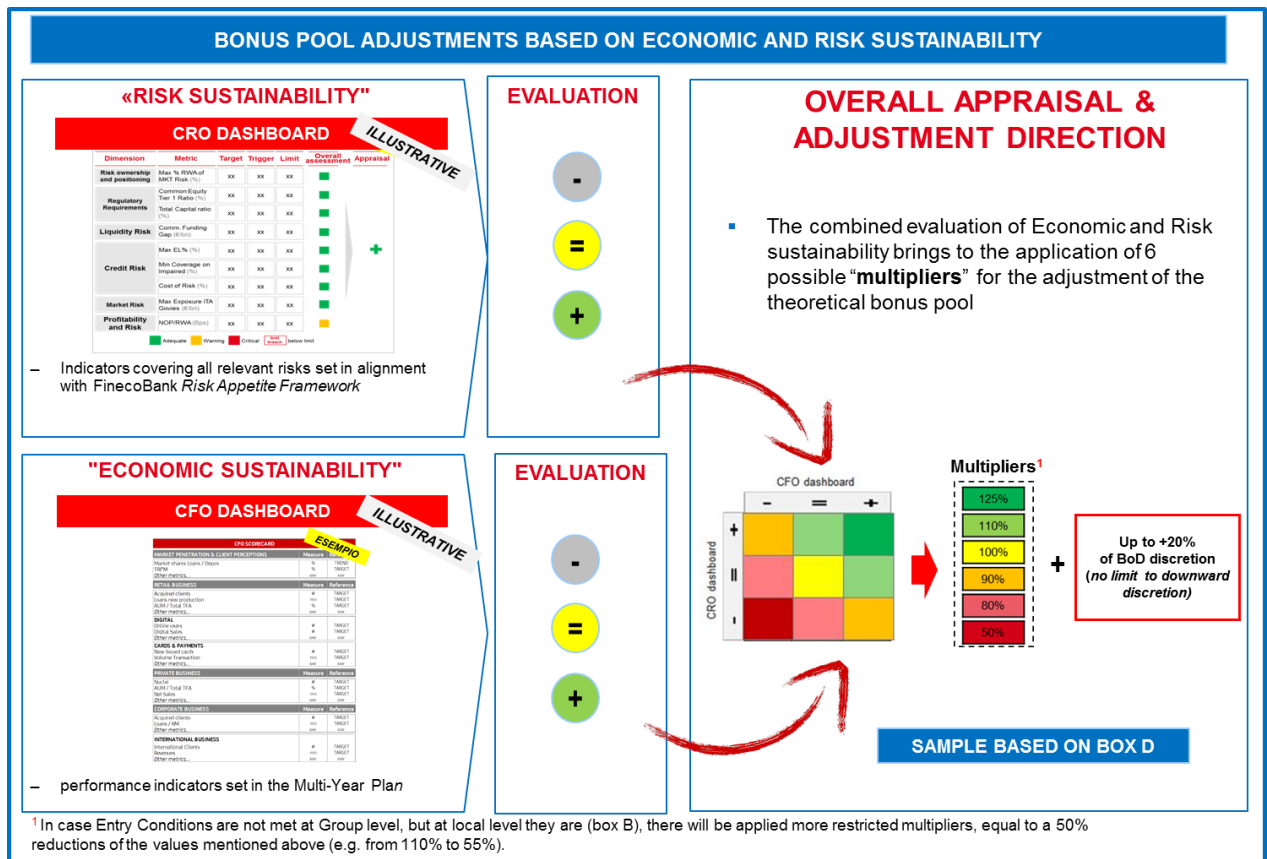
Group and local CFO performs a further performance analysis on the main performance and sustainability KPIs defined in the local and Group performance dashboard.

| CRO DASHBOARD                  |                                |        |         |       |
|--------------------------------|--------------------------------|--------|---------|-------|
| Dimension                      | Metric                         | Target | Trigger | Limit |
| Risk Ownership and positioning | Max RWA of MKT Risk (%)        | XX     | XX      | XX    |
|                                | Common Equity Tier 1 Ratio (%) | XX     | XX      | XX    |
| Regulatory Requirements        | Total Capital ratio (%)        | XX     | XX      | XX    |
|                                | Net Operating Profit/RWA (%)   | XX     | XX      | XX    |
| Profitability and Risk         |                                |        |         |       |
| Control on specific risks      | Max EL% (%)                    | XX     | XX      | XX    |
|                                | Min Coverage on Impaired (%)   | XX     | XX      | XX    |
|                                | Cost of Risk (bps)             | XX     | XX      | XX    |
|                                | Operational                    | XX     | XX      | XX    |
| Liquidity                      | Structural Ratio (%)           | XX     | XX      | XX    |

| FINECO   |             |            |
|--|-------------|------------|
| MYP Scorecard as of CFO                        |             |            |
|  | REF. TARGET | REF. VALUE |
| Δ Clients (#/1000)                             | vs Target   | XX         |
| o/w Δ managed by PFAs                          | vs Target   | XX         |
| Recruited PFA (#/1000)                         | vs Target   | XX         |
| Market Share Assoreti TFA                      | vs Trend    | XX         |
| AUM / Total TFA (%)                            | vs Target   | XX         |
| Guided Products / TFA (%)                      | vs Target   | XX         |
| Net Sales (mn)                                 | vs Target   | XX         |
| o/w AUM  | vs Target   | XX         |
| o/w Guided products                            | vs Target   | XX         |
| Net Sales PFA (mn)                             | vs Target   | XX         |
| o/w Net Sales from PFA recruited in curr. year | vs Target   | XX         |
| Transactions (#/1000)                          | vs Target   | XX         |
| Loans volumes eop (mn)                         | vs Target   | XX         |
| TRI*M  | vs Trend    | XX         |

The relevant overall assessment on the CRO and CFO evaluations brings to the definition of a “multiplier” to be applied to adjust the bonus pool; the application of a further discretionary range, up to +20%, in the faculty of Board of Directors, while no limits to downward discretionally the bonus pool with respect to theoretical value is foreseen:





In case the Entry Conditions are not met at local level, but at Group level they are (box C of the matrix included in the scheme “Entry Conditions definition”), a floor might be defined for retention purposes and in order to maintain the minimum pay levels needed to play in the market. In this specific case, no specific sub-ranges can be applied, however the decision regarding pool size from 0 to the Floor level will also consider CRO & CFO dashboards assessment.

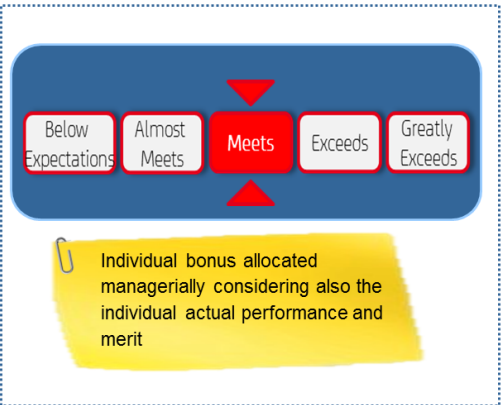


In any case, as requested by regulations as per Bank of Italy provisions, the final evaluation of sustainable performance parameters and the alignment between risk and remuneration will be assessed by Remuneration and Appointments Committee and defined under the governance and accountability of the Board 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 and Appointments Committee, maintains the right to amend the system and relevant rules.

#### 4. 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 2016 performance screen: a minimum of 4 individual goals assigned during the performance year, selected also from our catalogue of main key performance indicators ("KPI Bluebook") and based on the 5 Fundamentals of Group Competency Model<sup>20</sup>. All goals carry the same weight for evaluation purposes. Competencies and behaviours considered as relevant can be taken into account by the manager for the overall performance appraisal; → [Further details in chapter 5.4](#)
- the goals appraisal system is based on a 1-5 values scale with a descriptive outcome (from "Below Expectations" to "Greatly Exceeds Expectations").

| EXAMPLE OF 2016 PERFORMANCE SCREEN  |  |            |  |                               | EXAMPLE OF 2016 APPRAISAL   |  |
|---|--|------------|--|-------------------------------|---|--|
| #   | GOAL                                   | PERIMETER  | TARGET   | LINK TO 5 FUNDAMENTALS        |  |  |
| 1   | Goal 1<br><small>RISK ADJUSTED</small> | FinecoBank | vs. budget                                     | People & Business Development |   |  |
| 2   | Goal 2<br><small>RISK ADJUSTED</small> | FinecoBank | vs. qualitative assessment based on CRO report | Risk Management               |   |  |
| 3   | Goal 3                                 | FinecoBank | vs target                                      | Execution & Discipline        |   |  |
| 4   | Goal 4                                 | FinecoBank | vs. qualitative assessment                     | Client Obsession              |   |  |
| 5   | Goal 5                                 | FinecoBank | vs. budget                                     | Cooperation & Synergies       |   |  |
| <b>LEGEND:</b><br> sustainability drivers<br> Risk adjusted KPI |  |            |  |                               |   |  |

## 5. BONUS PAY-OUT

- As approved by the Board of Directors of January 12<sup>nd</sup>, 2016, 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 1st reporting line: 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

### REGULATORY REQUIREMENTS

- The payment structure of 2016 Incentive System has been defined in line with the applicable 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>20</sup> Group Competency Model represents the framework in which the Executives are assessed within the Executive Development Plan process. The 5 Fundamental are: Client Obsession, Execution & Discipline, Cooperation and Synergies, Risk management, People and Business Development.

or in Fineco ordinary shares, up to a maximum 6-year period:

- in 2017 the first instalment of the total incentive will be paid in cash in absence of any individual / values compliance breach<sup>21</sup>;
- over the period 2018-2022 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<sup>21</sup>;

|                               | 2016             | 2017             | 2018              | 2019               | 2020                                     | 2021                | 2022                                     |
|-------------------------------|------------------|------------------|-------------------|--------------------|--|---------------------|--|
| CEO/GM AND 1st REPORTING LINE | PERFORMANCE YEAR | 20% UPFRONT CASH | 10% DEFERRED CASH | 20% UPFRONT SHARES | 10% DEFERRED SHARES                      | 10% DEFERRED SHARES | 20% DEFERRED CASH<br>10% DEFERRED SHARES |
| OTHER IDENTIFIED STAFF        | PERFORMANCE YEAR | 30% UPFRONT CASH | 10% DEFERRED CASH | 30% UPFRONT SHARES | 10% DEFERRED CASH<br>10% DEFERRED SHARES | 10% DEFERRED SHARES |  |

- all the instalments are subject to the application of claw-back conditions, as legally enforceable;
- in coherence with 2015, a minimum threshold<sup>22</sup> will be introduced, below which no deferral mechanisms will be applied, accordingly with relevant regulatory indications;
- the number of shares to be allocated in the respective instalments shall be defined in 2017, 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 2016 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 2016 Incentive System provides for an expected impact on FinecoBank share capital of approximately 0,06%, assuming that all free shares for employees have been distributed. The overall dilution for all other current outstanding FinecoBank equity-based plans equals 0,61%;
- 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>21</sup> Considering also the gravity of any internal/external findings (e.g. Audit, Bank of Italy, Consob and/or analogous local authorities).

<sup>22</sup> Equal to Euro 75.000 that will be paid in cash.

## 5.4 Comprehensive Performance Measurement

The 2016 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.

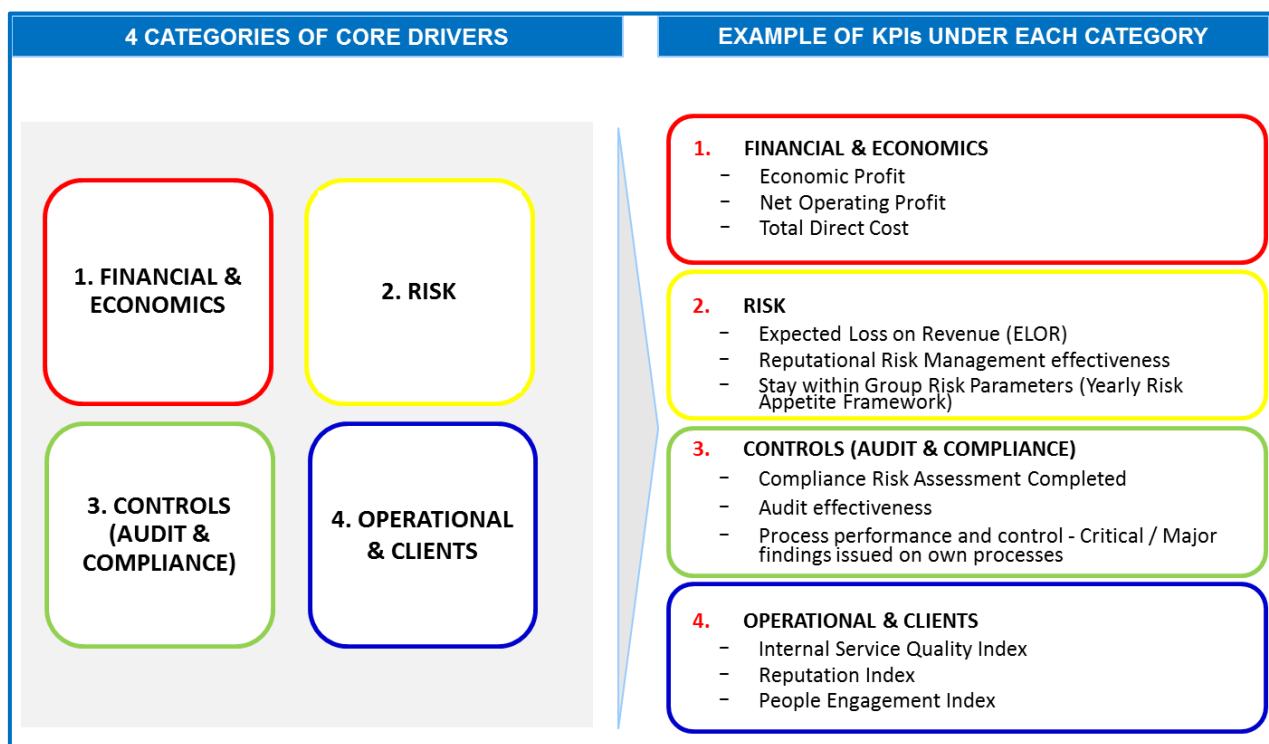
A specific process is performed annually at Group level with the involvement of key relevant functions (*Human Resources, Strategy & Finance, Risk Management, Compliance, Group Sustainability, Audit, Group Stakeholder and Service Intelligence*) to review the so-called *KPI Bluebook*.

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 use 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 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).

The *KPI Bluebook* maps 4 categories of core drivers that include a list of goals (KPI Dashboard):
















The 4 categories represent financial and non-financial performance and are mapped into 12 clusters of business (Asset Gathering included) to help identifying the most relevant standardized KPIs (all certified by relevant Group functions) for each business, with specific focus on risk-adjusted, sustainability-driven metrics and economic measures.

### 2016 Chief Executive Officer and General Manager Performance Screen

2016 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. For 2016 a specific KPI has been introduced, with reference to “*Tone from the top*” related to integrity towards conduct principles and spread of compliance culture among the organization.



| # | CORE GOALS   | REFERENCE PERIMETER | REFERENCE TARGET  | LINK TO 5 FUNDAMENTALS  | RISK ADJUSTMENT   | SUSTAINABILITY GOAL   |
|---|--|---------------------|---|---|---|---|
| 1 | Net Sales  | FinecoBank          | vs. budget  | Execution & Discipline         |   |  |
| 2 | Net Profit   | FinecoBank          | vs budget   | People & Business Development  |   |   |
| 3 | Net growth of number of clients  | FinecoBank          | vs budget   | Client Obsession               |   |  |
| 4 | Stakeholder Value: Customer satisfaction (TRI <sup>TM</sup> external), People Engagement, Reputation | FinecoBank          | vs target   | Client Obsession               |   |  |
| 5 | Operational Risk Management  | FinecoBank          | vs qualitative assessment considering:<br>• # incidents<br>• Losses<br>• Launch of mitigation actions   | Risk Management                |  |   |
| 6 | Execution of Strategic Plan  | FinecoBank          | vs qualitative assessment with a specific focus on:<br>• Loan business volume increase<br>• Net sales of guided products  | Execution & Discipline         |   |  |
| 7 | Tone from the top on conduct and compliance culture, also coherent with FSB guidelines               | FinecoBank          | vs qualitative assessment, considering:<br>• Initiatives aimed at promoting staff integrity towards internal/external conduct principles<br>• Findings or proceedings in place (severity and aging) | Execution & Discipline         |   |  |

All goals carry the same weight for evaluation purposes.

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 perimeter of reference and the relevant activities.

## 5.5 2016 Incentive System for Financial Advisors belonging to *Identified Staff*

The 2016 Incentive System PFA, as approved by the Board of Directors of FinecoBank on January 12<sup>th</sup>, 2016, aims to retain and motivate beneficiary Advisors in compliance with the most recent national and international regulatory requirements with the aim to define – in the interest of all stakeholders – incentive systems in line with long-term Company strategies and goals, linked to Bank results, adjusted in order to consider all risks, in coherence with capital and liquidity levels needed to cover the activities in place and, in any case, able to avoid misleading incentives that could drive to regulatory breaches or to assume excessive risks for the Bank and the system in its whole.

In particular the system provides for:

- allocation of a variable incentive defined on the basis of the available bonus pool, individual performance evaluation and bonus cap as set by the Ordinary Shareholder's meeting;
- definition of a balanced structure of “upfront” (done at the moment of performance evaluation) and “deferred payments”, in cash and in Fineco ordinary shares;
- distribution of Fineco share payments, coherently with the applicable regulatory requirements regarding the application of share retention periods. In fact the payment structure defined requires a retention period on Fineco shares (of 2 years for upfront shares and of 1 year for deferred shares);
- risk-adjusted metrics in order to guarantee long-term sustainability with respect to Company's financial position and to ensure compliance with regulatory expectations;

- *malus* clause (Zero Factor) applies in case specific thresholds (capital and liquidity) are not met at both Group and local level (at local level also profitability will be considered). In particular, the bonus pool of 2016 will be zeroed.

Total incentive pay-out as defined will be made over a multi-year period (2017-2021), as indicated below, in absence of any individual / values compliance breach, considering also the gravity of any internal / external findings (e.g. Audit, Consob and/or analogous local authorities) and provided that the agency relationship of the beneficiaries is in place at the time of each payment:

- in 2017 the first instalment of the overall incentive will be paid in cash;
- over the period 2018-2021 the remaining amount of the overall incentive will be paid in several instalments in cash and/or FinecoBank ordinary shares; each further instalments will be subject to the application of the Zero Factor for the year of allocation;

|   | 2017     | 2018     | 2019       | 2020                  | 2021       |
|---|----------|----------|------------|-----------------------|------------|
| Financial Advisors belonging to <i>Identified Staff</i> | 30% cash | 10% cash | 30% shares | 10% cash + 10% shares | 10% shares |

- it's foreseen a specific minimum threshold<sup>23</sup> below which deferrals and instruments will not be applied;
- the number of shares to be allocated with the third, fourth and fifth instalments will be defined in the year 2017, on the basis of the arithmetic mean of the official closing price of the shares in the month before the date of the resolution by the Board of Directors that evaluates 2016 performance achievements; the maximum impact on the share capital is about 0,04% in case all the shares would be assigned to the Financial Advisors beneficiaries;
- Fineco ordinary shares that will be allocated will be freely transferable;
- the beneficiaries cannot activate programs or agreements that specifically protect the value of unavailable financial instruments assigned within the incentive plans.

<sup>23</sup> Equal to Euro 75.000 that will be paid in cash.

