

FIMBank plc.
Human Resources Manual
Remuneration Policy Supplement



FIMBANK

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Remuneration Policy Supplement

1. Overview

The Remuneration Policy Supplement (the “**Supplement**”) set out below will be put to a binding shareholder vote and subject to shareholder approval, will become effective from the date of the AGM in May 2020. The Supplement is in addition to the existing Remuneration Policy and Procedure (the “**Policy**”) the latest version of which is dated 14 December 2019 in place at FIMBank. To the extent applicable, the Policy shall continue to apply, save as may be herein updated or supplement by virtue of this Supplement.

The drafting of this Supplement is, driven, in the main, by enactment of Directive EU 2017/828 (often referred to as “**SRDII**”) and the consequential changes to the Listing Rules, in particular Chapter 12 dealing with shareholders’ rights (“**Chapter 12**”).

This policy applies to ‘directors’ as such term is defined in Chapter 12, meaning:

- a) any member of the board of directors of FIMBank;
- b) where they are not members of the administrative, management or supervisory bodies of a company, the chief executive office and, if such function exists in FIMBank, the deputy chief executive officer.

Throughout this Supplement, the term ‘director’ shall have the same meaning provided to the term in Chapter 12.

It is intended that this supplement will be applied for three years to the end of the AGM in 2023. This Supplement is to be reviewed annually by the Group Chief Human Resource Officer (GCHRO) and Company Secretary. Any material amendments are to be approved by the Nomination and Remuneration Committee (NRC) which is also the body delegated by the Board of Directors to oversee its implementation, prior to being submitted to the general meeting for its binding vote.

The Group’s approach to remuneration is an integral part in ensuring that directors’ contributions are recognised, valued and fairly rewarded. This Supplement reflects the Group’s objectives for good corporate governance, regulatory compliance, as well as sustained and long-term value creation for shareholders

The remuneration structure of Executives, as such term is defined below comprises both fixed and variable remuneration and is intended to attract, develop and retain a high-performing workforce while remaining aligned to the Group’s long-term strategy, risk appetite, sustainable performance and corporate values. In parallel, the remuneration of Non-Executive Directors is composed mainly of a fixed fee, augmented (when applicable) with *inter alia* additional fees associated with memberships (and chairmanships) within

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committees of the Group. Independent Directors are paid a flat fee for Board and Committee memberships. Where the director is a Chairperson of a Board Committee an additional allowance is also applicable.

Compensation structures, including all the compensation components awarded, are detailed within the local Compensation and Benefits policy of FIM and of each subsidiary. These local Compensation and Benefits policies are aligned with the relevant national legislation, where these differ to the requirements emanating from Directive 2013/36/EU.

The Policy defines the arrangements for the determination of remuneration, the review of fixed pay and other reward/benefit mechanisms.

As a result of this Supplement, FIMBank shall draw up a year's remuneration report in line with the requirements of Chapter 12, which shall be subject to an advisory vote at the subsequent General Meeting.

This Supplement describes the different components of Directors' pay and the range of the relative proportions. It is designed as a framework within which the pay of directors' is to be held. It contributes to the business strategy, long term interests and sustainability of FIMBank and is not linked mainly or entirely to short term objectives.

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2. Principles

The Group recognises that to achieve its strategic aim, it needs to have the right people, at the right time who are competent and motivated to deliver the goals of the organisation, it must acknowledge and reward the skills, knowledge and performance of its employees appropriately and fairly. The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the contributions of the directors as well as external market practice.

The Supplement is based on the following principles:

- **Sound and Effective Risk Management**

The Policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the Group's risk appetite;

- **Non-discriminatory practices**

All remuneration paid will be free of unfair distinction of education, professional background, sexual orientation, ethnicity, race, colour, gender, marital status, family status, age, pregnancy, religion, physical abilities, political and other beliefs, social background and language;

- **External parity**

With respect to employees, the Group endeavours to undertake regular benchmarking to ensure that its remuneration packages are competitive and in line with industry benchmarks.

- **Affordability and Sustainability**

In accordance with the Group's strategy and in consideration of the budget and the economic conditions, certain limits on variable remuneration may be set from time to time to ensure that it does not limit the ability of the Group to strengthen its capital base; and

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- Key differences between Directors' remuneration and the remuneration of other employees

Across the Group, remuneration of employees on an indefinite contract is reviewed regularly with the intention that all employees are paid appropriately in the context of their market and given their individual skills, experience and performance. Each business unit's salary increase budget is set with reference to the role, the grade and the local market conditions. The NRC considers salary increase budgets in each business unit when determining the salary of the Deputy CEO. The salary of the GCEO is only reviewed if and when the definite contract is renewed for a further term/s. The review is guided by the above benchmarks and more specifically the market conditions.

The non-executive Directors are remunerated through a fixed-fee structure as opposed to a salary package. The fees, as defined below vary between independent and non-independent Directors, are reviewed annually in line with market conditions and the maximum allocated budget requires the approval of the AGM.