## 6. Compensation Data

### 6.1 2015 Compensation Outcomes

#### Employees

Euro/ 000

Euro/ 000

| Population as of 31/12/2015                        | No. | Fix   | 2015 Short Term Variable |        |          |        | Deferred variable from previous exercises |        |          |        | Variable paid in 2015 from previous exercises |        |
|--|-----|-------|--------------------------|--------|----------|--------|---|--------|----------|--------|---|--------|
|  |     |       | Upfront                  |        | Deferred |        | Vested in 2015                            |        | Unvested |        |   |        |
|  |     |       | €                        | Shares | €        | Shares | €   | Shares | €        | Shares | €   | Shares |
| Chief Executive Officer and General Manager (CEO)* | 1   | 850   | 170                      | 0      | 255      | 425    | 234                                       | 279    | 198      | 5.398  | 311   | 678    |
| Other Executives Directors**                       | 1   | 0     | 0                        | 0      | 0        | 0      | 0   | 0      | 0        | 0      | 0   | 0      |
| Non-executives directors**                         | 7   | 622   | 0                        | 0      | 0        | 0      | 0   | 0      | 0        | 0      | 0   | 0      |
| Executives with strategic responsibilities         | 5   | 1.648 | 297                      | 0      | 446      | 743    | 207                                       | 272    | 207      | 9.144  | 511   | 565    |
| Other Identified Staff                             | 7   | 1.196 | 344                      | 0      | 179      | 297    | 14  | 557    | 14       | 543    | 343   | 197    |

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

\*\* Including employees of UniCredit Group. In compliance with what has been defined at Group level in the "Policy in materia di struttura, composizione e remunerazione degli Organi Sociali della Società di Gruppo", the Board of Directors' members who are employees of UniCredit Group renounce to the total amount of their appointment as Board members.

The vested component refers to cash and equity awards to which the right matured in 2015 as the performance conditions were achieved:

- vested cash payments refer to *2012 and 2014 Group Incentive System*;
- vested equity payments refer to *2012 and 2013 Group Incentive System* and to "*2014 Plan Key People*".

The unvested component refer to cash and equity awards for which the right did not matured in 2015 and for which any potential future gain has not been yet realized and remains subject to future performance:

- unvested cash payments refer to *2013 and 2014 Group Incentive System*;
- unvested equity payments refer to *2012, 2013 and 2014 Group incentive System*, to "*2014-2017 Multi-year Plan Top Management*" and to "*2014 Plan Key People*".

The value of the shares shown as 2015 short term variable and deferred variable from previous exercises is calculated considering:

- for *2014 Group Incentive System* the arithmetic mean of the official closing prices of Fineco ordinary shares from January 7<sup>th</sup> to February 7<sup>th</sup>, 2016;
- for "*2014-2017 Multi-year Plan Top Management*" the listing price of Fineco ordinary shares for the 3rd and 4th instalments' number of shares, while the arithmetic mean of the official closing prices of Fineco ordinary shares from January 7<sup>th</sup> to February 7<sup>th</sup>, 2016 for the 1st and 2nd instalments' number of shares;
- for "*2014 Plan Key People*" the arithmetic mean of the official closing prices of Fineco ordinary shares from January 7<sup>th</sup> to February 7<sup>th</sup>, 2016;
- for *2012, 2013 and 2014 Group Incentive System* based on UniCredit shares, the arithmetic mean of the official closing prices of UniCredit ordinary shares from January 2<sup>nd</sup> to February 2<sup>nd</sup>, 2016.

Variable paid in 2015 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 Plan Key People” and to other forms of variable remuneration.

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 for 2015 have been rewarded with more than 1 mln Euros.

## Financial Advisors

Euro/ 000

| Population as of 31/12/2015                      | No. | Fix*  | 2015 Short Term Variable** |        |          |           | Deferred variable** from previous exercises |        |          |        | Variable** paid in 2015 from previous exercises |        |
|--|-----|-------|----------------------------|--------|----------|-----------|---|--------|----------|--------|---|--------|
|  |     |       | Upfront                    |        | Deferred |           | Vested in 2015                              |        | Unvested |        |   |        |
|  |     |       | €                          | Shares | €        | Shares*** | €   | Shares | €        | Shares | €   | Shares |
| Financial Advisors belonging to Identified Staff | 6   | 4.081 | 250                        | 0      | 126      | 315       |   | 104    |          | 104    | 489   |        |

\* Recurring remuneration

\*\* Non-recurring remuneration

\*\*\* Phantom Share

The vested component refers to equity awards to which the right matured in 2015 as the performance conditions were achieved. In particular amounts refer to “2014 Plan PFA” for Financial Advisors and Managers of the Network.

The unvested component refer to equity awards to which the right did not matured in 2015 and for which any potential future gain has not been yet realized and remains subject to future performance. In particular amounts refer to “2014 Plan PFA” for Financial Advisors and Managers of the Network.

The value of the shares / Phantom shares shown as 2015 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 7<sup>th</sup> to February 7<sup>th</sup>, 2016.

Variable paid in 2015 from previous exercises includes pay-outs based on actual performance achievements related to “2014 Plan PFA” for Financial Advisors and Managers of the Network and to other forms of variable remuneration.

## 6.2 2016 Compensation Policy

| COMPENSATION PAY-MIX        |   |                                      |
|-----------------------------|---|--------------------------------------|
|                             | FIXED AND OTHER NON-<br>PERFORMANCE RELATED PAY | VARIABLE PERFORMANCE-<br>RELATED PAY |
| NON-EXECUTIVE DIRECTORS     |   |                                      |
| Chairman and Vice Chairman  | 100%  | 0%                                   |
| Directors                   | 100%  | 0%                                   |
| Statutory Auditors          | 100%  | 0%                                   |
| OVERALL EMPLOYEE POPULATION |   |                                      |
| Business areas              | 80%   | 20%                                  |
| Support functions           | 91%   | 9%                                   |
| Overall Company             | 88%   | 12%                                  |

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.

## 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 (which counted approximately 35.000 enrolled active employees in 2015) 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.



## 7. Compensation Tables

### 7.1 Disclosure as per section 84-quater of the Italian National Commission for Listed Companies (Consob) Issuers Regulation no.11971

A set of tables presents in the following pages the information that the Company is required to provide as per Section 84-quater of Consob's Issuers Regulation nr. 11971.

For a more detailed understanding of the methodological criteria underlying the information reported in the various tables, reference is made to Annex 3A of the said Consob Regulation.

In particular:

***TABLE 1: Compensation paid to members of the Administrative and Auditing Bodies, to General Managers and to other Executives with strategic responsibilities***

Provides, at an individual level and on an accrual basis, the details of the compensation paid to the Chief Executive Officer and General Manager, to the members of the Board of Directors and of the Board of Statutory Auditors.

For the other 5 Executives with strategic responsibilities the information is provided on an aggregate basis.

The overall compensation paid by FinecoBank to the Board of Directors for 2015 amounts to Euro 1.885.755

The overall compensation paid by FinecoBank to the Board of Statutory Auditors for 2015 amounts to Euro 167.571.

The "Fair value of equity compensation" (column 7) does not represent a value actually paid to/gained by the beneficiaries of equity plans, being instead the cost that the Company is booking - on an accrual basis and during the vesting period - in consideration of the provision of the incentives based on financial instruments. More details on such plans are provided at the following Table 2 and Table 3A.

***TABLE 2: Stock Options assigned to the members of the Administrative Body, to General Managers and other Executives with strategic responsibilities***

Nor the non-executive members of the Board of Directors, nor the members of the Board of Statutory Auditors benefit from any incentive plan, be it based on financial instruments or cash.

Only the Chief Executive Officer and General Manager and the Executives with strategic responsibilities benefit from Stock Option/Performance Stock Options plans launched by UniCredit Group in the previous years.

At current prices, all stock options, for which it could be possible to exercise the right ("vested"), are largely underwater.

***TABLE 3A: Incentive plans based on financial instruments other than stock options, in favour of members of the Administrative Body, General Managers and other Executives with strategic responsibilities***

The table reports - additionally to the shares granted within medium and/or long term incentive and retention equity plans - also the number of shares promised and/or granted in connection with the deferral of the annual incentive systems.

***TABLE 3B: Monetary Incentive Plans in Favour of Members of the Administrative Body, General Managers and other Executives with strategic responsibilities***

Provides the details of all the cash incentives accrued during the year in favour of the Chief Executive Officer and General Manager and of the other Executives with strategic responsibilities. Neither the non-executive members of the Board of Directors, nor the Statutory Auditors receive any variable compensation.

***Information on the investments held by the members of the Administrative and Auditing Bodies, by General Managers and by other Executives with strategic responsibilities***

Table 1 and Table 2, drafted in compliance with schedule 7-ter, provide the shareholding in FinecoBank held by the Chief Executive Officer and General Manager, the other members of the Board of Directors, the members of the Board of Statutory Auditors and the other Executives with strategic responsibilities.

## Consob Issuers Regulation nr. 11971 - Annex 3A / Schedule 7-bis

| TABLE 1: Compensation paid to members of the administrative and auditing bodies, to general managers and to other executives with strategic responsibilities |  |   |               |  |                       |                                 |   |                         |         |  |                                  |                |                       |                    |       |                                   |  |         |
|--|--|---|---------------|--|-----------------------|---------------------------------|---|-------------------------|---------|--|----------------------------------|----------------|-----------------------|--------------------|-------|-----------------------------------|--|---------|
| Amounts in Euro  |  |   |               |  |                       |                                 |   |                         |         |  |                                  |                |                       |                    |       |                                   |  |         |
| (A)  | (B)  | (C)   |               | (D)  | (1)                   |                                 |   |                         |         |  | (2)                              | (3)            |                       | (4)                | (5)   | (6)                               | (7)  | (8)     |
| Name and surname   | Office   | Period for which office was held            | Office expiry | Fixed compensation                               |                       |                                 |   |                         |         | Compensation for committee participation | Variable non-equity compensation |                | Non-monetary benefits | Other remuneration | Total | Fair value of equity compensation | Severance indemnity for end of office or termination of employment |         |
|  |  |   |               | Emoluments resolved by the Shareholders' Meeting | Attendance tokens     | Lump sum expense reimbursements | Compensation for specific offices ex sec. 2389 Italian Civil Code | Employment fixed salary | Total   |  | Bonuses and other incentives     | Profit sharing |                       |                    |       |                                   |  |         |
| B<br>O<br>A<br>R<br>D<br><br>O<br>F<br><br>D<br>I<br>R<br>E<br>C<br>T<br>O<br>R<br>S   | Enrico Cotta Ramusino  | Chairman of the Board of Directors          | 01/01/2015    | 31/12/2015                                       | approv.AR at 31/12/16 | 50.000                          | 3.300   | -                       | 150.000 | -  | 203.300                          | -              | -                     | -                  | 2.931 | -                                 | 206.231  | -       |
|  | (I) Total compensation in the company preparing the financial statements |   |               |  |                       | 50.000                          | 3.300   | -                       | 150.000 | -  | 203.300                          | -              | -                     | -                  | 2.931 | -                                 | 206.231  | -       |
|  | (II) Compensation from subsidiaries and associates                       |   |               |  |                       | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
|  | (III) Total  |   |               |  |                       | 50.000                          | 3.300   | -                       | 150.000 | -  | 203.300                          | -              | -                     | -                  | 2.931 | -                                 | 206.231  | -       |
|  | Francesco Saita  | Vice Chairman of the Board of Directors     | 01/01/2015    | 31/12/2015                                       | approv.AR at 31/12/16 | 40.000                          | 3.000   | -                       | 50.000  | -  | 93.000                           | -              | -                     | -                  | -     | -                                 | 93.000   | -       |
|  | Chairman of the Audit and Related Parties Committee                      |   |               |  |                       | 20.000                          | 4.800   | -                       | -       | -  | 24.800                           | -              | -                     | -                  | -     | 24.800                            | -  |         |
|  | (I) Total compensation in the company preparing the financial statements |   |               |  |                       | 60.000                          | 7.800   | -                       | 50.000  | -  | 117.800                          | -              | -                     | -                  | -     | -                                 | 117.800  | -       |
|  | (II) Compensation from subsidiaries and associates                       |   |               |  |                       | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
|  | (III) Total  |   |               |  |                       | 60.000                          | 7.800   | -                       | 50.000  | -  | 117.800                          | -              | -                     | -                  | -     | -                                 | 117.800  | -       |
|  | Alessandro Foti  | Chief Executive Officer / General Manager** | 01/01/2015    | 31/12/2015                                       | approv.AR at 31/12/16 | -                               | -   | -                       | -       | 850.000                                  | 850.000                          | -              | 404.375               | -                  | 6.474 | -                                 | 1.260.849  | 158.492 |
|  | (I) Total compensation in the company preparing the financial statements |   |               |  |                       | -                               | -   | -                       | -       | 850.000                                  | 850.000                          | -              | 404.375               | -                  | 6.474 | -                                 | 1.260.849  | 158.492 |
|  | (II) Compensation from subsidiaries and associates                       |   |               |  |                       | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  | -       |
|  | (III) Total  |   |               |  |                       | -                               | -   | -                       | -       | 850.000                                  | 850.000                          | -              | 404.375               | -                  | 6.474 | -                                 | 1.260.849  | 158.492 |
|  | Girolamo Ielo  | Member of the Board of Directors            | 01/01/2015    | 31/12/2015                                       | approv.AR at 31/12/16 | 40.000                          | 3.300   | 1.720                   | -       | -  | 45.020                           | -              | -                     | -                  | -     | -                                 | 45.020   | -       |
|  | Chairman Corporate Governance  |   |               |  |                       | 20.000                          | 1.500   | 369                     | -       | -  | 21.869                           | -              | -                     | -                  | -     | -                                 | 21.869   | -       |
|  | Member of the Remuneration and Appointments Committee                    |   |               |  |                       | 15.000                          | 3.300   | 737                     | -       | -  | 19.037                           | -              | -                     | -                  | -     | -                                 | 19.037   | -       |
|  | (I) Total compensation in the company preparing the financial statements |   |               |  |                       | 75.000                          | 8.100   | 2.826                   | -       | -  | 85.926                           | -              | -                     | -                  | -     | -                                 | 85.926   | -       |
|  | (II) Compensation from subsidiaries and associates                       |   |               |  |                       | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  | -       |
|  | (III) Total  |   |               |  |                       | 75.000                          | 8.100   | 2.826                   | -       | -  | 85.926                           | -              | -                     | -                  | -     | -                                 | 85.926   | -       |
| Pietro Angelo Guindani   | Member of the Board of Directors   | 01/01/2015                                  | 31/12/2015    | approv.AR at 31/12/16                            | 40.000                | 3.000                           | -   | -                       | -       | 43.000                                   | -                                | -              | -                     | -                  | -     | 43.000                            | -  |         |
| Member of the Audit and Related Parties Committee  |  |   |               |  | 15.000                | 4.800                           | -   | -                       | -       | 19.800                                   | -                                | -              | -                     | -                  | -     | 19.800                            | -  |         |
| (I) Total compensation in the company preparing the financial statements   |  |   |               |  | 55.000                | 7.800                           | -   | -                       | -       | 62.800                                   | -                                | -              | -                     | -                  | -     | 62.800                            | -  |         |
| (II) Compensation from subsidiaries and associates   |  |   |               |  | -                     | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (III) Total  |  |   |               |  | 55.000                | 7.800                           | -   | -                       | -       | 62.800                                   | -                                | -              | -                     | -                  | -     | 62.800                            | -  |         |
| Mariangela Grosoli   | Member of the Board of Directors   | 01/01/2015                                  | 31/12/2015    | approv.AR at 31/12/16                            | 40.000                | 3.000                           | 2.362   | -                       | -       | 45.362                                   | -                                | -              | -                     | -                  | -     | 45.362                            | -  |         |
| Member of the Audit and Related Parties Committee  |  |   |               |  | 15.000                | 3.900                           | 1.218   | -                       | -       | 20.118                                   | -                                | -              | -                     | -                  | -     | 20.118                            | -  |         |
| Member of the Remuneration and Appointments Committee  |  |   |               |  | 15.000                | 3.600                           | 1.169   | -                       | -       | 19.769                                   | -                                | -              | -                     | -                  | -     | 19.769                            | -  |         |
| (I) Total compensation in the company preparing the financial statements   |  |   |               |  | 70.000                | 10.500                          | 4.749   | -                       | -       | 85.249                                   | -                                | -              | -                     | -                  | -     | 85.249                            | -  |         |
| (II) Compensation from subsidiaries and associates   |  |   |               |  | -                     | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (III) Total  |  |   |               |  | 70.000                | 10.500                          | 4.749   | -                       | -       | 85.249                                   | -                                | -              | -                     | -                  | -     | 85.249                            | -  |         |
| Gianluigi Bertolli   | Member of the Board of Directors   | 01/01/2015                                  | 31/12/2015    | approv.AR at 31/12/16                            | 40.000                | 3.300                           | -   | -                       | -       | 43.300                                   | -                                | -              | -                     | -                  | -     | 43.300                            | -  |         |
| Chairman of the Remuneration and Appointments Committee  |  |   |               |  | 20.000                | 3.600                           | -   | -                       | -       | 23.600                                   | -                                | -              | -                     | -                  | -     | 23.600                            | -  |         |
| (I) Total compensation in the company preparing the financial statements   |  |   |               |  | 60.000                | 6.900                           | -   | -                       | -       | 66.900                                   | -                                | -              | -                     | -                  | -     | 66.900                            | -  |         |
| (II) Compensation from subsidiaries and associates   |  |   |               |  | -                     | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (III) Total  |  |   |               |  | 60.000                | 6.900                           | -   | -                       | -       | 66.900                                   | -                                | -              | -                     | -                  | -     | 66.900                            | -  |         |
| Laura Stefania Penna*  | Member of the Board of Directors   | 01/01/2015                                  | 31/12/2015    | approv.AR at 31/12/16                            | -                     | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (I) Total compensation in the company preparing the financial statements   |  |   |               |  | -                     | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (II) Compensation from subsidiaries and associates   |  |   |               |  | -                     | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (III) Total  |  |   |               |  | -                     | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| Marina Natale*   | Member of the Board of Directors   | 01/01/2015                                  | 31/12/2015    | approv.AR at 31/12/16                            | -                     | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (I) Total compensation in the company preparing the financial statements   |  |   |               |  | -                     | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (II) Compensation from subsidiaries and associates   |  |   |               |  | -                     | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (III) Total  |  |   |               |  | -                     | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (I) Total compensation in the company preparing the financial statements   |  |   |               |  |                       | 370.000                         | 44.400  | 7.575                   | 200.000 | 850.000                                  | 1.471.975                        | -              | 404.375               | -                  | 9.405 | -                                 | 1.885.755  | 158.492 |
| (II) Compensation from subsidiaries and associates   |  |   |               |  |                       | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (III) Total  |  |   |               |  |                       | 370.000                         | 44.400  | 7.575                   | 200.000 | 850.000                                  | 1.471.975                        | -              | 404.375               | -                  | 9.405 | -                                 | 1.885.755  | 158.492 |
| (I) Total compensation in the company preparing the financial statements   |  |   |               |  |                       | 370.000                         | 44.400  | 7.575                   | 200.000 | 850.000                                  | 1.471.975                        | -              | 404.375               | -                  | 9.405 | -                                 | 1.885.755  | 158.492 |
| (II) Compensation from subsidiaries and associates   |  |   |               |  |                       | -                               | -   | -                       | -       | -  | -                                | -              | -                     | -                  | -     | -                                 | -  |         |
| (III) Total  |  |   |               |  |                       | 370.000                         | 44.400  | 7.575                   | 200.000 | 850.000                                  | 1.471.975                        | -              | 404.375               | -                  | 9.405 | -                                 | 1.885.755  | 158.492 |

\* Employees of UniCredit Group. In compliance with what has been defined at Group level in the "Policy in materia di struttura, composizione e remunerazione degli Organi Sociali della Società di Gruppo", the Board of Directors' members who are employees of UniCredit Group renounce to the total amount of their appointment as Board members.

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

| TABLE 1: Compensation paid to members of the administrative and auditing bodies, to general managers and to other executives with strategic responsibilities |  |                                  |               |  |                       |                                     |   |                         |  |                                  |                              |                       |                    |            |                                   |  |                |     |
|--|--|----------------------------------|---------------|--|-----------------------|-------------------------------------|---|-------------------------|--|----------------------------------|------------------------------|-----------------------|--------------------|------------|-----------------------------------|--|----------------|-----|
| Amounts in Euro  | (A)  | (B)                              |               | (C)  | (D)                   | (1)                                 |   |                         |  |                                  | (2)                          | (3)                   |                    | (4)        | (5)                               | (6)  | (7)            | (8) |
| Name and surname   | Office   | Period for which office was held | Office expiry | Fixed compensation                               |                       |                                     |   |                         | Compensation for committee participation | Variable non-equity compensation |                              | Non-monetary benefits | Other remuneration | Total      | Fair value of equity compensation | Severance indemnity for end of office or termination of employment |                |     |
|  |  |                                  |               | Emoluments resolved by the Shareholders' Meeting | Attendance tokens     | Lump sum expense reimbursements *** | Compensation for specific offices ex sec. 2389 Italian Civil Code | Employment fixed salary |  | Total                            | Bonuses and other incentives |                       |                    |            |                                   |  | Profit sharing |     |
| Gian-Carlo Noris Gaccioli  | Chairman of the Board of Statutory Auditors                              |                                  | 01/01/2015    | 31/12/2015                                       | approv.AR at 31/12/16 |                                     | 50.000  | 3.300                   | 4.562                                    | -                                | -                            | 57.862                |                    |            | 5.850                             | 63.712   | -              |     |
|  | (I) Total compensation in the company preparing the financial statements |                                  |               |  |                       | 50.000                              | 3.300   | 4.562                   | -  | -                                | 57.862                       |                       |                    | 5.850      | 63.712                            | -  |                |     |
|  | (II) Compensation from subsidiaries and associates                       |                                  |               |  |                       |                                     |   |                         |  |                                  |                              |                       |                    |            |                                   |  |                |     |
|  | (III) Total  |                                  |               |  |                       | 50.000                              | 3.300   | 4.562                   | -  | -                                | 57.862                       |                       |                    | 5.850      | 63.712                            | -  |                |     |
| Barbara Aloisi   | Standing Auditor   |                                  | 01/01/2015    | 31/12/2015                                       | approv.AR at 31/12/16 |                                     | 40.000  | 3.300                   | 320                                      | -                                | -                            | 43.620                |                    |            | 5.850                             | 49.470   | -              |     |
|  | (I) Total compensation in the company preparing the financial statements |                                  |               |  |                       | 40.000                              | 3.300   | 320                     | -  | -                                | 43.620                       |                       |                    | 5.850      | 49.470                            | -  |                |     |
|  | (II) Compensation from subsidiaries and associates                       |                                  |               |  |                       |                                     |   |                         |  |                                  |                              |                       |                    |            |                                   |  |                |     |
|  | (III) Total  |                                  |               |  |                       | 40.000                              | 3.300   | 320                     | -  | -                                | 43.620                       |                       |                    | 5.850      | 49.470                            | -  |                |     |
| Mariano Viozzi   | Standing Auditor   |                                  | 01/01/2015    | 31/12/2015                                       | approv.AR at 31/12/16 |                                     | 40.000  | 3.300                   | 5.239                                    | -                                | -                            | 48.539                |                    |            | 5.850                             | 54.389   | -              |     |
|  | (I) Total compensation in the company preparing the financial statements |                                  |               |  |                       | 40.000                              | 3.300   | 5.239                   | -  | -                                | 48.539                       |                       |                    | 5.850      | 54.389                            | -  |                |     |
|  | (II) Compensation from subsidiaries and associates                       |                                  |               |  |                       |                                     |   |                         |  |                                  |                              |                       |                    |            |                                   |  |                |     |
|  | (III) Total  |                                  |               |  |                       | 40.000                              | 3.300   | 5.239                   | -  | -                                | 48.539                       |                       |                    | 5.850      | 54.389                            | -  |                |     |
| Federica Bonato  | Alternate Auditor  |                                  | 01/01/2015    | 31/12/2015                                       | approv.AR at 31/12/16 |                                     | -   | -                       | -  | -                                | -                            | -                     |                    |            | -                                 | -  | -              |     |
|  | (I) Total compensation in the company preparing the financial statements |                                  |               |  |                       | -                                   | -   | -                       | -  | -                                | -                            |                       |                    | -          | -                                 | -  |                |     |
|  | (II) Compensation from subsidiaries and associates                       |                                  |               |  |                       |                                     |   |                         |  |                                  |                              |                       |                    | -          | -                                 | -  |                |     |
|  | (III) Total  |                                  |               |  |                       | -                                   | -   | -                       | -  | -                                | -                            |                       |                    | -          | -                                 | -  |                |     |
| Marzio Duilio Rubagotti  | Alternate Auditor  |                                  | 01/01/2015    | 31/12/2015                                       | approv.AR at 31/12/16 |                                     | -   | -                       | -  | -                                | -                            | -                     |                    |            | -                                 | -  | -              |     |
|  | (I) Total compensation in the company preparing the financial statements |                                  |               |  |                       | -                                   | -   | -                       | -  | -                                | -                            |                       |                    | -          | -                                 | -  |                |     |
|  | (II) Compensation from subsidiaries and associates                       |                                  |               |  |                       |                                     |   |                         |  |                                  |                              |                       |                    | -          | -                                 | -  |                |     |
|  | (III) Total  |                                  |               |  |                       | -                                   | -   | -                       | -  | -                                | -                            |                       |                    | -          | -                                 | -  |                |     |
| TOTAL BOARD OF STATUTORY AUDITORS  | (I) Total compensation in the company preparing the financial statements |                                  |               |  |                       | 130.000                             | 9.900   | 10.121                  | -  | -                                | 150.021                      |                       |                    | 17.550**** | 167.571                           | -  |                |     |
|  | (II) Compensation from subsidiaries and associates                       |                                  |               |  |                       | -                                   | -   | -                       | -  | -                                | -                            |                       |                    | -          | -                                 | -  |                |     |
|  | (III) Total  |                                  |               |  |                       | 130.000                             | 9.900   | 10.121                  | -  | -                                | 150.021                      |                       |                    | 17.550**** | 167.571                           | -  |                |     |

\*\*\* To be considered as expense reimbursements "a piè di lista" and reimbursement per km.

\*\*\*\* The amount is referred to the fringe benefit of the insurance policy Directors & Officers (D&O) that covers the entire year.

|  |  |   |   |   |   |           |           |   |         |        |       |           |         |   |
|--|--|---|---|---|---|-----------|-----------|---|---------|--------|-------|-----------|---------|---|
| Other Executives with Strategic Responsibilities (total no. 5) | (I) Total compensation in the company preparing the financial statements | - | - | - | - | 1.647.976 | 1.647.976 | - | 503.600 | 64.069 | 4.813 | 2.220.459 | 156.426 | - |
|  | (II) Compensation from subsidiaries and associates                       | - | - | - | - | -         | -         | - | -       | -      | -     | -         | -       | - |
|  | (III) Total  | - | - | - | - | 1.647.976 | 1.647.976 | - | 503.600 | 64.069 | 4.813 | 2.220.459 | 156.426 | - |

| Amounts in Euro  | TABLE 2: Stock Options Assigned to the Members of theAdministrative Body, to General Managers and Other Executives with Strategic Responsibilities |   |                                  |                |                                       |                                  |                |                                       |                               |                 |  |                                   |                |  |   |                                     |   |
|--|--|---|----------------------------------|----------------|---------------------------------------|----------------------------------|----------------|---------------------------------------|-------------------------------|-----------------|--|-----------------------------------|----------------|--|---|-------------------------------------|---|
| (A)  | (B)  | (1)   | Options Held at Star of the Year |                |                                       | Options Assigned During the Year |                |                                       |                               |                 |  | Options Exercised During the Year |                |  | (14)                                    | (15)                                | (16)                                      |
|  |  |   | (2)                              | (3)            | (4)                                   | (5)                              | (6)            | (7)                                   | (8)                           | (9)             | (10)   | (11)                              | (12)           | (13)   |   |                                     |   |
| Name and surname   | Office   | Plan  | Number of Options                | Exercise Price | Period of Possible Exercise (from.to) | Number of Options                | Exercise Price | Period of Possible Exercise (from.to) | Fair Value at Assignment Date | Assignment Date | Market Price of Underlying Shares upon Assignment of Options | Number of Options                 | Exercise Price | Market Price of Underlying Shares on Exercise Date | Options Lapsed During the Year (Number) | Options Held at the End of the Year | Options Relevant to the Year (Fair Value) |
| Alessandro Foti  | Chief Executive Officer/General Manager  |   |                                  |                |                                       |                                  |                |                                       |                               |                 |  |                                   |                |  |   |                                     |   |
| (I) Compensation in the Company preparing the Financial Statement      |  | LTI UniCredit Plan - 2008 Stock Options                   | 216.384                          | 23.351         | 09/07/2012<br>09/07/2018              |                                  |                |                                       |                               |                 |  |                                   |                |  |   | 216.384                             |   |
|  |  | LTI UniCredit Plan - 2012-2015 Performance Stock Options* | 116.094                          | 4,010          | 01/04/2016<br>31/12/2022              |                                  |                |                                       |                               |                 |  |                                   |                |  | 116.094                                 |                                     |   |
| (II) Compensation from Subsidiaries and Associates                     |  |   |                                  |                |                                       |                                  |                |                                       |                               |                 |  |                                   |                |  |   |                                     |   |
| (III) Total  |  |   | 332.478                          |                |                                       |                                  |                |                                       |                               |                 |  |                                   |                |  | 116.094                                 | 216.384                             | -   |
| Other Executives with Strategic Responsibilities                       |  |   |                                  |                |                                       |                                  |                |                                       |                               |                 |  |                                   |                |  |   |                                     |   |
| (I) Compensation in the Company preparing the Financial Statement      | no. 2 Executives   | LTI UniCredit Plan - 2004 Stock Options                   | 24.000                           | 22,420         | 03/09/2008<br>31/12/2017              |                                  |                |                                       |                               |                 |  |                                   |                |  |   | 24.000                              |   |
|  | no. 2 Executives   | LTI UniCredit Plan - 2005 Stock Options                   | 45.500                           | 26,878         | 26/11/2009<br>31/12/2018              |                                  |                |                                       |                               |                 |  |                                   |                |  |   | 45.500                              |   |
|  | no. 2 Executives   | LTI UniCredit Plan - 2006 Stock Options                   | 34.400                           | 33,205         | 28/06/2010<br>31/12/2019              |                                  |                |                                       |                               |                 |  |                                   |                |  |   | 34.400                              |   |
|  | no. 2 Executives   | LTI UniCredit Plan - 2007 Stock Options                   | 57.793                           | 39,583         | 13/07/2011<br>15/07/2017              |                                  |                |                                       |                               |                 |  |                                   |                |  |   | 57.793                              |   |
|  | no. 2 Executives   | LTI UniCredit Plan - 2008 Stock Options                   | 194.748                          | 23,351         | 09/07/2012<br>09/07/2018              |                                  |                |                                       |                               |                 |  |                                   |                |  |   | 194.748                             |   |
| (II) Compensation from Subsidiaries and Associates                     |  |   |                                  |                |                                       |                                  |                |                                       |                               |                 |  |                                   |                |  |   |                                     |   |
| (III) Total  |  |   | 356.441                          |                |                                       |                                  |                |                                       |                               |                 |  |                                   |                |  |   | 356.441                             |   |
| *Plan also named "LTI UniCredit Plan - 2011 Performance Stock Options" |  |   |                                  |                |                                       |                                  |                |                                       |                               |                 |  |                                   |                |  |   |                                     |   |

\*Plan also named "LTI UniCredit Plan - 2011 Performance Stock Options"



| TABLE 3A: Incentive plans based on financial instruments other than stock options, in favour of members of the administrative body, general managers and other executives with strategic responsibilities |  |   |   |  |  |                               |  |                 |                              |   |   |                        |  |
|---|--|---|---|--|--|-------------------------------|--|-----------------|------------------------------|---|---|------------------------|--|
| Amounts in Euro   |  |   |   |  |  |                               |  |                 |                              |   |   |                        |  |
| (A)   | (B)  | (1)   | Financial instruments assigned during previous years and not vested during the year |  | Financial instruments assigned during the year |                               |  |                 |                              | Financial instruments vested during the year and not assigned | Financial instruments vested during the year and assignable |                        | Financial instruments relevant to the year |
|   |  |   | (2)   | (3)  | (4)  | (5)                           | (6)  | (7)             | (8)                          | (9)   | (10)  | (11)                   | (12)                                       |
| Name and surname  | Office   | Plan  | Number and type of financial instruments  | Vesting period   | Number and type of financial instruments       | Fair value on assignment date | Vesting period   | Assignment date | Market price upon assignment | Number and type of financial instruments                      | Number and type of financial instruments                    | Value on maturity date | Fair Value                                 |
| <b>Alessandro Foti</b>  | <b>Chief Executive Officer/General Manager</b> |   |   |  |  |                               |  |                 |                              |   |   |                        |  |
| (f) Compensation in the Company preparing the Financial Statement   |  | UniCredit shares - 2011 Group Incentive System                    |   |  |  |                               |  |                 |                              |   | 47.381  | 297.316                |  |
|   |  | UniCredit shares - 2012 Group Incentive System                    |   |  |  |                               |  |                 |                              |   | 60.724  | 381.043                |  |
|   |  | UniCredit shares promised - 2012 Group Incentive System           | 91.086  | 67% 31.12.2015<br>33% 31.12.2016                                     |  |                               |  |                 |                              |   |   |                        | 64.762                                     |
|   |  | UniCredit shares promised - 2013 Group Incentive System           | 60.165  | 40% 31.12.2015<br>40% 31.12.2016<br>20% 31.12.2017                   |  |                               |  |                 |                              |   |   |                        | 93.730                                     |
|   |  | Fineco shares promised - 2014 Group Incentive System              | 89.946  | 40% 31.12.2017<br>30% 31.12.2018<br>30% 31.12.2019                   |  |                               |  |                 |                              |   |   |                        | -  |
|   |  | Fineco shares promised - 2014-2017 Multy year Plan Top Management | 868.994*  | 26% 31.12.2016<br>22% 31.12.2017<br>26% 31.12.2018<br>26% 31.12.2019 |  |                               |  |                 |                              |   |   |                        | -  |
|   |  | Fineco shares promised - 2015 Group Incentive System              |   |  | 61.010   | 424.996                       | 40% 31.12.2015<br>20% 31.12.2017<br>20% 31.12.2018<br>20% 31.12.2019 | 08/02/2016      | 6,966                        |   |   |                        | -  |
| (g) Compensation from Subsidiaries and Associates   |  |   |   |  |  |                               |  |                 |                              |   |   |                        |  |
| (h) Total   |  |   |   |  |  | 424.996                       |  |                 |                              |   |   | 678.359                | 158.492                                    |
| Other Executives with Strategic Responsibilities  |  |   |   |  |  |                               |  |                 |                              |   |   |                        |  |
| (f) Compensation in the Company preparing the Financial Statement   | no. 5 Executives                               | UniCredit shares - 2011 Group Incentive System                    |   |  |  |                               |  |                 |                              |   |   |                        |  |
|   | no. 5 Executives                               | UniCredit shares - 2012 Group Incentive System                    |   |  |  |                               |  |                 |                              |   | 39.586  | 248.402                |  |
|   | no. 5 Executives                               | UniCredit shares promised - 2012 Group Incentive System           | 50.531  | 31.12.2015   |  |                               |  |                 |                              |   | 50.531  | 317.082                |  |
|   | no. 5 Executives                               | UniCredit shares promised - 2013 Group Incentive System           | 64.700  | 50% 31.12.2015<br>50% 31.12.2016                                     |  |                               |  |                 |                              |   |   |                        | 112.154                                    |
|   | no. 5 Executives                               | Fineco shares promised - 2014 Group Incentive System              | 155.445   | 40% 31.12.2017<br>30% 31.12.2018<br>30% 31.12.2019*                  |  |                               |  |                 |                              |   |   |                        | -  |
|   | no. 5 Executives                               | Fineco shares promised - 2014-2017 Multy year Plan Top Management | 1.518.049*  | 26% 31.12.2016<br>22% 31.12.2017<br>26% 31.12.2018<br>26% 31.12.2019 |  |                               |  |                 |                              |   |   |                        | -  |
|   | no. 5 Executives                               | Fineco shares promised - 2015 Group Incentive System              |   |  | 106.577  | 742.415                       | 40% 31.12.2015<br>20% 31.12.2017<br>20% 31.12.2018<br>20% 31.12.2019 | 08/02/2016      | 6,966                        |   |   |                        | -  |
| (g) Compensation from Subsidiaries and Associates   |  |   |   |  |  |                               |  |                 |                              |   |   |                        |  |
| (h) Total   |  |   |   |  |  | 742.415                       |  |                 |                              |   |   | 565.484                | 156.426                                    |

\* Maximum number of shares granted for the entire Plan. The Board of Directors of 09/02/2015 approved the number of shares related to the 2<sup>nd</sup> instalment adjusted to respect the ratio between fixed and variable remuneration in line with current regulations, on the basis of the arithmetic mean of the official prices of Fineco ordinary shares on each trading day at the electronic stock market organised and managed by Borsa Italiana S.p.A. in the period from the day preceding the date of the resolution by the Board of Directors that evaluates entry conditions achievements to the same day in the previous month (€ 4,725).

\*\* For no. 1 Executive 2014 Group Incentive System guidelines foresee the following payment deferral: 60% 31.12.2017 - 20% 31.12.2018 - 20% 31.12.2019

| TABLE 3B: Monetary Incentive Plans in Favour of Members of the Administrative Body, General Managers and Other Executives with Strategic Responsibilities |  |                             |                |                |                                  |                        |                |                |               |
|---|--|-----------------------------|----------------|----------------|----------------------------------|------------------------|----------------|----------------|---------------|
| Amounts in Euro   |  |                             |                |                |                                  |                        |                |                |               |
| (A)   | (B)  | (1)                         | (2)            |                |                                  | (3)                    |                |                | (4)           |
| Name and surname  | Office   | Plan                        | Annual Bonus   |                |                                  | Previous Years Bonuses |                |                | Other Bonuses |
|   |  |                             | (A)            | (B)            | (C)                              | (A)                    | (B)            | (C)            |               |
|   |  |                             | Payable / paid | Deferred       | Deferral period                  | Non longer payable     | Payable / paid | Still Deferred |               |
|   |  |                             |                |                |                                  |                        |                |                |               |
| <b>Alessandro Foti</b>  | <b>Chief Executive Officer/General Manager</b> |                             |                |                |                                  |                        |                |                |               |
| (I) Compensation in the Company preparing the Financial Statement   |  | 2015 Group Incentive System | 170.000        | 255.000        | 33% 31.12.2016<br>67% 31.12.2020 |                        |                |                |               |
|   |  | 2014 Group Incentive System |                |                |                                  |                        | 127.500        | 127.500        |               |
|   |  | 2013 Group Incentive System |                |                |                                  |                        |                | 70.538         |               |
|   |  | 2012 Group Incentive System |                |                |                                  |                        | 106.875        |                |               |
| (II) Compensation from Subsidiaries and Associates  |  |                             |                |                |                                  |                        |                |                |               |
| <b>(III) Total</b>  |  |                             | <b>170.000</b> | <b>255.000</b> |                                  |                        | <b>234.375</b> | <b>198.038</b> |               |
| <b>Other Executives with Strategic Responsibilities</b>   |  |                             |                |                |                                  |                        |                |                |               |
| (I) Compensation in the Company preparing the Financial Statement   | <b>n. 5 Dirigenti</b>                          | 2015 Group Incentive System | 297.000        | 445.500        | 33% 31.12.2016<br>67% 31.12.2020 |                        |                |                |               |
|   | <b>n. 5 Dirigenti</b>                          | 2014 Group Incentive System |                |                |                                  |                        | 206.600        | 206.600        |               |
| (II) Compensation from Subsidiaries and Associates  |  |                             |                |                |                                  |                        |                |                |               |
| <b>(III) Total</b>  |  |                             | <b>297.000</b> | <b>445.500</b> |                                  |                        | <b>206.600</b> | <b>206.600</b> |               |