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3. Composition of the Nomination & Remuneration Committee

The NRC is currently composed of four non-executive Directors – Chairman, and three members. The NRC may invite non-members to attend the Committee meetings, including consultants and members of the Executive Management to assist in the effective execution of its duties. The NRC is governed by the NRC Charter.

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4. Remuneration Components

Generally, the various remuneration components are combined to ensure an appropriate and balanced total rewards package that reflects the director's responsibilities as well as market practice.

- 1) The total package payable to Executives consists of fixed and variable remuneration (when applicable):
 - Fixed remuneration
 - Base salary, statutory payments and where applicable fixed allowances and benefits and/or anniversary payments and/or one time payments.
 - Variable remuneration, which when applicable can be in the form of one or more of the following:
 - Performance Bonus;
 - Employee Share Award Scheme (ESAS) 2019-2023
 - Exceptional Bonus;
 - Retention Bonus;
 - Sign-on Bonus; and
 - Severance payments.

Ratio between Variable and Fixed Remuneration

In the interest of balancing the variable component of the remuneration while incentivising safe and sound performance, the group has a fixed maximum ratio between variable and fixed remuneration of 25% for staff in control functions and of 50% for rest of the staff. The ratio of variable to fixed remuneration ensures that control functions focus on prudence and thoroughness.

The NRC on the GCEO's recommendation has the authority to approve deviation from these ratios when determining the variable remuneration of the Deputy CEO. This may be necessary to ensure compliance with national legislation and/or to be aligned to market practice. Likewise the NRC can approve deviations in respect of the ratio between the variable and fixed remuneration of the GCEO.

- 2) The total package payable to Non-Executive Directors consists of a fixed fee which is supplemented when applicable by additional fees payable *inter alia* with respect to any memberships and/or chairmanships of the different Board Committees within the Group.

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Executives' Remuneration Policy Table

The table below sets out the element and purpose of Executive Directors, GCEO and Deputy CEO (together "Executives")'s compensation and how each element operates, as well as the maximum opportunity of each element and any applicable performance measures.

FIXED REMUNERATION

Element and Purpose of Remuneration	Operation	Maximum Opportunity	Performance Measures
<p>Base Salary</p> <p><i>To provide the basis of market-competitive overall remuneration package. It provides a fixed remuneration which is sufficient to recruit and retain individuals of the necessary calibre.</i></p>	<p>This is determined by:</p> <ul style="list-style-type: none"> a) the role and grade of the individual director; b) the salary increases for other employees across the Group; and c) external factors such as economic conditions and market. <p>The base salary of Executives engaged on indefinite period employment contracts, is reviewed annually or when required to include any statutory payments. The fixed remuneration component of Executives engaged on definite or fixed-term contracts is as</p>	<p>When and where applicable the base salary of the Deputy CEO may also include annual increases. These are recommended by the GCEO, require approval by the NRC and are effective 1st March.</p> <p>No salary increases will be awarded when the Deputy CEO joins after September of the preceding year or when is rated '1' in the appraisal.</p> <p>Exceptional increases for the Deputy CEO during the year, require the approval of the GCHRO and GCEO. Such increases will be approved <i>a posteriori</i> by the NRC. Some contracts contain anniversary payments whereby at fixed annual intervals, amounts are paid to the individual Executives, as applicable.</p> <p>Exceptional one time payments may be paid to Executives for working on specific projects during/outside office hours which go beyond the employee's role.</p>	<p>The base salary does not vary according to performance or results achieved. This is according to the Group pay structure which is approved annually by the NRC.</p> <p>Deviations from the pay structure are subject to approval by NRC.</p>

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	stipulated in the contract of employment and is consequently not subject to such reviews.		
Element and Purpose of Remuneration	Operation	Maximum Opportunity	Performance Measures
Fixed allowances and benefits <i>To ensure business continuity and assist executives in carrying out their duties efficiently.</i>	The benefits may include different allowances and/or benefits as detailed in the respective contract of employment and/or the local Compensation and Benefits Policy (as may be applicable) depending on the role of the individual and the employing entity.	When and where applicable the base salary is supplemented by fixed benefits These may commence either on employment and/or after probation, as determined by the local Compensation and Benefits Policy and/or the employment contract.	The Group has no discretionary pension benefits based on performance.

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VARIABLE REMUNERATION

In disbursing variable remuneration, the Group is guided by the MFSA Circular regarding variable remuneration in respect of FY 2015 which illustrates the ways in which the variable elements of remuneration can be paid out. This is also supported by EBA guidance issued in 2016. This applies to Executives:

- whose variable remuneration is more than 100% of their fixed remuneration; or
- whose variable remuneration is more than €100,000 in one calendar year.

€100,000 is the maximum cash limit for variable remuneration, unless the national limit of the jurisdiction in which a Group subsidiary operates is lower, in which case the lower limit would apply. If by way of example the limit in a specific country would be €75,000, then the lower limit of €75,000 would apply solely with respect to the Group subsidiary in that specific country.