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| TABLE 1: Investments of the Members of the Administrative and Auditing Bodies and General Managers |   |                  |                         |                         |          |                         |                         |
|--|---|------------------|-------------------------|-------------------------|----------|-------------------------|-------------------------|
| Name and surname   | Office                                    | Investee Company | Type of shares          | Number of shares        |          |                         |                         |
|  |   |                  |                         | Held at the end of 2014 | Acquired | Sold                    | Held at the end of 2015 |
| BOARD OF DIRECTORS   |   |                  |                         |                         |          |                         |                         |
| Enrico Cotta Ramusino  | Chairman                                  | FinecoBank       | Ord.                    | 25.000                  | 12.000   |                         | 37.000                  |
| Francesco Saita  | Vice Chairman                             |                  |                         |                         |          |                         |                         |
| Alessandro Foti  | Chief Executive Officer / General Manager |                  |                         |                         |          |                         |                         |
| Gianluigi Bertolli   | Director                                  |                  |                         |                         |          |                         |                         |
| Mariangela Grosoli   | Director                                  |                  |                         |                         |          |                         |                         |
| Pietro Angelo Guindani   | Director                                  |                  |                         |                         |          |                         |                         |
| Girolamo Ielo  | Director                                  |                  |                         |                         |          |                         |                         |
| Marina Natale  | Director                                  |                  |                         |                         |          |                         |                         |
| Laura Stefania Penna   | Director                                  |                  |                         |                         |          |                         |                         |
| BOARD OF STATUTORY AUDITORS  |   |                  |                         |                         |          |                         |                         |
| Gian-Carlo Noris Gaccioli  | Chairman of the Board Statutory Auditors  | FinecoBank       | Ord.                    | 6.600                   | 16.700   | 23.300,00               | -                       |
| Barbara Aloisi   | Standing Auditor                          |                  |                         |                         |          |                         |                         |
| Marziano Viozzi  | Standing Auditor                          |                  |                         |                         |          |                         |                         |
| Federica Bonato  | Alternate Auditor                         |                  |                         |                         |          |                         |                         |
| Marzio Duilio Rubagotti  | Alternate Auditor                         |                  |                         |                         |          |                         |                         |
| TABLE 2: Investments of Other Executives with Strategic Responsibilities                           |   |                  |                         |                         |          |                         |                         |
| Number of Executives with strategic responsibilities   | Investee Company                          | Type of shares   | Number of shares        |                         |          |                         |                         |
|  |   |                  | Held at the end of 2014 | Acquired                | Sold     | Held at the end of 2015 |                         |
| 4  | FinecoBank                                | Ord.             | 11.000                  |                         |          | 11.000                  |                         |



## SECTION IV

# 2016 COMPENSATION SYSTEMS BASED ON FINANCIAL INSTRUMENTS

**FINECO, THE BANK THAT SIMPLIFIES BANKING.**

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## 1. INTRODUCTION

Pursuant to the provision set forth in Article 114-bis of legislative decree no. 58 of February 24<sup>th</sup>, 1998 as well as to the provisions of the issuer adopted by Consob with resolution no. 11971 of May 14<sup>th</sup>, 1999 (the “Issuers Regulations”) regarding the information to be disclosed to the market in relation to the granting of awarding plans based on financial instruments, the Board of Directors of FinecoBank (the “Board of Directors”) prepared this information memorandum which will be reported to the Ordinary General Shareholders’ Meeting of FinecoBank on April 12<sup>th</sup>, 2016 which is called to resolve, *inter alia*, upon the approval for 2016 of the following new incentives plans:

- **“2016 Incentive System”** defined in order to reward employees, belonging to *Identified Staff*, with an incentive payable in cash and/or free Fineco ordinary shares over a multi-year period, according to the modalities described below and subject to the achievement of specific performance objectives;
- **“2016 Incentive System for Financial Advisors belonging to *Identified Staff*”** defined in order to reward Financial Advisors, belonging to *Identified Staff*, with an incentive payable in cash and/or Fineco ordinary shares over a multi-year period, according to the modalities described below and subject to the achievement of specific performance objectives.

This Information Memorandum – prepared in compliance with Scheme 7 of Annex 3A to the Issuers Regulation – was also prepared for the purpose of giving information concerning the execution of the following **“FinecoBank Compensation Systems”** already approved by the Shareholders’ Meetings of April 23<sup>rd</sup>, 2015 and of June 5<sup>th</sup>, 2014 and defined in order to assign free shares to selected resources of FinecoBank, according to the modalities described below and subject to the achievement of specific performance objectives:

- **2015 Incentive System for Financial Advisors**
- **2015 Incentive System**
- **2014 Incentive System**
- **“2014-2017 Multi-year Plan Top Management”**
- **“2014 Plan Key People”**
- **“2014 Plan PFA”**

Pursuant to the definition set forth in article 84-bis of the issuer regulations, the above mentioned incentive plans, in consideration of their beneficiaries, have the nature of “relevant plans”.

## 2. 2016 INCENTIVE SYSTEM

In compliance with the last Bank of Italy provisions set forth in Circular 285, December 17<sup>th</sup>, 2013 (Section “*Regulations on remuneration and incentive policies and practices of Banks and Banking groups*”) – VII Update of November 18<sup>th</sup>, 2014, First Part, Title IV, Chapter 2, implementing the *Capital Requirements Directive 2013/36/EU* (CRD IV) and in line with the guidelines issued by *European Banking Authority* (EBA), FinecoBank defined compensation systems based on financial instruments in order to align shareholders and management interests, reward long-term value creation, share price appreciation and motivate and retain key resources of FinecoBank. For this purpose it was proposed the adoption of the Plan “**2016 Incentive System**” (hereinafter also “**2016 System**”), which provides for the allocation of an incentive – in cash and/or free Fineco ordinary shares – to be granted in a multi-year period, subject to the achievement of specific performance objectives.

### 2.1 BENEFICIARIES OF THE PLAN

The employees of FinecoBank that benefit from the 2016 Incentive System are 13 *Identified Staff* whose activities have impacts on Bank’s risks as specified in section 2.1.2.

On the basis of the criteria established by Shareholders’ Meeting, the Board of Directors will be delegated to identify the actual beneficiaries belonging to the categories described in this section 2.1.

#### 2.1.1 Indication of the name of beneficiaries who are members of the Board of Directors of FinecoBank and of the companies directly or indirectly controlled by FinecoBank

Mr. Alessandro Foti, Chief Executive Officer and General Manager of FinecoBank, is among the beneficiaries of 2016 Incentive System.

#### 2.1.2 The categories of employees or collaborators of FinecoBank and companies controlling or controlled by this issuer

The employees of FinecoBank that are defined as *Identified Staff* and benefit from the 2016 Incentive System are defined based on criteria provided by *European Banking Authority* (EBA) *Regulatory Technical Standards* issued on December 16<sup>th</sup>, 2013, as follows:

- Chief Executive Officer (CEO) and General Manager (GM), Deputy General Managers (DGM), Executive Vice Presidents (EVP), Senior Vice Presidents (SVP), direct reports to strategic supervisory, management and control bodies;
- Employees with total remuneration greater than € 500,000 in the last year;
- Employees included within 0,3% of staff with the highest remuneration at local level;
- Employees whose remuneration is within the remuneration ranges of senior management and other *Identified Staff*;
- Other selected roles (including new hires).

#### 2.1.3 Individuals who benefit from the Plan belonging to the following groups:

##### a) General Manager of FinecoBank

Mr. Alessandro Foti, Chief Executive Officer and General Manager of FinecoBank, is among the beneficiaries of 2016 Incentive System.

- b) other Executives with strategic responsibilities of FinecoBank not classed as "small", in accordance with Article 3, paragraph 1, letter f) of Regulation no. 17221 of 12 March 2010, if they have, during the course of the year, received total compensation (obtained by adding the monetary compensation to the financial instrument-based compensation) in excess of the highest total compensation assigned to the members of the Board of Directors or Management Board, and to the General Manager of FinecoBank**

None of FinecoBank Executives with strategic responsibilities meet the description; therefore no information is provided in connection thereto.

- c) natural persons controlling FinecoBank, who are employee or collaborator of FinecoBank**

No individual controls FinecoBank and, therefore, no information is provided in connection thereto.

#### **2.1.4 Description and numerical indication, broken down according to category:**

- a) Executives with strategic responsibilities other than those specified under lett. b) of paragraph 2.1.3**

Amongst the beneficiaries of the 2016 Incentive System, along with the Chief Executive Officer and General Manager, there are n. 5 executives of FinecoBank who have regular access to privileged information and are authorized to take resolutions capable of influencing the development and prospects of FinecoBank:

1. the Deputy General Manager and Head of Global Banking Services, Mr. Fabio Milanesi
2. the Deputy General Manager and Head of Direct Banking, Mr. Paolo Di Grazia
3. the Head of Commercial PFA Network, Mr. Mauro Albanese
4. the Head of Investment Services and Wealth Management, Mr. Carlo Giausa
5. the Chief Financial Officer, Mrs. Lorena Pellicciari

- b) in the case of "small" companies, in accordance with Article 3, paragraph 1, letter f) of Regulation no. 17221 of 12 March 2010, the indication for the aggregate of all Executives with strategic responsibilities of the financial instrument issuer**

This provision is not applicable.

- c) other categories of employees or collaborators for which different characteristics are envisaged for the plan (e.g. executives, middle management, employees etc.)**

There are no classes of employees to which different characteristics of the 2016 Incentive System apply.

## **2.2 THE REASONS FOR THE ADOPTION OF THE PLAN**

### **2.2.1 The targets which the parties intend to reach through the adoption of the plan**

The 2016 Incentive System aims to attract, retain and motivate FinecoBank beneficiaries in compliance with the most recent national and international regulatory requirements with the aim to define – in the interest of all stakeholders – incentive systems in line with long-term Company strategies and goals, linked to Bank results, adjusted in order to consider all risks, in coherence with capital and liquidity levels needed to cover the activities in place and, in any case, able to avoid misleading incentives that could drive to regulatory breaches or to assume excessive risks for the Bank and the system in its whole.

The 2016 Incentive System is compliant with FinecoBank Compensation Policy and with the most recent national and international regulatory requirements providing for:

- allocation of a variable incentive defined based on available bonus pool, individual performance evaluation, internal benchmark for specific roles and bonus cap as set by the Ordinary Shareholder's meeting;
- definition of a balanced structure of “upfront” (done at the moment of performance evaluation) and “deferred payments”, in cash and in shares;
- distribution of share payments, coherently with 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 metrics in order to guarantee long-term sustainability with respect to Company's financial position and to ensure compliance with regulatory expectations;
- *malus* clause (*Zero Factor*) applies in case specific thresholds (profitability, capital and liquidity) are not met at both Group and local level. In particular, the bonus pool of 2016 will be zeroed, while previous systems deferrals could be reduced from 50% to 100% of their value, based on final effective results and dashboards assessments done by CRO and CFO.

### **2.2.2 Principal factors of variation and performance indexes taken into account for the assignment of plans based on financial instruments.**

Individual bonuses will be allocated on the basis of available bonus pool, individual performance evaluation and internal benchmarking for specific roles.

Individual performance appraisal is based on specific goals, linked to the 5 fundamentals of UniCredit Group competency model: “*Client obsession*”; “*Execution and Discipline*”; “*Cooperation and Synergies*”; “*Risk Management*”; “*People and Business Development*”.

Incentive pay-outs shall be made over a multi-year period (2017-2022) subject to continuous employment at each date of payment and as follows:

- in 2017 the first instalment of the overall incentive (“1st instalment”) will be paid in cash, in absence of any individual / values compliance breach, considering also the gravity of any internal / external findings (e.g. Audit, Bank of Italy, Consob);
- over the period 2018-2022 the remaining amount of the overall incentive will be paid in several instalments in cash and/or Fineco free ordinary shares; each subsequent 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, considering also the gravity of any internal / external findings (e.g. Audit, Bank of Italy, Consob);
- distribution of share payments takes into account the applicable regulatory requirements regarding the application of share retention periods.

### **2.2.3 The factors assumed as basis for the determination of the compensation based upon financial instruments, or the criteria for the determination of the aforesaid compensation.**

In 2016 Incentive System the link between profitability, risk and reward is assured by linking directly bonus pool with Company results (at Group and local level), cost of capital and risk profiles relevant for the Bank as stated in the *Risk Appetite Framework*.

At this stage, the 2016 Incentive System does not contain an exact indication of the value of free shares to be actually allocated to the beneficiaries, rather it merely fixes the maximum number of the free shares to be issued with reference to the Plan. In any case, are already established the criteria that the Board of Directors should follow, in the resolutions that after the Shareholders' Meeting approval will execute the Plan, to define the actual number of beneficiaries and the number of free shares to be granted.

The 2016 Incentive System provides that in 2017 will be formulated the promise to pay the incentive in cash and shares. The percentages of the payments in cash and shares are linked to the beneficiaries' categories as described in the following points of this document.

The final evaluation of sustainable performance parameters and risk-reward alignment will be reviewed by the Remuneration and Appointments Committee and defined under the responsibility and governance of the Board of Directors.

### **2.2.4 The reasons justifying the decision to assign compensation plans based on financial instruments not issued by FinecoBank, such as financial instruments issued by its subsidiaries, its parent companies or third parties; in the event the aforesaid financial instruments are not negotiated on regulated markets, the issuer shall provide information as to the criteria adopted for the calculation of the value attributable to such financial instruments**

The 2016 Incentive System does not contemplate the allocation of similar financial instruments.

### **2.2.5 The evaluations, with respect to the relevant tax and accounting implications, taken into account in the definition of the plans**

The 2016 Incentive System definition was not influenced by significant tax or accounting consideration.

### **2.2.6 The indication as to whether the plan enjoys any support from the special fund for encouraging worker participation in the companies, as provided for under Article 4, paragraph 112, of Law December, 24 2003 n. 350**

The 2016 Incentive System is not currently supported by the special fund for encouraging worker participation in the companies, as provided for under sect. 4, paragraph 112, of Law December 24, 2003 n. 350.

## **2.3 PROCEDURE FOR THE ADOPTION OF THE PLAN AND TIMEFRAME FOR THE ASSIGNMENT**

### **2.3.1 Powers delegated to the Board of Directors by the Shareholders' Meeting for the implementation of the plan**



The Board of Directors, on January 12<sup>th</sup>, 2016, approved the proposal related to the 2016 Incentive System to be submitted to the General Shareholder's Meeting called on April 12<sup>th</sup>, 2016. Furthermore, the Board of Directors, in the same meeting, formulated the proposal to provide to the Board of Directors the delegation of power to carry out a free capital increase for the 2016 Incentive System, to be executed by 2021, with the possibility to submit to a future Shareholders' Meeting approval the proposal aimed at integrating this power to carry out a further capital increase for the 2016 Incentive System, in order to assign the last share instalment foreseen for 2022.

### **2.3.2 Indication of the individuals in charge of the management of the plan, their powers authority**

"Human Resources" function of FinecoBank is in charge for the management of the 2016 Incentive System, as well as of the definition of the FinecoBank Compensation Policy.

### **2.3.3 Procedures for the amendment of the plans, if any, also in connection with potential variation of the original targets**

No specific procedures for the amendment of the 2016 Incentive System are provided for, other than the power of attorney that is provided by the Shareholders' Meeting to the Chairman and the Chief Executive Officer and General Manager, also separately, to possibly make changes to the 2016 System.

### **2.3.4 Description of the modalities for the determination of the availability and assignment of the financial instruments contemplated by the plan**

The best solution identified to execute the 2016 Incentive System is to delegate the Board of Directors, pursuant to sect. 2443 of the Civil Code, the faculty to increase share capital as described in the Director's Report presented to the Extraordinary Shareholders' Meeting called for on April 12<sup>th</sup>, 2016 (in single call).

In force of this delegation, the Board of Directors could resolve:

- on one or more occasions for a maximum period of five years - to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum nominal amount of 268.000 Fineco ordinary shares, to be granted to employees of FinecoBank. Such an increase in capital shall be carried out using the special reserve known as "*Provisions Linked to the Medium-Term Incentive System for the staff of FinecoBank*" set up for this purpose, which, if case, may be restored or increased via allocation of profits or a portion of available statutory reserves, formed from the distribution of company profits that shall be identified by the Board of Directors at the moment of share issuance;
- Related to section 2443 of Civil Code that provides that the Directors can exercise the right to carry out a free capital increase for a maximum period of five years starting from the date when the Shareholders' Meeting resolution providing the delegation of power was registered and therefore, until 2021, in order to assign the last share instalment provided for 2022 it will be necessary to submit to a future Shareholders' Meeting approval a proposal aimed at integrating the delegation of power already provided to the Board of Directors so that the implementation of 2016 System can be completed.

The number of shares to be allocated in the respective instalments (as described at paragraph 2.4.1.) shall be defined in 2017, on the basis of the arithmetic mean of the

official market closing prices of Fineco ordinary shares during the month preceding the Board resolution that evaluates 2016 performance achievements. The allocation of a maximum number of 335.000 Fineco free ordinary shares is proposed, representing about 0,06% of FinecoBank share capital, of which a maximum n° of 33.500 Fineco ordinary shares for the possible hiring of *Identified Staff* from external market.

Over the period 2018-2022 the remaining amount of the overall incentive will be paid in several instalments in cash and/or Fineco free ordinary shares; each subsequent 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, considering also the gravity of any internal / external findings (e.g. Audit, Bank of Italy, Consob).

Distribution of share payments takes into account the applicable regulatory requirements regarding the application of share retention periods.

### **2.3.5 The influence exercised by each director in the determination of the characteristics of the plans; the potential conflict of interest which may trigger the obligation for the relevant director to abstain from exercising his vote in the relevant resolution**

In the determination of the proposal submitted to the Shareholders' Meeting, the Board of Directors identified the essential characteristics of the 2016 Incentive System, unanimously approved, following the guidelines and criteria elaborated by the Remuneration and Appointments Committee of FinecoBank.

Since the Chief Executive Officer and General Manager of FinecoBank is among the potential beneficiaries of the 2016 Incentive System, he did not participated in the definition of the 2016 Incentive System.

### **2.3.6 The date on which the Board of Directors of FinecoBank resolved upon the assignment of the financial instruments contemplated by the plan**

The Board of Directors, on January 12<sup>th</sup>, 2016 approved the proposal related to the 2016 Incentive System to be submitted to FinecoBank Shareholders' Meeting.

Furthermore, in exercising the delegation received by the Shareholders' Meeting, as described in point 2.3.1, the Board of Directors will resolve in one or more occasions to allocate the financial instruments related to the 2016 Incentive System.

### **2.3.7 The date on which the Remuneration and Appointments Committee resolved upon the Plan of FinecoBank**

The Remuneration and Appointments Committee on January 8<sup>th</sup>, 2016 positively resolved upon the criteria and the methodology elaborated for the definition of the 2016 Incentive System, sharing the reasons and motivations thereof.

### **2.3.8 The market price of Fineco ordinary shares, on the dates mentioned in points 2.3.6 and 2.3.7**

The market price of Fineco ordinary shares, registered on the date of Board of Directors approval of 2016 Incentive System proposal (January 12<sup>th</sup>, 2016) and on the date of the positive opinion released by the Remuneration and Appointments Committee of FinecoBank (January 8<sup>th</sup>, 2016), resulted equal to € 7,28 and to € 7,27 respectively.

**2.3.9 In which terms and modalities FinecoBank takes into account, in the determination of the timeframe for the assignment of the plans, of the possible time-coincidence between:**

- i) such assignment or the decision, if any, adopted thereon by the Remuneration and Appointments Committee, and
- ii) the dissemination of relevant information, if any, pursuant to sect. 114, paragraph 1 of Legislative Decree 58/98; for instance, in cases in which such information is:
  - a. not already public and capable to positively affect the market quotation, or
  - b. already published and capable to negatively affect the market quotation

In relation to the foregoing it is clarified that the resolution of the Board of Directors which approved the proposal to be submitted to the Shareholders' Meeting, was communicated to the markets, in compliance with the current regulations. It is also clarified that analogous information to the market, if required, will be made available upon any other following resolution adopted by the Board of Directors of the 2016 Incentive System.

The resolutions related to the incentive plans based on financial instruments are examined by the Remuneration and Appointments Committee of FinecoBank in advance to provide for the positive opinion to the Corporate Bodies, the information to the market is given, if needed, after the relevant resolution of the Board of Directors.

## **2.4. THE CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS ASSIGNED**

### **2.4.1 Description of the compensation plan**

Individual bonuses will be allocated on the basis of available bonus pool, individual performance evaluation and internal benchmarking for specific roles.

Individual performance appraisal is based on specific goals, linked to the 5 fundamentals of UniCredit Group competency model: "*Client obsession*"; "*Execution and Discipline*"; "*Cooperation and Synergies*"; "*Risk Management*"; "*People and Business Development*".

The final evaluation of sustainable performance parameters and risk-reward alignment will be reviewed by the Remuneration and Appointments Committee and defined under the responsibility and governance of the Board of Directors.

The 2016 Incentive System provides that in 2017 the Board of Directors – once verified the achievement of the goals defined for 2016 – will define the percentage of payments in cash and shares established for each category of beneficiaries, as illustrated in the table below:

|   | 2017     | 2018     | 2019       | 2020                  | 2021       | 2022                  |
|---|----------|----------|------------|-----------------------|------------|-----------------------|
| CEO/GM and 1 <sup>st</sup> reporting line | 20% cash | 10% cash | 20% shares | 10% shares            | 10% shares | 20% cash + 10% shares |
| Other Identified Staff                    | 30% cash | 10% cash | 30% shares | 10% cash + 10% shares | 10% shares | -                     |

The number of shares to be allocated in the respective instalments shall be defined in 2017, on the basis of the arithmetic mean of the official market closing prices of Fineco ordinary shares during the month preceding the Board resolution that evaluates 2016 performance achievements. The maximum number of Fineco free ordinary shares to service the 2016 System is estimated at 335.000 representing about 0,06% of FinecoBank share capital, of which maximum n° of 33.500 Fineco ordinary shares for the possible hiring of *Identified Staff* from external market.

Pay-outs in shares comply with the applicable regulatory provisions in terms of holding period.

#### **2.4.2 Indication of the time period for the implementation of the plan also indicating different cycles, if any, of its implementation**

Incentive pay-outs shall be made over a multi-year period (2017-2022) in a balanced structure of upfront (following the moment of performance evaluation) and deferred payments, in cash and in shares, subject to what mentioned above and continuous employment at each date of payment. The free shares related to the 2016 Incentive System will be allocated by FinecoBank in multiple instalments (as shown in the table above) subject to the Board assessment in 2017 of the goal achievement set for 2016.

#### **2.4.3 The termination date of the plan**

The 2016 Incentive System will lapse by July 2022.

#### **2.4.4 The overall maximum number of financial instruments, also in the form of options, assigned over any fiscal years with respect to the beneficiaries namely identified or identified by categories, as the case may be**

The maximum number of Fineco free ordinary shares is estimated at 335.000, representing about 0,06% of FinecoBank share capital, of which maximum n° of 33.500 Fineco ordinary shares for the possible hiring of *Identified Staff* from external market.

For the assignment of the last instalment of shares planned for 2022 it will be submitted to one of the future Shareholders' Meetings the proposed integration of the power of attorney, already provided to the Board of Directors, for capital increase to service the above mentioned 2016 System.

At this stage it is not possible to indicate the maximum number of free shares allocated in each fiscal year during the life of the 2016 Incentive System, since the actual definition will be done by the Board of Directors on the basis of the criteria approved by the Shareholders' Meeting.

#### **2.4.5 The procedures and clauses for the implementation of the plan, specifying whether the assignment of the financial instruments is subject to the satisfaction of certain specific conditions and, in particular, to the achievement of specific results, including performance targets; a description of the aforesaid conditions and results**

Bonus pool is defined as a percentage of the specific funding KPI (*Net Operating Profit*, net of *Provisions for Risk and Charges*, corresponding to *Profit Before Tax*) at local level, taking into consideration the "Entry Conditions" criteria assessment (based on forecasted results – risk-adjusted – both at Group and local level) e and local risk and performance assessment.

The Entry Conditions are the mechanism that determines the possible application of *malus* clause (*Zero Factor*) on the basis of performance indicators in terms of profitability, capital and liquidity defined at both Group and local level. In particular the bonus pool of 2016 will be zeroed, while previous systems deferrals could be reduced from 50% to 100% of their value, based on final effective results and dashboards assessments done by CRO and CFO.

In order to align to regulatory requirements, in case both at Group and local level set KPIs are not met, a *Zero Factor* will apply to the *Identified Staff* population whereas for the rest of the population, a significant reduction will be applied. In case *Zero Factor* is not activated, bonus pool adjustments will be applied within respective ranges based on the assessment of local and Group performance and risk factors.

In case the Entry Conditions are not met at local level, but at Group level they are, a floor might be defined for retention purposes and in order to maintain the minimum pay levels needed to play in the market.

#### **2.4.6 Indication of the restrictions on the availability of the financial instruments allocated under the plan or of the financial instruments relating to the exercise of the options, with particular reference to the time limits within which the subsequent transfer of the stocks to the issuer or third parties is permitted or prohibited**

The 2016 Incentive System provides that the free Fineco ordinary shares that will be allocated will be freely transferable, considering the applicable regulatory requirements regarding the application of share retention periods, as described in section 2.2.1.

#### **2.4.7 Description of any condition subsequent to the plan in connection with the execution, by the beneficiaries, of hedging transactions aimed at preventing the effects of potential limits to the transfer of the financial instruments assigned there under, also in the form of options, as well as to the transfer of the financial instruments relating to the exercise of the aforesaid options**

In accordance with national regulatory guidelines and the 2016 Compensation Policy, beneficiaries 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. Involvement in any form of hedging transaction shall be considered in breach of the Bank compliance policies and therefore the relevant rights under the plan shall automatically expire.

#### **2.4.8 Description of the consequences deriving from the termination of the employment or working relationship**

The 2016 Incentive System provides that the Board of Directors will have the faculty to identify, in the resolution that will execute the 2016 System, the termination of the beneficiary with the Bank, as cause for the expiring of the right to receive the free shares, coherently with the Plan rules.

#### **2.4.9 The indication of any other provisions which may trigger the cancellation of the plan**

The 2016 Incentive System does not provide for any provision which may trigger its cancellation.



**2.4.10 The reasons justifying the redemption, pursuant to sect. 2357 and followings of the Italian Civil Code, by FinecoBank, of the financial instruments contemplated by the plan; the beneficiaries of such redemption, indicating whether the same is limited only to certain categories of employees; the consequences of the termination of the employment relationship with respect to such redemption rights**

The 2016 Incentive System does not provide for the redemption by FinecoBank with reference to the free shares.

**2.4.11 The loans or other special terms that may be granted for the purchase of stocks pursuant to sect. 2358, paragraph 3, of the Italian Civil Code**

The 2016 Incentive System does not provide for a loan or other special terms for the purchase of the shares.

**2.4.12 The evaluation of the economic burden for FinecoBank at date of the assignment of the plan, as determined on the basis of the terms and conditions already defined, with respect to the aggregate overall amount as well as with respect to each financial instrument contemplated by the plan**

The estimation of the overall cost expected by FinecoBank in relation to the 2016 Incentive System at the grant date of the free shares, was made on the basis of the IAS principles, considering the accounting assumptions on the probability to achieve the performance targets related to the allocation of the free shares.

On the basis of these estimations, the overall expected cost for FinecoBank (IAS cost) on the basis of the effective performance conditions met, could be equal to € 4.000.000 to be split in 6 years. Nevertheless, at this stage it is not possible to define the exact cost in each year of life of the 2016 Incentive System, since the definition of the actual incentive to be allocated is subject to the Board of Directors resolution.

**2.4.13 The indication of any dilution on the corporate capital of the issuer resulting from the compensation plan, if any**

The maximum impact of the 2016 Incentive System on FinecoBank share capital shall be approx. 0,06% in case of the potential allocation of all free shares to employees.

**2.4.14 Any limitation to the voting and to the economic rights**

At this stage, the 2016 Incentive System does not provide for any limitation to the voting or economic rights for the shares allocated.

**2.4.15 In the event the stocks are not negotiated on a regulated market, any and all information necessary for a complete evaluation of the value attributable to them**

The 2016 Incentive System provides only for the use of shares negotiated on regulated markets.

**2.4.16 The number of financial instruments belonging to each option**

The 2016 Incentive System does not provide for options.

**2.4.17 The termination date of the options**

The 2016 Incentive System does not provide for options.

#### **2.4.18 The modalities, time limits and clauses for the exercise of the options**

The 2016 Incentive System does not provide for options.

#### **2.4.19 The strike price of the options or the criteria and modalities for its determination, with respect in particular to:**

- a) the formula for the calculation of the exercise price in connection with the fair market value; and to
- b) the modalities for the calculation of the market price assumed as basis for the calculation of the exercise price

The 2016 Incentive System does not provide for options.

#### **2.4.20 In case the strike price is different from the fair market value as determined pursuant to point 2.4.19.b, the indication of the reasons for such difference**

The 2016 Incentive System does not provide for options.

#### **2.4.21 The criteria justifying differences in the exercise prices between the relevant beneficiaries or class of beneficiaries**

The 2016 Incentive System does not provide for options.

#### **2.4.22 In the event the financial instruments underlying granted options are not negotiated on a regulated market, the indication of the value attributable to the same or of the criteria for its determination**

The 2016 Incentive System does not provide for options.

#### **2.4.23 The criteria for the adjustments required in connection with any extraordinary transaction involving the corporate capital of the issuer as well as in connection with transaction triggering a variation in the number of the financial instruments underlying granted options**

The 2016 Incentive System does not provide for adjustments applicable in connection with extraordinary transactions involving FinecoBank corporate capital (saving the provisions that the Board of Directors may define in the resolution in which the Board will exercise the delegation received from the Shareholders' Meeting).

### **3. 2016 INCENTIVE SYSTEM FOR FINANCIAL ADVISORS BELONGING TO IDENTIFIED STAFF (HEREAFTER ALSO "2016 INCENTIVE SYSTEM PFA")**

In compliance with the last Bank of Italy provisions set forth in Circular 285, December 17<sup>th</sup>, 2013 (Section "*Regulations on remuneration and incentive policies and practices of Banks and Banking groups*") – VII Update of November 18<sup>th</sup>, 2014, First Part, Title IV, Chapter 2, implementing the *Capital Requirements Directive* 2013/36/EU (CRD IV) and in line with the

guidelines issued by *European Banking Authority* (EBA), FinecoBank defined compensation systems based on financial instruments in order to align shareholders and management interests, reward long-term value creation, share price appreciation and motivate and retain key resources of FinecoBank. For this purpose it was proposed the adoption of the Plan **“2016 Incentive System for Financial Advisors belonging to *Identified Staff*”**, which provides for, to selected Financial Advisors belonging to *Identified Staff*, the allocation of an incentive – in cash and Fineco ordinary shares – to be granted in a multi-year period, subject to the achievement of specific objectives.

### 3.1 BENEFICIARIES OF THE PLAN

The Financial Advisors of FinecoBank that benefit from the 2016 Incentive System PFA are 11 *Identified Staff* whose activities have impacts on Bank's risks based on criteria provided by *European Banking Authority* (EBA) *Regulatory Technical Standards* issued on December 16<sup>th</sup>, 2013. In particular the following criteria were applied:

- Personal Financial Advisors with a total remuneration (“recurring” and “non-recurring”) more than Euro 750,000 in the last year and with an impact on Bank risk profiles;
- Personal Financial Advisors Area Manager who coordinate a structure which is linked an overall portfolio equal to or more than 5% of total network assets and with an impact on Bank risk profiles.

#### 3.1.1 Indication of the name of beneficiaries who are members of the Board of Directors of FinecoBank and of the companies directly or indirectly controlled by FinecoBank

There are no members of the Board of Directors that benefit from the 2016 Incentive System PFA; therefore this provision is not applicable.

#### 3.1.2 The categories of employees or collaborators of FinecoBank and companies controlling or controlled by this issuer

There are no employees of FinecoBank that benefit from the 2016 Incentive System PFA; therefore this provision is not applicable.

#### 3.1.3 Individuals who benefit from the Plan belonging to the following groups:

##### a) General Manager of FinecoBank

Mr. Alessandro Foti, Chief Executive Officer and General Manager of FinecoBank, is not among the beneficiaries of 2016 Incentive System PFA.

##### b) other Executives with strategic responsibilities of FinecoBank not classed as "small", in accordance with Article 3, paragraph 1, letter f) of Regulation no. 17221 of 12 March 2010, if they have, during the course of the year, received total compensation (obtained by adding the monetary compensation to the financial instrument-based compensation) in excess of the highest total compensation assigned to the members of the Board of Directors or Management Board, and to the General Manager of FinecoBank

None of FinecoBank Executives meet the description; therefore this provision is not applicable.

**c) natural persons controlling FinecoBank, who are employee or collaborator of FinecoBank**

No individual controls FinecoBank and meet the description; therefore this provision is not applicable.

**3.1.4 Description and numerical indication, broken down according to category:**

**a) Executives with strategic responsibilities other than those specified under lett. b) of paragraph 3.1.3**

None of FinecoBank Executives meet the description; therefore this provision is not applicable.

**b) in the case of "small" companies, in accordance with Article 3, paragraph 1, letter f) of Regulation no. 17221 of 12 March 2010, the indication for the aggregate of all Executives with strategic responsibilities of the financial instrument issuer**

This provision is not applicable.

**c) other categories of employees or collaborators for which different characteristics are envisaged for the plan (e.g. executives, middle management, employees etc.)**

No classes of employees meet the description; therefore this provision is not applicable.

**3.2 THE REASONS FOR THE ADOPTION OF THE PLAN**

**3.2.1 The targets which the parties intend to reach through the adoption of the plan**

The 2016 Incentive System PFA aims to retain and motivate beneficiary Advisors in compliance with the most recent national and international regulatory requirements with the aim to define – in the interest of all stakeholders – incentive systems in line with long-term Company strategies and goals, linked to Bank results, adjusted in order to consider all risks, in coherence with capital and liquidity levels needed to cover the activities in place and, in any case, able to avoid misleading incentives that could drive to regulatory breaches or to assume excessive risks for the Bank and the system in its whole.

The 2016 Incentive System PFA is compliant with FinecoBank Compensation Policy and with the most recent national and international regulatory requirements providing for:

- allocation of a variable incentive defined based on available bonus pool, individual performance evaluation and bonus cap as set by the Ordinary Shareholder's meeting;
- definition of a balanced structure of "upfront" (done at the moment of performance evaluation) and "deferred payments", in cash and in Fineco ordinary shares;
- distribution of Fineco share payments, coherently with the applicable regulatory requirements regarding the application of share retention periods. In fact the payment structure defined requires a retention period on Fineco shares (of 2 years for upfront shares and of 1 year for deferred shares);

- risk-adjusted metrics in order to guarantee long-term sustainability with respect to Company's financial position and to ensure compliance with regulatory expectations;
- *malus* clause (*Zero Factor*) applies in case specific thresholds (capital and liquidity) are not met at both Group and local level (at local level also profitability will be considered). In particular, the bonus pool of 2016 will be zeroed.

### **3.2.2 Principal factors of variation and performance indexes taken into account for the assignment of plans based on financial instruments**

Individual bonuses will be allocated based on available bonus pool, individual performance evaluation and internal benchmarking for specific roles.

Total incentive pay-out as defined will be made over a multi-year period (2017-2021), as indicated below and provided that the agency relationship of the beneficiaries is in place at the time of each payment:

- in 2017 the first instalment of the overall incentive ("1st instalment") will be paid in cash, in absence of any individual / values compliance breach, considering also the gravity of any internal / external findings (e.g. Audit, Consob and/or analogous local authorities);
- over the period 2018-2021 the remaining amount of the overall incentive will be paid in several instalments in cash and/or Fineco ordinary shares; each subsequent 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, considering also the gravity of any internal / external findings (e.g. Audit, Consob and/or analogous local authorities);
- distribution of share payments takes into account the applicable regulatory requirements regarding the application of share retention periods.

### **3.2.3 The factors assumed as basis for the determination of the compensation based upon financial instruments, or the criteria for the determination of the aforesaid compensation**

In 2016 Incentive System PFA the link between profitability, risk and reward is assured by linking directly bonus pool with Company results (at Group and local level), cost of capital and risk profiles relevant for the Bank as stated in the *Risk Appetite Framework*.

At this stage, the 2016 Incentive System PFA does not contain an exact indication of the value of free shares to be actually allocated to the beneficiaries, rather it merely fixes the maximum number of the free shares to be issued with reference to the Plan. In any case, are already established the criteria that the Board of Directors should follow, in the resolutions that after the Shareholders' Meeting approval will execute the Plan, to define the actual number of beneficiaries and the number of free shares to be granted.

The 2016 Incentive System PFA provides that in 2017 will be formulated the promise to pay the incentive in cash and shares.

The final evaluation of sustainable performance parameters and risk-reward alignment will be reviewed by the Remuneration and Appointments Committee and defined under the responsibility and governance of the Board of Directors.

### **3.2.4 The reasons justifying the decision to assign compensation plans based on financial instruments not issued by FinecoBank, such as financial instruments issued**

by its subsidiaries, its parent companies or third parties; in the event the aforesaid financial instruments are not negotiated on regulated markets, the issuer shall provide information as to the criteria adopted for the calculation of the value attributable to such financial instruments

The 2016 Incentive System PFA does not contemplate the allocation of similar financial instruments.

### **3.2.5 The evaluations, with respect to the relevant tax and accounting implications, taken into account in the definition of the plans**

The 2016 Incentive System PFA definition was not influenced by significant tax or accounting consideration.

### **3.2.6 The indication as to whether the plan enjoys any support from the special fund for encouraging worker participation in the companies, as provided for under Article 4, paragraph 112, of Law December, 24 2003 n. 350**

The 2016 Incentive System PFA is not currently supported by the special fund for encouraging worker participation in the companies, as provided for under sect. 4, paragraph 112, of Law December 24, 2003 n. 350.

## **3.3 PROCEDURE FOR THE ADOPTION OF THE PLAN AND TIMEFRAME FOR THE ASSIGNMENT**

### **3.3.1 Powers delegated to the Board of Directors by the Shareholders' Meeting for the implementation of the plan**

The Board of Directors, on January 12<sup>th</sup>, 2016, approved the proposal related to the 2016 Incentive System PFA to be submitted to the General Shareholder's Meeting called on April 12<sup>th</sup>, 2016. Furthermore, the Board of Directors, in the same meeting, formulated the proposal to provide the delegation of power to purchase and to dispose of treasury shares, after having received the necessary authorization of the Regulator.

### **3.3.2 Indication of the individuals in charge of the management of the plan, their powers authority**

*"Human Resources"* function and *"Network Controls, Monitoring and Service Department"* function of FinecoBank are in charge for the management of the 2016 Incentive System PFA, as well as of the definition of the FinecoBank Compensation Policy for Financial Advisors.

### **3.3.3 Procedures for the amendment of the plans, if any, also in connection with potential variation of the original targets**

No specific procedures for the amendment of the 2016 Incentive System PFA are provided for, other than the power of attorney that is provided by the Shareholders' Meeting to the Chairman and the Chief Executive Officer and General Manager, also separately, to possibly make changes to the 2016 Incentive System PFA.



### **3.3.4 Description of the modalities for the determination of the availability and assignment of the financial instruments contemplated by the plan**

To execute the 2016 Incentive System PFA, in 2017 the Board of Directors will define the number of shares to assign for the 3rd, 4th and 5th instalments (as described in paragraph 3.4.1), taking into consideration the arithmetic mean of the official closing price of the shares on each trading day at the electronic stock market organised and managed by Borsa Italiana S.p.A. in the period from the day preceding the date of the resolution by the Board of Directors that evaluates 2016 performance achievements to the same day in the previous month (both inclusive).

The maximum number of Fineco free ordinary shares is estimated at 250.000, representing about 0,04% of FinecoBank share capital that will be purchased from the market, after having received the necessary authorization of the Regulator.

Over the period 2019-2021 each instalments of shares assigned will be subject to the application of the *Zero Factor* for the year of allocation and in absence of any individual / values compliance breach, considering also the gravity of any internal / external findings (e.g. Audit, Consob and/or analogous local authorities).

Distribution of shares payments takes into account the applicable regulatory requirements regarding the application of retention periods.

### **3.3.5 The influence exercised by each director in the determination of the characteristics of the plans; the potential conflict of interest which may trigger the obligation for the relevant director to abstain from exercising his vote in the relevant resolution**

In the determination of the proposal submitted to the Shareholders' Meeting, the Board of Directors identified the essential characteristics of the 2016 Incentive System PFA, unanimously approved, following the guidelines and criteria elaborated by the Remuneration and Appointments Committee of FinecoBank.

Since the Chief Executive Officer and General Manager of FinecoBank is not among the potential beneficiaries of the 2016 Incentive System PFA, he participated in the definition of the 2016 Incentive System PFA.

### **3.3.6 The date on which the Board of Directors of FinecoBank resolved upon the assignment of the financial instruments contemplated by the plan**

The Board of Directors, on January 12<sup>th</sup>, 2016 approved the proposal related to the 2016 Incentive System PFA to be submitted to FinecoBank Shareholders' Meeting.

### **3.3.7 The date on which the Remuneration and Appointments Committee resolved upon the Plan of FinecoBank**

The Remuneration and Appointments Committee on January 8<sup>th</sup>, 2016 positively resolved upon the criteria and the methodology elaborated for the definition of the 2016 Incentive System PFA, sharing the reasons and motivations thereof.

### **3.3.8 The market price of Fineco ordinary shares, on the dates mentioned in points 3.3.6 e 3.3.7**

The market price of Fineco ordinary shares, registered on the date of Board of Directors approval of 2016 Incentive System PFA proposal (January 12<sup>th</sup>, 2016) and on the date of the

decision made by the Remuneration and Appointments Committee of FinecoBank (January 8<sup>th</sup>, 2016), resulted equal to € 7,28 and to € 7,27 respectively.

**3.3.9 In which terms and modalities FinecoBank takes into account, in the determination of the timeframe for the assignment of the plans, of the possible time-coincidence between:**

- i) **such assignment or the decision, if any, adopted thereon by the Remuneration and Appointments Committee, and**
- ii) **the dissemination of relevant information, if any, pursuant to sect. 114, paragraph 1 of Legislative Decree 58/98; for instance, in cases in which such information is:**
  - a. **not already public and capable to positively affect the market quotation, or**
  - b. **already published and capable to negatively affect the market quotation**

In relation to the foregoing it is clarified that the resolution of the Board of Directors which approved the proposal to be submitted to the Shareholders' Meeting, was communicated to the markets, in compliance with the current regulations. It is also clarified that analogous information to the market, if required, will be made available upon any other following resolution adopted by the Board of Directors of the 2016 Incentive System PFA.

The resolutions related to the incentive plans based on financial instruments are examined by the Remuneration and Appointments Committee of FinecoBank in advance to provide for the positive opinion to the Corporate Bodies, the information to the market is given, if needed, after the relevant resolution of the Board of Directors.

## **3.4. THE CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS ASSIGNED**

### **3.4.1 Description of the compensation plan**

Individual bonuses will be allocated based on available bonus pool and individual performance evaluation.

The final evaluation of sustainable performance parameters and risk-reward alignment will be reviewed by the Remuneration and Appointments Committee and defined under the responsibility and governance of the Board of Directors.

The 2016 Incentive System PFA provides that in 2017 the Board of Directors – once verified the achievement of the goals defined for 2016 – will define the payments in cash and shares, as illustrated in the table below:

|   | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b>           | <b>2021</b> |
|---|-------------|-------------|-------------|-----------------------|-------------|
| Financial Advisors belonging to <i>Identified Staff</i> | 30% cash    | 10% cash    | 30% shares  | 10% cash + 10% shares | 10% shares  |

The number of shares to assign for the 3rd, 4th and 5th instalments will be defined in 2017, taking into consideration the arithmetic mean of the official closing price of the shares on each trading day at the electronic stock market organised and managed by Borsa Italiana S.p.A. in the period from the day preceding the date of the resolution by the Board of

Directors that evaluates 2016 performance achievements to the same day in the previous month (both inclusive).

The maximum number of Fineco free ordinary shares is estimated at 250.000, representing about 0,04% of FinecoBank share capital.

Pay-outs in shares comply with the applicable regulatory provisions in terms of holding period.

### **3.4.2 Indication of the time period for the implementation of the plan also indicating different cycles, if any, of its implementation**

Incentive pay-outs shall be made over a multi-year period (2017-2021) in a balanced structure of upfront (following the moment of performance evaluation) and deferred payments, in cash and in shares, subject to what mentioned above and continuous employment at each date of payment. Shares related to the 2016 Incentive System PFA will be allocated by FinecoBank in multiple instalments (as shown in the table above) subject to the Board assessment in 2017 of the goal achievement set for 2016.

### **3.4.3 The termination date of the plan**

The 2016 Incentive System PFA will lapse by May 2021.

### **3.4.4 The overall maximum number of financial instruments, also in the form of options, assigned over any fiscal years with respect to the beneficiaries namely identified or identified by categories, as the case may be**

The maximum number of Fineco free ordinary shares is estimated at 250.000, representing about 0,04% of FinecoBank share capital.

At this stage it is not possible to indicate the maximum number of shares allocated in each fiscal year during the life of the 2016 Incentive System PFA, since the actual definition will be done by the Board of Directors on the basis of the criteria approved by the Shareholders' Meeting.

### **3.4.5 The procedures and clauses for the implementation of the plan, specifying whether the assignment of the financial instruments is subject to the satisfaction of certain specific conditions and, in particular, to the achievement of specific results, including performance targets; a description of the aforesaid conditions and results**

Bonus pool is defined as a percentage of the specific funding KPI (*Net Operating Profit*, net of *Provisions for Risk and Charges*, corresponding to *Profit Before Tax*) at local level, taking into consideration the "Entry Conditions" criteria assessment (based on forecasted results – risk-adjusted – both at Group and local level) e and local risk and performance assessment.

The Entry Conditions are the mechanism that determines the possible application of *malus* clause (*Zero Factor*) on the basis of performance indicators in terms of capital and liquidity defined at both Group and local level (at local level also profitability will be considered). In particular the bonus pool of 2016 will be zeroed.

In order to align to regulatory requirements, in case both at Group and local level set KPIs are not met, a *Zero Factor* will apply to the *Identified Staff* population whereas for the rest of the population, a significant reduction will be applied. In case *Zero Factor* is not

activated, bonus pool adjustments will be applied within respective ranges based on the assessment of local and Group performance and risk factors.

In case the Entry Conditions are not met at local level, but at Group level they are, a floor might be defined for retention purposes and in order to maintain the minimum pay levels needed to play in the market.

**3.4.6 Indication of the restrictions on the availability of the financial instruments allocated under the plan or of the financial instruments relating to the exercise of the options, with particular reference to the time limits within which the subsequent transfer of the stocks to the issuer or third parties is permitted or prohibited**

The 2016 Incentive System PFA provides that the Fineco ordinary shares that will be allocated will be freely transferable, considering the applicable regulatory requirements regarding the application of share retention periods, as described in section 3.2.1.

**3.4.7 Description of any condition subsequent to the plan in connection with the execution, by the beneficiaries, of hedging transactions aimed at preventing the effects of potential limits to the transfer of the financial instruments assigned there under, also in the form of options, as well as to the transfer of the financial instruments relating to the exercise of the aforesaid options**

In accordance with national regulatory guidelines and the 2016 Compensation Policy, beneficiaries 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.

**3.4.8 Description of the consequences deriving from the termination of the employment or working relationship**

The 2016 Incentive System PFA provides that the Board of Directors will have the faculty to identify, in the resolution that will execute the 2016 plan, the termination of the agency relationship of beneficiary with the Bank, as cause for the expiring of the right to receive the Phantom shares, coherently with the Plan rules.

**3.4.9 The indication of any other provisions which may trigger the cancellation of the plan**

The 2016 Incentive System PFA does not provide for any provision which may trigger its cancellation.

**3.4.10 The reasons justifying the redemption, pursuant to sect. 2357 and followings of the Italian Civil Code, by FinecoBank, of the financial instruments contemplated by the plan; the beneficiaries of such redemption, indicating whether the same is limited only to certain categories of employees; the consequences of the termination of the employment relationship with respect to such redemption rights**

The 2016 Incentive System PFA does not provide for the redemption by FinecoBank.

**3.4.11 The loans or other special terms that may be granted for the purchase of stocks pursuant to sect. 2358, paragraph 3, of the Italian Civil Code**

The 2016 Incentive System PFA does not provide for a loan or other special terms for the purchase of the shares.

**3.4.12 The evaluation of the economic burden for FinecoBank at date of the assignment of the plan, as determined on the basis of the terms and conditions already defined, with respect to the aggregate overall amount as well as with respect to each financial instrument contemplated by the plan**

The estimation of the overall cost expected by FinecoBank in relation to the 2016 Incentive System PFA at the grant date of the shares, was made on the basis of the IAS principles, considering the accounting assumptions on the probability to achieve the performance targets related to the allocation of the shares.

On the basis of these estimations, the overall expected cost for FinecoBank (IAS cost) on the basis of the effective performance conditions met, could be equal to € 3.000.000 to be split in 4 years. Nevertheless, at this stage it is not possible to define the exact cost in each year of life of the 2016 Incentive System PFA, since the definition of the actual incentive to be allocated is subject to the Board of Directors resolution.

**3.4.13 The indication of any dilution on the corporate capital of the issuer resulting from the compensation plan, if any**

Considering that the shares for 2016 Incentive System PFA will be purchased from the market, impact on FinecoBank share capital is not foreseen.

**3.4.14 Any limitation to the voting and to the economic rights**

At this stage, the 2016 Incentive System PFA does not provide for any limitation to the voting or economic rights for the shares allocated.

**3.4.15 In the event the stocks are not negotiated on a regulated market, any and all information necessary for a complete evaluation of the value attributable to them**

The 2016 Incentive System PFA provides only for the use of Fineco ordinary shares negotiated on regulated markets.

**3.4.16 The number of financial instruments belonging to each option**

The 2016 Incentive System PFA does not provide for options.

**3.4.17 The termination date of the options**

The 2016 Incentive System PFA does not provide for options.

**3.4.18 The modalities, time limits and clauses for the exercise of the options**

The 2016 Incentive System PFA does not provide for options.

**3.4.19 The strike price of the options or the criteria and modalities for its determination, with respect in particular to:**

- a) the formula for the calculation of the exercise price in connection with the fair market value, and to

**b) the modalities for the calculation of the market price assumed as basis for the calculation of the exercise price**

The 2016 Incentive System PFA does not provide for options.

**3.4.20 In case the strike price is different from the fair market value as determined pursuant to point 3.4.19.b, the indication of the reasons for such difference**

The 2016 Incentive System PFA does not provide for options.

**3.4.21 The criteria justifying differences in the exercise prices between the relevant beneficiaries or class of beneficiaries**

The 2016 Incentive System PFA does not provide for options.

**3.4.22 In the event the financial instruments underlying granted options are not negotiated on a regulated market, the indication of the value attributable to the same or of the criteria for its determination**

The 2016 Incentive System PFA does not provide for options.

**3.4.23 The criteria for the adjustments required in connection with any extraordinary transaction involving the corporate capital of the issuer as well as in connection with transaction triggering a variation in the number of the financial instruments underlying granted options**

The 2016 Incentive System PFA does not provide for adjustments applicable in connection with extraordinary transactions involving FinecoBank corporate capital (saving the provisions that the Board of Directors may define in the resolution in which the Board will exercise the delegation received from the Shareholders' Meeting).

## **4. EXECUTION OF "FINECOBANK COMPENSATION SYSTEMS"**

### **4.1 BENEFICIARIES OF THE PLAN**

With reference to the Board of Directors' resolutions of:

- February 8<sup>th</sup>, 2016
- February 9<sup>th</sup>, 2015
- July 15<sup>th</sup>, 2014

for the execution of **2015 Incentive System PFA**, of **2015 Incentive System**, of **2014 Incentive System**, of **"2014-2017 Multi-year Plan Top Management"**, of **"2014 Plan Key People"** and of **"2014 Plan PFA"** (hereinafter **"FinecoBank Compensation Systems"**), approved by the Shareholders' Meetings of April 23<sup>rd</sup>, 2015 and of June 5<sup>th</sup>, 2014,

were identified the following beneficiaries for the respective plans:

- **2015 Incentive System PFA**, foresees an incentive – payable in cash and/or Phantom shares – for the Financial Advisors *Identified Staff* of FinecoBank over a



multi-year period of maximum 5 years (2016-2020), after the verification of the achievement of specific performance goals, of entry conditions and of those individual (continuous employment and no compliance breach);

- **2015 Incentive System**, distinguished in two different plans depending on the category of beneficiaries, foresees an incentive – payable in cash and/or free Fineco ordinary shares – for the employees *Identified Staff* of FinecoBank over a multi-year period of maximum 6 years (2016-2021), after the verification of the achievement of specific performance goals, of entry conditions and of those individual (continuous employment and no compliance breach);
- **2014 Incentive System**, distinguished in two different plans depending on the category of beneficiaries, foresees an incentive – payable in cash and/or free Fineco ordinary shares – for the employees *Identified Staff* of FinecoBank over a multi-year period of maximum 6 years (2015-2020), after the verification of the achievement of specific performance goals, of entry conditions and of those individual (continuous employment and no compliance breach);
- **“2014-2017 Multi-year Plan Top Management”**, foresees an incentive – linked to FinecoBank IPO – payable in free Fineco ordinary shares, for the Chief Executive Officer and General Manager and for the Executives with strategic responsibilities of FinecoBank over a multi-year period (2017-2020) subject to the achievement of specific entry conditions. This plan foresees, *inter alia*, that the assignment of the 1st instalment of shares promised in 2014 will be done in 2017, the other instalments will be done in 2018, in 2019 and in 2020 respectively, after the verification of the achievement of entry conditions and of those individual (continuous employment and no compliance breach);
- **“2014 Plan Key People”**, foresees an incentive – linked to FinecoBank IPO – payable in free Fineco ordinary shares, for selected employees of FinecoBank over a multi-year period (2015-2017) subject to the achievement of specific entry conditions. This plan foresees, *inter alia*, that the assignment of the 2nd instalment of shares promised in 2014 will be done in 2016, after the verification of the achievement of entry conditions and of those individual (continuous employment and no compliance breach);
- **“2014 Plan PFA”**, foresees to determine an amount to be granted over a multi-year period (2015-2017) through the assignment of ordinary shares to Managers of the Network and Financial Advisors of FinecoBank that, during 2014, met specific performance goals. This plan foresees, *inter alia*, that the amount and the shares’ calculation will be done in 2015 and that the assignment of the 2nd instalment of shares promised in 2014 will be done in 2016, after the verification of the achievement of net inflows goal for the entire Advisors’ Network, of the entry conditions and of those individual (continuous employment and no compliance breach).

#### **4.1.1 Indication of the name of beneficiaries who are members of the Board of Directors of FinecoBank and of the companies directly or indirectly controlled by FinecoBank**

Mr. Alessandro Foti, Chief Executive Officer and General Manager of FinecoBank, is among the beneficiaries of 2015 Incentive System, of 2014 Incentive System and of “2014-2017 Multi-year Plan Top Management”.

#### **4.1.2 The categories of employees or collaborators of FinecoBank and companies controlling or controlled by this issuer**

The employees of FinecoBank that benefit from FinecoBank Compensation Systems (along with the Chief Executive Officer and General Manager of FinecoBank) are:

for the **2015 Incentive System**:

- the Deputy General Managers, the other Executives with strategic responsibilities and the other *Identified Staff* 2015 of FinecoBank

for the **2014 Incentive System**:

- the Deputy General Managers, the other Executives with strategic responsibilities and the other *Identified Staff* 2014 of FinecoBank

for the plan “**2014-2017 Multi-year Plan Top Management**”:

- the Deputy General Managers and the other Executives with strategic responsibilities of FinecoBank;

for the plan “**2014 Plan Key People**”:

- 79 selected employees of FinecoBank, among which 3 belonging to *Identified Staff* 2014;

for **2015 Incentive System PFA** there are no employees of FinecoBank that benefit from the plan. It is highlighted that the beneficiaries are 1 Financial Advisors, 1 Group Manager e 4 Area Managers belonging to Financial Advisors *Identified Staff* 2015 of FinecoBank;

for the plan “**2014 Plan PFA**” there are no employees of FinecoBank that benefit from the plan. It is highlighted that the beneficiaries are 832 Financial Advisors, 169 Group Managers and 32 Area Managers.

#### **4.1.3 Individuals who benefit from the Plan belonging to the following groups:**

##### **a) General Manager of FinecoBank**

Mr. Alessandro Foti, Chief Executive Officer and General Manager of FinecoBank, is among the beneficiaries of 2015 Incentive System, of 2014 Incentive System and of the plan “*2014-2017 Multi-year Plan Top Management*”.

##### **b) other Executives with strategic responsibilities of FinecoBank not classed as "small", in accordance with Article 3, paragraph 1, letter f) of Regulation no. 17221 of 12 March 2010, if they have, during the course of the year, received total compensation (obtained by adding the monetary compensation to the financial instrument-based compensation) in excess of the highest total compensation assigned to the members of the Board of Directors or Management Board, and to the General Manager of FinecoBank**

None of FinecoBank Executives meet the description; therefore this provision is not applicable.

##### **c) natural persons controlling FinecoBank, who are employee or collaborator of FinecoBank**

No individual controls FinecoBank and, therefore, this provision is not applicable.

#### 4.1.4 Description and numerical indication, broken down according to category:

##### a) Executives with strategic responsibilities other than those specified under lett. B) of paragraph 4.1.3

Amongst the beneficiaries of FinecoBank Compensation Systems, along with the Chief Executive Officer and General Manager, there are n. 5 executives of FinecoBank who have regular access to privileged information and are authorized to take resolutions capable of influencing the development and prospects of FinecoBank.

Benefit from the **2015 Incentive System**, from the **2014 Incentive System** and from the plan **“2014-2017 Multi-year Plan Top Management”**:

1. the Deputy General Manager and Head of Global Banking Services, Mr. Fabio Milanesi
2. the Deputy General Manager and Head of Direct Banking, Mr. Paolo Di Grazia
3. the Head of Commercial PFA Network, Mr. Mauro Albanese
4. the Head of Investment Services and Wealth Management, Mr. Carlo Giauxa
5. the Chief Financial Officer, Mrs. Lorena Pellicciari

Regarding the **2015 Incentive System PFA** and the plans **“2014 Plan Key People”** and **“2014 Plan PFA”** there are no beneficiaries among the Executives with strategic responsibilities.

##### b) in the case of "small" companies, in accordance with Article 3, paragraph 1, letter f) of Regulation no. 17221 of 12 March 2010, the indication for the aggregate of all Executives with strategic responsibilities of the financial instrument issuer

This provision is not applicable.

##### c) other categories of employees or collaborators for which different characteristics are envisaged for the plan (e.g. executives, middle management, employees etc.)

There are 3 employees belonging to employees *Identified Staff* of FinecoBank to which different characteristics of **“2014 Plan Key People”** apply.

## 4.2 THE REASONS FOR THE ADOPTION OF THE PLAN

### 4.2.1 The targets which the parties intend to reach through the adoption of the “FinecoBank Compensation Systems”

The **2015 Incentive System PFA** aims to retain and motivate beneficiary Advisors, taking into account the objectives of growth in the medium and long term, in a general framework of overall sustainability.

The 2015 Incentive System PFA is compliant with FinecoBank Compensation Policy and with the most recent national and international regulatory requirements.

The **2015 Incentive System** aims to attract, retain and motivate FinecoBank beneficiaries in compliance with the most recent national and international regulatory requirements with the aim to define – in the interest of all stakeholders – incentive systems in line with long-term Company strategies and goals, linked to Bank results, adjusted in order to consider all risks, in coherence with capital and liquidity levels needed to cover the activities in place and, in any case, able to avoid misleading incentives that could drive to regulatory breaches or to assume excessive risks for the Bank and the system in its whole.

The 2015 Incentive System is compliant with FinecoBank Compensation Policy and with the most recent national and international regulatory requirements.

The **2014 Incentive System** aims to attract, retain and motivate FinecoBank beneficiaries in compliance with the most recent national and international regulatory requirements with the aim to define – in the interest of all stakeholders – incentive systems in line with long-term Company strategies and goals, linked to Bank results, adjusted in order to consider all risks, in coherence with capital and liquidity levels needed to cover the activities in place and, in any case, able to avoid misleading incentives that could drive to regulatory breaches or to assume excessive risks for the Bank and the system in its whole.

The 2014 Incentive System is compliant with FinecoBank Compensation Policy and with the most recent national and international regulatory requirements.

The plan “**2014-2017 Multi-year Plan Top Management**” is a special award for Top Management of FinecoBank, linked to the Initial Public Offering. It aims to build retention of the Top Management, taking into account the objectives of growth in the medium and long term.

The plan “**2014 Plan Key People**” is a special award for selected employees of FinecoBank, linked to the IPO. It aims to build retention of the “key people”, taking into account the objectives of growth in the medium and long term.

The plan “**2014 Plan PFA**” is a special award for Managers of the Network and Financial Advisors of FinecoBank, with the aim to retain and incentive them, taking into account the objectives of growth in the medium and long term.

#### **4.2.2 Principal factors of variation and performance indexes taken into account for the assignment of plans based on financial instruments**

The **2015 Incentive System PFA** foresees that individual bonuses will be allocated based on individual performance evaluation.

Total incentive pay-out as defined will be made over a multi-year period (2016-2020), as indicated below and provided that the agency relationship of the beneficiaries is in place at the time of each payment:

- in 2016 the first instalment of the overall incentive (“1st instalment”) will be paid in cash, in absence of any individual / values compliance breach, considering also the gravity of any internal / external findings (e.g. Audit, Consob and/or analogous local authorities);
- over the period 2017-2020 the remaining amount of the overall incentive will be paid in several instalments in cash and/or Phantom shares; each subsequent 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, considering also the gravity of any internal / external findings (e.g. Audit, Consob and/or analogous local authorities).

The **2015 Incentive System** foresees that individual bonuses will be allocated on the internal basis of available bonus pool, individual performance evaluation and internal benchmarking for specific roles.

Individual performance appraisal is based on specific goals, linked to the 5 fundamentals of UniCredit Group competency model: “*Client obsession*”; “*Execution and Discipline*”; “*Cooperation and Synergies*”; “*Risk Management*”; “*People and Business Development*”.

Incentive pay-outs shall be made over a multi-year period (2016-2021) subject to continuous employment at each date of payment and as follows:

- in 2016 the first instalment of the overall incentive ("1st instalment") will be paid in cash, in absence of any individual / values compliance breach, considering also the gravity of any internal / external findings (e.g. Audit, Bank of Italy, Consob);
- over the period 2017-2021 the remaining amount of the overall incentive will be paid in several instalments in cash and/or Fineco free ordinary shares; each subsequent 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, considering also the gravity of any internal / external findings (e.g. Audit, Bank of Italy, Consob);
- distribution of share payments takes into account the applicable regulatory requirements regarding the application of share retention periods.

The **2014 Incentive System** foresees that individual bonuses will be allocated on the basis of available bonus pool, individual performance evaluation and internal benchmarking for specific roles.

Individual performance appraisal is based on specific goals, linked to the 5 fundamentals of UniCredit Group competency model: "*Client obsession*"; "*Execution and Discipline*"; "*Cooperation and Synergies*"; "*Risk Management*"; "*People and Business Development*".

Incentive pay-outs shall be made over a multi-year period (2015-2020) subject to continuous employment at each date of payment and as follows:

- in 2015 the first instalment of the overall incentive ("1st instalment") will be paid in cash, in absence of any individual / values compliance breach, considering also the gravity of any internal / external findings (e.g. Audit, Bank of Italy, Consob);
- over the period 2016-2020 the remaining amount of the overall incentive will be paid in several instalments in cash and/or Fineco free ordinary shares; each subsequent 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, considering also the gravity of any internal / external findings (e.g. Audit, Bank of Italy, Consob);
- distribution of share payments takes into account the applicable regulatory requirements regarding the application of share retention periods.

The plan "**2014-2017 Multi-year Plan Top Management**" foresees that the assignment of the 1st instalment of shares promised in 2014 will be done in 2017 for the 6 beneficiaries of FinecoBank, the other instalments will be done in 2018, in 2019 and in 2020 respectively, after the verification of the achievement of entry conditions and of those individual (continuous employment and no compliance breach).

The plan "**2014 Plan Key People**" foresees that the assignment of the 2nd instalments of shares promised in 2014 will be done in 2016 for the 79 beneficiaries of FinecoBank, after the verification of the achievement of entry conditions and of those individual (continuous employment and no compliance breach).

The plan "**2014 Plan PFA**" foresees that the assignment of the 2nd instalments of shares promised in 2014 will be done in 2016, after the verification of the achievement of net inflows goal for the entire Advisors' Network, of the entry conditions and of those individual (continuous employment and no compliance breach).

#### **4.2.3 The factors assumed as basis for the determination of the compensation based upon financial instruments, or the criteria for the determination of the aforesaid compensation**

Here below the general criteria that the Board of Directors followed, in the resolutions that after the Shareholders' Meeting approval executed the Plans, to define the actual number of beneficiaries and the number of free shares to be granted.

The **2015 Incentive System PFA** provides that in 2016 the Board of Directors – once verified the achievement of the entry conditions, of the individual performance conditions and of the goals defined for 2015 – will define the number of Phantom shares to be paid in the 3rd, 4th and 5th instalments.

The **2015 Incentive System** provides that in 2016 the Board of Directors – once verified the achievement of the entry conditions, of the individual performance conditions and of the goals defined for 2015 – will define the number of shares to be paid in the respective instalments for each category of beneficiaries.

The **2014 Incentive System** provides that in 2015 the Board of Directors – once verified the achievement of the entry conditions, of the individual performance conditions and of the goals defined for 2015 – will define the number of shares to be paid in the respective instalments for each category of beneficiaries.

The plan **“2014-2017 Multi-year Plan Top Management”** provides that in 2016 the Board of Directors – once verified the achievement of the entry conditions and of those individual – will define the individual assignments of the 3rd instalment of shares to be granted in 2019, adjusting the shares promised in 2014 respect the ratio between fixed and variable remuneration.

The plan **“2014 Key People Plan”** provides that in 2016 the Board of Directors – once verified the achievement of entry conditions and of those individual – will authorize the assignment of the 2nd instalment of shares allocated in 2014.

The plan **“2014 Plan PFA”** provides that in 2016 the Board of Directors – once verified the achievement of net inflows goal for the entire Advisors' Network, of the entry conditions and of those individual – will authorize the assignment of the 2nd instalment of shares allocated in 2014.

**4.2.4 The reasons justifying the decision to assign compensation plans based on financial instruments not issued by FinecoBank, such as financial instruments issued by its subsidiaries, its parent companies or third parties; in the event the aforesaid financial instruments are not negotiated on regulated markets, the issuer shall provide information as to the criteria adopted for the calculation of the value attributable to such financial instruments**

FinecoBank Compensation Systems do not contemplate the allocation of similar financial instruments.

**4.2.5 The evaluations, with respect to the relevant tax and accounting implications, taken into account in the definition of the plans**

The FinecoBank Compensation Systems definition was not influenced by significant tax or accounting consideration.

**4.2.6 The indication as to whether the plan enjoys any support from the special fund for encouraging worker participation in the companies, as provided for under Article 4, paragraph 112, of Law December, 24 2003 n. 350**



FinecoBank Compensation Systems are not currently supported by the special fund for encouraging worker participation in the companies, as provided for under sect. 4, paragraph 112, of Law December 24, 2003 n. 350.

#### **4.3 PROCEDURE FOR THE ADOPTION OF THE PLAN AND TIMEFRAME FOR THE ASSIGNMENT OF THE FINANCIAL INSTRUMENTS**

##### **4.3.1 Powers delegated to the Board of Directors by the Shareholders' Meeting for the implementation of the plan**

The General Shareholder's Meetings of April 23<sup>rd</sup>, 2015 and of June 5<sup>th</sup>, 2014 provided to the Board of Directors the delegation of power:

- for the **Compensation Systems for the employees *Identified Staff* (2015 Incentive System, 2014 Incentive System, "2014-2017 Multi-year Plan Top Management" and "2014 Plan Key People")**, on one or more occasions, to carry out a free capital increase, as allowed by section 2349 of the Italian Civil Code;
- for the **Compensation Systems for the Financial Advisors:**
  - (i) for the **2015 Incentive System PFA** to allocate Phantom shares
  - (ii) for the plan **"2014 Plan PFA"**, pursuant to sect. 2357 of the Civil Code, to purchase and dispose of Fineco ordinary shares

##### **4.3.2 Indication of the individuals in charge of the management of the plan, their powers authority**

"Human Resources" function and, related to 2015 Incentive System PFA and to the "2014 Plan PFA", "Network Controls, Monitoring and Service Department" function, of FinecoBank are in charge for the management of FinecoBank Compensation Systems.

##### **4.3.3 Procedures for the amendment of the plans, if any, also in connection with potential variation of the original targets**

No specific procedures for the amendment of FinecoBank Compensation Systems are provided for.

##### **4.3.4 Description of the modalities for the determination of the availability and assignment of the financial instruments contemplated by the plan**

The best solution identified to execute FinecoBank Compensation Systems for the employees is to delegate the Board of Directors, pursuant to sect. 2443 of the Civil Code, the faculty to increase share capital as described in the Director's Reports presented to the Extraordinary Shareholders' Meetings of April 23<sup>rd</sup>, 2015 and of June 5<sup>th</sup>, 2014.

In force of this delegation, the Board of Directors could resolve:

- for the **2015 Incentive System**, on one or more occasions, a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of 397.453 Fineco ordinary shares;
- for the **2014 Incentive System**, on one or more occasions, a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of 420.000 Fineco ordinary shares;

- for the plan **“2014-2017 Multi-year Plan Top Management”**, on one or more occasions, a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of 2.900.000 Fineco ordinary shares;
- for the plan **“2014 Key People Plan”**, on one or more occasions, on one or more occasions, a free capital increase, as allowed by section 2349 of the Italian Civil Code, for a maximum amount of 900.000 Fineco ordinary shares.

Regarding the execution of **2015 Incentive System PFA**, the best solution identified is to delegate the Board of Directors the faculty to authorize the allocation of Phantom shares.

Moreover, regarding the execution of the plan **“2014 Plan PFA”** instead, the best solution identified is to delegate the Board of Directors, pursuant to sect. 2357 of the Civil Code, the faculty to buy and carry out disposals for maximum no. 5.000.000 ordinary shares (the total number includes also the plan **“2015-2017 Plan PFA”**, approved in 2014 whose execution is foreseen starting from 2018).

#### **4.3.5 The influence exercised by each director in the determination of the characteristics of the plans; the potential conflict of interest which may trigger the obligation for the relevant director to abstain from exercising his vote in the relevant resolution**

The Board of Directors verified the entry conditions to FinecoBank Compensation Systems as well as the criteria related to the financial instruments assignment to FinecoBank staff, on the basis of the positive opinion of the Remuneration and Appointments Committee.

Since the Chief Executive Officer and General Manager of FinecoBank is among the beneficiaries of the 2015 Incentive System, of the 2014 Incentive System and of **“2014-2017 Multi-year Plan Top Management”**, he abstained from participating in the decision on the granting of the mentioned plans.

#### **4.3.6 The date on which the Board of Directors of FinecoBank resolved upon the assignment of the financial instruments contemplated by the plan**

To execute the **2015 Incentive System PFA**, in exercising the delegation received by the Shareholders' Meeting, as described in point 4.3.1, the Board of Directors on February 8<sup>th</sup>, 2016 approved the promise to grant no. 45.171 Phantom shares to Financial Advisors *Identified Staff* of FinecoBank, after the verification of the achievement of the Entry Conditions foreseen for the beneficiaries, as described in point 4.2.3

To execute the **2015 Incentive System**, in exercising the delegation received by the Shareholders' Meeting, as described in point 4.3.1, the Board of Directors on February 8<sup>th</sup>, 2016 approved the promise to grant no. 210.288 Fineco ordinary shares to employees *Identified Staff* of FinecoBank, after the verification of the achievement of the Entry Conditions foreseen for the beneficiaries, as described in point 4.2.3

To execute the **2014 Incentive System**, in exercising the delegation received by the Shareholders' Meeting, as described in point 4.3.1, the Board of Directors on February 9<sup>th</sup>, 2015 approved the promise to grant no. 269.728 Fineco ordinary shares to employees *Identified Staff* of FinecoBank, after the verification of the achievement of the Entry Conditions foreseen for the beneficiaries, as described in point 4.2.3.

To execute the **“2014-2017 Multi-year Plan Top Management”** plan, in exercising the delegation received by the Shareholders' Meeting, as described in point 4.3.1, the Board of Directors on February 8<sup>th</sup>, 2016 approved the promise to grant no. 335.624 Fineco ordinary

shares to the 6 beneficiaries of FinecoBank, after the verification of the achievement of the Entry Conditions foreseen for the beneficiaries, as described in point 4.2.3

To execute the **“2014 Key People Plan”**, in exercising the delegation received by the Shareholders’ Meeting, as described in point 4.3.1, the Board of Directors on February 8<sup>th</sup>, 2016 approved the assignment of the 2nd instalment of shares, equal to no. 289.703 Fineco ordinary shares, to the 79 beneficiaries of FinecoBank, after the verification of the achievement of the Entry Conditions foreseen for the beneficiaries, as described in point 4.2.3

To execute the **“2014 Plan PFA”** plan, in exercising the delegation received by the Shareholders’ Meeting, as described in point 4.3.1, the Board of Directors on February 8<sup>th</sup>, 2016 approved the assignment of the 2nd instalment of shares, equal to no. 700.953 Fineco ordinary shares, to the 1.034 Financial Advisors of FinecoBank beneficiaries, after the verification of the achievement of the Entry Conditions foreseen for the beneficiaries, as described in point 4.2.3.

#### **4.3.7 The date on which the Remuneration and Appointments Committee resolved upon the Plan of FinecoBank**

The Remuneration and Appointments Committee on January 29<sup>th</sup>, 2016 positively resolved upon the criteria to be applied for the execution of FinecoBank Compensation Systems, sharing the reasons and motivations thereof.

#### **4.3.8 The market price of Fineco ordinary shares, on the dates mentioned in points 4.3.6 e 4.3.7**

The market price of Fineco ordinary shares, registered on the date of Board of Directors’ approval of FinecoBank Compensation Systems’ execution (February 8<sup>th</sup>, 2016) and on the date of the decision made by the Remuneration and Appointments Committee of FinecoBank (January 29<sup>th</sup>, 2016), resulted equal to € 6,31 and to € 7,11 respectively.

#### **4.3.9 In which terms and modalities FinecoBank takes into account, in the determination of the timeframe for the assignment of the plans, of the possible time-coincidence between:**

- i) such assignment or the decision, if any, adopted thereon by the Remuneration and Appointments Committee, and**
- ii) the dissemination of relevant information, if any, pursuant to sect. 114, paragraph 1 of Legislative Decree 58/98; for instance, in cases in which such information is:**
  - a. not already public and capable to positively affect the market quotation, or**
  - b. already published and capable to negatively affect the market quotation**

In relation to the foregoing it is clarified that the resolution of the Board of Directors which approved the execution of FinecoBank Compensation Systems was communicated to the markets, in compliance with the current regulations.

The resolutions related to the incentive plans based on financial instruments are examined by the Remuneration and Appointments Committee of FinecoBank in advance to provide for the positive opinion to the Corporate Bodies, the information to the market is given, if needed, after the relevant resolution of the Board of Directors.

## 4.4. THE CHARACTERISTICS OF THE FINANCIAL INSTRUMENTS ASSIGNED

### 4.4.1 Description of the compensation plan

The **2015 Incentive System PFA** foresees an incentive – payable in cash and/or Phantom shares – over a multi-year period (2016-2020), subject to the achievement of specific entry conditions.

The **2015 Incentive System** foresees an incentive – payable in cash and/or free Fineco ordinary shares – over a multi-year period (2016-2021), subject to the achievement of specific entry conditions.

The **2014 Incentive System** foresees an incentive – payable in cash and/or free Fineco ordinary shares – over a multi-year period (2015-2020), subject to the achievement of specific entry conditions.

The plan **“2014-2017 Multi-year Plan Top Management”** foresees an incentive – payable in free Fineco ordinary shares – over a multi-year period (2017-2020), subject to the achievement of specific entry conditions.

The plan **“2014 Key People Plan”** foresees an incentive – payable in free Fineco ordinary shares – over a multi-year period (2015-2017), subject to the achievement of specific entry conditions.

The plan **“2014 Plan PFA”** foresees an incentive – payable in free Fineco ordinary shares – over a multi-year period (2015-2017), subject to the achievement of specific entry conditions.

### 4.4.2 Indication of the time period for the implementation of the plan also indicating different cycles, if any, of its implementation

The Phantom shares for the **2015 Incentive System PFA** will be assigned by FinecoBank in multiple instalments (in the period 2018-2020) subject to the Board assessment of specific entry conditions, as described in point 4.2.3.

The free shares for the **2015 Incentive System** will be assigned by FinecoBank in multiple instalments (in the period 2019-2021) subject to the Board assessment of specific entry conditions, as described in point 4.2.3.

The free shares for the **2014 Incentive System** will be assigned by FinecoBank in multiple instalments (in the period 2018-2020) subject to the Board assessment of specific entry conditions, as described in point 4.2.3.

The free shares for the **“2014-2017 Multi-year Plan Top Management”** plan will be assigned by FinecoBank in multiple instalments (in the period 2017-2020) subject to the Board assessment of specific entry conditions, as described in point 4.2.3.

The free shares for the **“2014 Key People Plan”** plan will be assigned by FinecoBank in multiple instalments (in the period 2015-2017) subject to the Board assessment of specific entry conditions, as described in point 4.2.3.

The shares for the **“2014 Plan PFA”** plan will be assigned by FinecoBank in multiple instalments (in the period 2015-2017) subject to the Board assessment of specific entry conditions, as described in point 4.2.3.

#### **4.4.3 The termination date of the plan**

The **2015 Incentive System PFA** will lapse by July 2020.

The **2015 Incentive System** will lapse by July 2021.

The **2014 Incentive System** will lapse by July 2020.

The plan “**2014-2017 Multi-year Plan Top Management**” will lapse by July 2020.

The plan “**2014 Plan Key People**” will lapse by July 2017.

The plan “**2014 Plan PFA**” will lapse by July 2017.

#### **4.4.4 The overall maximum number of financial instruments, also in the form of options, assigned over any fiscal years with respect to the beneficiaries namely identified or identified by categories, as the case may be**

The maximum number of Phantom shares that the Board of Directors is authorized to allocate for the **2015 Incentive System PFA** is equal to no. 45.171 Phantom shares.

The maximum number of free shares that the Board of Directors is authorized to allocate within the power of the delegation received by Shareholders’ Meeting of FinecoBank for the **2015 Incentive System** is equal to no. 397.453 shares.

The maximum number of free shares that the Board of Directors is authorized to allocate within the power of the delegation received by Shareholders’ Meeting of FinecoBank for:

- the **2014 Incentive System**
- the plan “**2014-2017 Multi-year Plan Top Management**”
- the plan “**2014 Plan Key People**”

is equal to no. 3.500.000 shares.

Regarding the execution of “**2014 Plan PFA**” instead, the Board of Directors is authorized to buy and carry out disposals for maximum no. 5.000.000 ordinary shares (the total number includes also “**2015-2017 Plan PFA**”, approved in 2014 whose execution is foreseen starting from 2018).

At this stage it is not possible to indicate the maximum number of free shares allocated in each fiscal year during the life of FinecoBank Compensation Systems, since the actual definition will be done by the Board of Directors on the basis of the criteria approved by the Shareholders’ Meeting.

#### **4.4.5 The procedures and clauses for the implementation of the plan, specifying whether the assignment of the financial instruments is subject to the satisfaction of certain specific conditions and, in particular, to the achievement of specific results, including performance targets; a description of the aforesaid conditions and results**

Considering the criteria described in the point 4.2.2, the allocation and the exercise of the free shares is subject to the achievement of the performance targets set by the Board of Directors. The assessment of the goals achievement should be done by the Board of Directors at the end of the performance period described in point 4.4.2.

#### **4.4.6 Indication of the restrictions on the availability of the financial instruments allocated under the plan or of the financial instruments relating to the exercise of the**

**options, with particular reference to the time limits within which the subsequent transfer of the stocks to the issuer or third parties is permitted or prohibited**

FinecoBank Compensation Systems provides that the free Fineco ordinary shares that will be allocated will be freely transferable, considering the applicable regulatory requirements regarding the application of share retention periods.

**4.4.7 Description of any condition subsequent to the plan in connection with the execution, by the beneficiaries, of hedging transactions aimed at preventing the effects of potential limits to the transfer of the financial instruments assigned there under, also in the form of options, as well as to the transfer of the financial instruments relating to the exercise of the aforesaid options**

In accordance with national regulatory guidelines and the 2016 Compensation Policy, beneficiaries 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. For employees, Involvement in any form of hedging transaction shall be considered in breach of the Bank compliance policies and therefore the relevant rights under the plan shall automatically expire.

**4.4.8 Description of the consequences deriving from the termination of the employment or working relationship**

FinecoBank Compensation Systems provides that the Board of Directors will have the faculty to identify, in the resolutions that will execute each plan, the termination of the beneficiary with the Bank, as cause for the expiring of the right to receive the free shares, coherently with the Plans rules.

**4.4.9 The indication of any other provisions which may trigger the cancellation of the plan**

FinecoBank Compensation Systems do not provide for any provision which may trigger their cancellation.

**4.4.10 The reasons justifying the redemption, pursuant to sect. 2357 and followings of the Italian Civil Code, by FinecoBank, of the financial instruments contemplated by the plan; the beneficiaries of such redemption, indicating whether the same is limited only to certain categories of employees; the consequences of the termination of the employment relationship with respect to such redemption rights**

FinecoBank Compensation Systems do not provide for the redemption by FinecoBank or other Legal Entities of the Group with reference to the free shares.

**4.4.11 The loans or other special terms that may be granted for the purchase of stocks pursuant to sect. 2358, paragraph 3, of the Italian Civil Code**

FinecoBank Compensation Systems do not provide for a loan or other special terms for the purchase of the shares.

**4.4.12 The evaluation of the economic burden for FinecoBank at date of the assignment of the plan, as determined on the basis of the terms and conditions**



**already defined, with respect to the aggregate overall amount as well as with respect to each financial instrument contemplated by the plan**

The estimation of the overall cost expected by FinecoBank in relation to the adoption of FinecoBank Compensation Systems at the grant date of the free shares, was made on the basis of the IAS principles, considering the accounting assumptions on the foreseeable beneficiaries exits before the allocation of the free shares and on the probability to achieve the performance targets related to the allocation of the free shares.

On the basis of these estimations, the overall expected cost for FinecoBank at the grant date of the target number of free shares is equal to a total amount of € 52.371.721, split in:

- Euro 1.500.000, split in 5 years, for the **2015 Incentive System PFA**
- Euro 3.666.500, split in 6 years, for the **2015 Incentive System**
- Euro 2.598.909, split in 6 years, for the **2014 Incentive System**
- Euro 9.336.580, split in 6 years, for the plan ***“2014-2017 Multi-year Plan Top Management”***
- Euro 2.946.643, split in 3 years, for the plan ***“2014 Plan Key People”***
- Euro 14.952.999, split in 4 years, for the plan ***“2014 Plan PFA”***

#### **4.4.13 The indication of any dilution on the corporate capital of the issuer resulting from the compensation plan, if any**

The maximum impact of FinecoBank Compensation Systems (2015 Incentive System PFA and the plan *“2014 Plan PFA”* excluded) on FinecoBank share capital shall be approx. 0,61%.

#### **4.4.14 Any limitation to the voting and to the economic rights**

At this stage, FinecoBank Compensation Systems do not provide for any limitation to the voting or economic rights for the shares allocated.

#### **4.4.15 In the event the stocks are not negotiated on a regulated market, any and all information necessary for a complete evaluation of the value attributable to them**

FinecoBank Compensation Systems provide only for the use of shares negotiated on regulated markets.

#### **4.4.16 The number of financial instruments belonging to each option**

FinecoBank Compensation Systems do not provide for options.

#### **4.4.17 The termination date of the options**

FinecoBank Compensation Systems do not provide for options.

#### **4.4.18 The modalities, time limits and clauses for the exercise of the options**

FinecoBank Compensation Systems do not provide for options.

#### **4.4.19 The strike price of the options or the criteria and modalities for its determination, with respect in particular to:**

- a) the formula for the calculation of the exercise price in connection with the fair market value, and to
- b) the modalities for the calculation of the market price assumed as basis for the calculation of the exercise price

FinecoBank Compensation Systems do not provide for options.

**4.4.20 In case the strike price is different from the fair market value as determined pursuant to point 4.4.19.b, the indication of the reasons for such difference**

FinecoBank Compensation Systems do not provide for options.

**4.4.21 The criteria justifying differences in the exercise prices between the relevant beneficiaries or class of beneficiaries**

FinecoBank Compensation Systems do not provide for options.

**4.4.22 In the event the financial instruments underlying granted options are not negotiated on a regulated market, the indication of the value attributable to the same or of the criteria for its determination**

FinecoBank Compensation Systems do not provide for options.

**4.4.23 The criteria for the adjustments required in connection with any extraordinary transaction involving the corporate capital of the issuer as well as in connection with transaction triggering a variation in the number of the financial instruments underlying granted options**

FinecoBank Compensation Systems do not provide for adjustments applicable in connection with extraordinary transactions involving FinecoBank corporate capital (saving the provisions that the Board of Directors may define in the resolution in which the Board will exercise the delegation received from the Shareholders' Meeting).

**INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS**  
**Table no. 1 of scheme 7 of Annex 3A Regulation no. 11971/1999**

**Date: March 8<sup>th</sup>, 2015**

| Name or category<br>(1)                                     | Capacity | Box 1<br>Financial instruments other than Stock Options (8)  |   |   |                                     |  |  |                          |
|---|----------|--|---|---|-------------------------------------|--|--|--------------------------|
|   |          | Section 1<br>Instruments related to outstanding plans, approved by previous shareholders meetings' resolutions |   |   |                                     |  |  |                          |
|   |          | Date of<br>Shareholders'<br>Meeting<br>resolution  | Type of<br>financial<br>instruments<br>(12) | Number of<br>financial<br>instruments<br>(11) | Assignment date (10)                | Purchase price<br>of financial<br>instruments, if<br>any | Market price<br>at the<br>assignment<br>date | Vesting period (14)      |
| Alessandro Foti   | CEO/GM   | 11/05/2012   | Unicredit                                   | 91.086  | 11/04/2013 cpr<br>11/04/2013 cda/oc | 0  | 3,520  | 11/04/2013<br>31/12/2016 |
| Alessandro Foti   | CEO/GM   | 11/05/2013   | Unicredit                                   | 60.165  | 11/03/2014 cpr<br>11/03/2014 cda/oc | 0  | 5,862  | 11/03/2014<br>31/12/2017 |
| Alessandro Foti   | CEO/GM   | 05/06/2014   | FinecoBank                                  | 89.946  | 05/02/2015 cpr<br>09/02/2015 cda/oc | 0  | 4,725  | 09/02/2015<br>31/12/2019 |
| Alessandro Foti   | CEO/GM   | 05/06/2014   | FinecoBank                                  | 868.994*                                      | 27/05/2014 cpr<br>15/07/2014 cda/oc | 0  | 3,700  | 15/07/2014<br>31/12/2019 |
| 5 Executives with strategic responsibilities                |          | 11/05/2012   | Unicredit                                   | 50.531  | 11/04/2013 cpr<br>11/04/2013 cda/oc | 0  | 3,520  | 11/04/2013<br>31/12/2015 |
| 5 Executives with strategic responsibilities                |          | 11/05/2013   | Unicredit                                   | 64.700  | 11/03/2014 cpr<br>11/03/2014 cda/oc | 0  | 5,862  | 11/03/2014<br>31/12/2016 |
| 5 Executives with strategic responsibilities                |          | 05/06/2014   | FinecoBank                                  | 155.445                                       | 05/02/2015 cpr<br>09/02/2015 cda/oc | 0  | 4,725  | 09/02/2015<br>31/12/2019 |
| 5 Executives with strategic responsibilities                |          | 05/06/2014   | FinecoBank                                  | 1.518.049*                                    | 27/05/2014 cpr<br>15/07/2014 cda/oc | 0  | 3,700  | 15/07/2014<br>31/12/2019 |
| Category of other employees: Executives                     |          | 11/05/2012   | Unicredit                                   | 6.676   | 11/04/2013 cpr<br>11/04/2013 cda/oc | 0  | 3,520  | 11/04/2013<br>31/12/2015 |
| Category of other employees: Executives                     |          | 11/05/2013   | Unicredit                                   | 7.308   | 11/03/2014 cpr<br>11/03/2014 cda/oc | 0  | 5,862  | 11/03/2014<br>31/12/2016 |
| Category of other employees: Executives                     |          | 13/05/2014   | Unicredit                                   | 11.165  | 09/04/2015 cpr<br>09/04/2015 cda/oc | 0  | 6,269  | 09/04/2015<br>31/12/2019 |
| Category of other employees: Executives                     |          | 05/06/2014   | FinecoBank                                  | 24.337  | 05/02/2015 cpr<br>09/02/2015 cda/oc | 0  | 4,725  | 09/02/2015<br>31/12/2017 |
| Category of other employees: Executives, Middle Management  |          | 05/06/2014   | FinecoBank                                  | 550.890                                       | 27/05/2014 cpr<br>15/07/2014 cda/oc | 0  | 3,700  | 15/07/2014<br>31/12/2016 |
| Category of non-employees collaborators: Financial Advisors |          | 05/06/2014   | FinecoBank                                  | 1.400.623                                     | 09/07/2015 cpr<br>09/07/2015 cda/oc | 0  | 6,783  | 09/07/2015<br>30/06/2017 |

\* Maximum number of shares granted for the entire Plan. The Board of Directors of 09/02/2015 approved the number of shares related to the 2<sup>nd</sup> instalment adjusted to respect the ratio between fixed and variable remuneration in line with current regulations, on the basis of the arithmetic mean of the official prices of Fineco ordinary shares on each trading day at the electronic stock market organised and managed by Borsa Italiana S.p.A. in the period from the day preceding the date of the resolution by the Board of Directors that evaluates entry conditions achievements to the same day in the previous month (€ 4,725).

| Name or category<br>(1)                                     | Capacity | <b>Box 1</b><br><b>Financial instruments other than Stock Options (8)</b>  |   |                                       |                                     |  |  |                          |
|---|----------|--|---|---------------------------------------|-------------------------------------|--|--|--------------------------|
|   |          | <b>Section 2</b><br><b>Financial instruments to be assigned on the basis of the decision of*:</b><br><input type="checkbox"/> BoD, as to be proposed to shareholders meeting<br><input checked="" type="checkbox"/> competent Body to implement Shareholders' Meeting resolution (9) |   |                                       |                                     |  |  |                          |
|   |          | Date of<br>Shareholders'<br>Meeting<br>resolution  | Type of<br>financial<br>instruments<br>(12) | Number of<br>financial<br>instruments | Assignment date (10)                | Purchase price<br>of financial<br>instruments, if<br>any | Market price<br>at the<br>assignment<br>date | Vesting period (14)      |
| Alessandro Foti   | CEO/GM   | 23/04/2015   | FinecoBank                                  | 61.010                                | 29/01/2016 cpr<br>08/02/2016 cda/oc | 0  | 6,966  | 08/02/2016<br>31/12/2019 |
| 5 Executives with strategic responsibilities                |          | 23/04/2015   | FinecoBank                                  | 106.577                               | 29/01/2016 cpr<br>08/02/2016 cda/oc | 0  | 6,966  | 08/02/2016<br>31/12/2019 |
| Category of other employees: Executives                     |          | 23/04/2015   | FinecoBank                                  | 42.701                                | 29/01/2016 cpr<br>08/02/2016 cda/oc | 0  | 6,966  | 08/02/2016<br>31/12/2019 |
| Category of non-employees collaborators: Financial Advisors |          | 23/04/2015   | FinecoBank                                  | 45.171*                               | 29/01/2016 cpr<br>08/02/2016 cda/oc | 0  | 6,966  | 08/02/2016<br>31/12/2018 |
| * Phantom Share   |          |  |   |                                       |                                     |  |  |                          |

| Name or category<br>(1)   | Capacity | Box 2<br>Stock Options  |                                   |  |  |  |                |  |   |
|---|----------|---|-----------------------------------|--|--|--|----------------|--|---|
|   |          | Section 1<br>Options relating to outstanding plans approved on the basis of previous shareholders meetings' resolutions (8) |                                   |  |  |  |                |  |   |
|   |          | Date of<br>Shareholders'<br>Meeting<br>resolution   | Instrument<br>description<br>(12) | Financial<br>instruments<br>underlying<br>the option<br>held at the<br>end of<br>previous<br>year<br>(11)* | Financial instruments<br>underlying the options<br>exercised<br>(13) | Assignment date<br>(10)                | Exercise price | Market price of<br>underlying shares at<br>the assignment date<br>** | Period of possible<br>exercise (from..to) |
| Alessandro Foti   | CEO/GM   | 08/05/2008  | Unicredit                         | 38.780   | 0  | 17/06/2008 cpr<br>25/06/2008<br>cda/oc | 23,351         | 22,893   | 09/07/2012<br>09/07/2018                  |
| 2 Executives with strategic<br>responsibilities   |          | 04/05/2004  | Unicredit                         | 4.300  | 0  | 29/06/2004 cpr<br>22/07/2004<br>cda/oc | 22,420         | 3,945  | 03/09/2008<br>31/12/2017                  |
| 2 Executives with strategic<br>responsibilities   |          | 04/05/2004  | Unicredit                         | 8.153  | 0  | 10/11/2005 cpr<br>18/11/2005<br>cda/oc | 26,878         | 5,266  | 26/11/2009<br>31/12/2018                  |
| 2 Executives with strategic<br>responsibilities   |          | 12/05/2006  | Unicredit                         | 6.165  | 0  | 07/06/2006 cpr<br>13/06/2006<br>cda/oc | 33,205         | 5,626  | 28/06/2010<br>31/12/2019                  |
| 2 Executives with strategic<br>responsibilities   |          | 10/05/2007  | Unicredit                         | 10.357   | 0  | 07/06/2007 cpr<br>12/06/2007<br>cda/oc | 39,583         | 37,127   | 13/07/2011<br>15/07/2017                  |
| 5 Executives with strategic<br>responsibilities   |          | 08/05/2008  | Unicredit                         | 34.902   | 0  | 17/06/2008 cpr<br>25/06/2008<br>cda/oc | 23,351         | 22,893   | 09/07/2012<br>09/07/2018                  |
| 5 Executives with strategic<br>responsibilities   |          | 08/05/2008  | Unicredit                         | 25.262   | 0  | 17/06/2008 cpr<br>25/06/2008<br>cda/oc | 23,351         | 22,893   | 09/07/2012<br>09/07/2018                  |
| <p>* The data is referred to the number of Financial instruments underlying the options assigned and not forfeited accordingly to the long-term incentive plans and have been adjusted because of the capital operation resolved by UniCredit General Meeting on 29, April 2009 (script dividend), on 15, November 2009 and on 16, December 2011.</p> <p>** The market price of the financial instruments at the assignment date for plan 2004, 2005 and 2006 has not been adjusted because of the capital operation.</p> |          |   |                                   |  |  |  |                |  |   |

| Name or category<br>(1)  | Capacity | Box 2<br>Stock Options   |                                   |                      |                         |                |   |   |
|--|----------|--|-----------------------------------|----------------------|-------------------------|----------------|---|---|
|  |          | Section 2<br>Options to be assigned on the basis of the decision of:<br><input type="checkbox"/> BoD, as to be proposed to shareholders meeting<br><input type="checkbox"/> competent Body to implement shareholders meeting resolution<br>(9) |                                   |                      |                         |                |   |   |
|  |          | Date of<br>Shareholders'<br>Meeting<br>resolution  | Instrument<br>description<br>(12) | Number of<br>options | Assignment date<br>(10) | Exercise price | Market price of<br>underlying shares<br>at the assignment<br>date | Period of possible<br>exercise (from..to) |
| Alessandro Foti  | CEO/GM   | -  | -                                 | -                    | -                       | -              | -   | -   |
| Executives with strategic<br>responsibilities                    |          | -  | -                                 | -                    | -                       | -              | -   | -   |
| Category of other<br>employees: Executives, Middle<br>Management |          | -  | -                                 | -                    | -                       | -              | -   | -   |



## FOOTNOTES TO THE TABLE:

(1) The issuer shall fill-in a line for each beneficiary namely identified as well as for each category contemplated by the plan; for each individual or category shall be indicated a specific line for: i) each type of financial instrument or option granted (e.g., different exercise prices and/or exercise dates imply different type of options); ii) each plan approved by different shareholders' meetings.

(2) Indicate the name of the members of the board of directors or management body of the issuer and of its subsidiaries or parent companies.

(3) Indicate the name of the General Manager of the shares issuer.

(4) Indicate the name of the individuals controlling the issuer of stocks, who are employee or who render their services to the issuer of stock without being employee of the same.

(5) Indicate the name of other executives with strategic responsibilities of the shares issuer not classed as "small", in accordance with Article 3, paragraph 1, letter f) of Regulation no. 17221 of 12 March 2010, if they have, during the course of the year, received total compensation (obtained by adding the monetary compensation to the financial instrument-based compensation) in excess of the highest total compensation assigned to the members of the board of directors or management board, and to the general managers of the financial instrument issuer.

(6) Indicate the category of executives with strategic responsibilities for whom there is an indication by category is.

(7) Indicate the category of other employees and the category of collaborators not employed by the issuer. The issuer shall fill-in different lines in connection with the categories of employees or collaborators for which the plan provides for different characteristics (e.g., managers, officers, employees).

(8) The relevant data shall refer to financial instruments relating to plans approved by means of:

- i. shareholders' resolutions adopted prior to the date on which the competent corporate body approves the proposal to the shareholders' meeting and/or
- ii. shareholders' resolutions adopted prior to the date on which the competent corporate body implements the shareholders' resolution;

therefore the table shall indicate:

- in the event under i) above, data adjourned as at the date of the competent body's proposal to the shareholders' meeting (in which case the table is attached to the information document prepared for the shareholders' meeting called to approve the plan);
- in the event under ii) above, data adjourned as at the date of the competent body's resolution implementing the plan, (in which case the table is attached to the information documents to be published following the competent body's resolution implementing the plan);

(9) The data may refer to:

- a. the resolution of the board of directors preceding the shareholders' meeting, as to the table attached to the information document submitted to the same; in such event the table shall indicate only the characteristics already defined by the board of directors;
  - b. the resolution of the corporate body which resolves upon the implementation of the plan following the approval by the shareholders' meeting, in the event the table is attached to the press release to be issued following such last resolution implementing the plan.
- In both the aforesaid cases the issuer shall cross out the corresponding box relating to this footnote No. 9. For the data not available the issuer shall indicate in the corresponding box the code "N.A." (Not available).

(10) In case the date of the assignment is different from the date on which the remuneration body (comitato per la remunerazione), if any, makes the proposal relating to such assignment, the issuer shall indicate also the date of such proposal highlighting the date of the board of directors or the competent corporate body's resolution with the code "cda/oc" (for the board of directors/competent body) and the date of the proposal of the remuneration body (comitato per la remunerazione) with the code "cpr" (for the remuneration body)."

(11) The number of options held at the end year, preceding the date in which the shareholder's meeting is called resolve the new allocation.

(12) Indicate for example, in box 1: i) stock of issuer X, ii) financial instrument indexed to issuer Y stock value, and in box 2: iii) option on issuer W stock with physical settlement; iv) option on issuer Z stock with cash settlement, etc.

(13) The number of option exercised from the beginning of the plan until the end year, preceding the date in which the shareholder's meeting is called to resolve a new stock option plan.

(14) Vesting period means the period between the moment in which the right to participate to the incentive system is granted and the moment in which the right may be exercised.

Translation in English of the document originally issued in Italian. In the event of any discrepancy, the Italian language version prevails.

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