With respect to the above, if the variable remuneration is more than €100,000 in one calendar year or more than 100% of the fixed remuneration, in accordance with the directive and the MFSA circular:

- at least 50% of the variable remuneration should be paid in shares as applicable under the rules of the ESAS 2019-2023; and
- at least 40% of the variable remuneration is deferred over a period of three (3) years.

For the purpose of the above mentioned thresholds, compensation is determined in Euro and converted to the national currency of the jurisdiction where the Executive is employed using the internal exchange rate used for the consolidation of the accounts as at the March award date. E.g. in March 2019, the maximum variable remuneration which could be awarded to an employee within the UK subsidiary would have been GBP86,060, which was the equivalent of €100,000 in March 2019. The exchange rate is determined at the time of disbursement.

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Element and Purpose of Remuneration	Operation	Maximum Opportunity	Performance Measures
<p>Performance Bonus</p> <p><i>To motivate Executives in maximising individual, departmental and Group performance.</i></p>	<p>Executives may be entitled to a performance bonus. Employee performance is measured in the interim and annual performance appraisal which is detailed in the Bank's Performance Management Policy and Procedure. If the variable remuneration to be awarded amounts to more than €100,000 in one calendar year or more than 100% of the fixed remuneration, at least 50% of the variable remuneration should be paid in shares as applicable under the rules of the ESAS 2019-2023.</p>	<p>Executives who join after September of the preceding year or who are rated '1' will not be considered for any variable compensation.</p> <p>Deferred performance bonus may be awarded at the discretion of the NRC. Such bonus would be linked to a 3 year vesting period.</p> <p>Any performance bonus is dependent on the performance rating of the Executive, the team's performance, the entity and the Group's performance. The individual rating is based on the Executive's overall performance which is centred on core behaviours and performance targets. In term of core behaviours all employees including Identified Staff, as defined in the Remuneration Policy and Procedure, are assessed for personal effectiveness, creativity, innovation, holistic approach, teamwork, communication and company values. People managers are further assessed on leadership and people management.</p>	<p>A performance bonus relates to the Executive's performance as defined in the multi-year assessment and is paid in March.</p>

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Element and Purpose of Remuneration	Operation	Maximum Opportunity	Performance Measures
<p>Employee Share Award Scheme</p> <p><i>To create alignment between the interests of Executives and shareholders through the delivery of rewards in the Company Shares</i></p>	<p>In addition to a performance bonus, subject to performance appraisal and a multi-year assessment, Executives may also be entitled to share awards as stipulated in the ESAS 2019 - 2023.</p>	<p>Share awards are subject to malus as outlined below. Similar to bonus provisos, Executives who join after September of the preceding year or who are rated '1' will not be considered for share awards.</p>	<p>Their award is based on performance however, their vesting over three (3) years is not dependent on specific performance conditions.</p>
<p>Exceptional Bonus</p> <p><i>To motivate Executives in maximising individual, departmental and Group performance.</i></p>	<p>Executives may be entitled to an exceptional bonus to reward remarkable performance in the individual's role which go beyond the individual's call of duty.</p>	<p>Exceptional bonuses up to 15% of fixed remuneration for the Deputy CEO are approved by GCEO and GCHRO and are ratified <i>a posteriori</i> by the NRC. Exceptional bonuses in excess of 15% of fixed remuneration for the Deputy CEO and exceptional bonuses for the GCEO require the <i>a priori</i> approval of the NRC.</p>	<p>[NIL]</p>
<p>Retention Bonus</p> <p><i>To ensure business continuity and assist executives in carrying out their duties efficiently.</i></p>	<p>Executives may be entitled to a retention bonus on condition that the employee remains in employment for a period of 12 months or more from the date of award as defined in the retention addendum to the contract of employment.</p>	<p>Retention bonuses up to 15% of fixed remuneration for the Deputy CEO are approved by GCEO and GCHRO and are ratified <i>a posteriori</i> by NRC. Retention bonuses in excess of 15% of fixed remuneration for the Deputy CEO and any retention bonuses for the GCEO require the <i>a priori</i> approval of the NRC.</p>	<p>[NIL]</p>

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Severance Payments
To close the employment relationship in case of redundancy, termination by the employer and/or of a potential legal dispute.

Severance payments may include redundancy payments and are subject to a non-competition clause. In the below situations, additional payments made, because of the early termination of a contract, shall be considered as severance payment:

- a) The Group terminates the contract of the Executive because of failure of the institution;
- b) The Group wants to terminate the contract following a material reduction of the Group's activities in which the Executive was active in or where business areas are acquired by the Group without the option for current employees to stay employed in the acquired entity; and
- c) The Group and an Executive agree on a settlement in case of a potential or actual employment dispute, to avoid a decision on a settlement by

Any severance payments for the Deputy CEO, other than, notice related payments or gardening leave, to out-going employees have to be reviewed and approved by the GCHRO, GCRO, GCCO and the GCEO. This with a view to ensuring that the Bank is acting in compliance with prevailing rules and regulations and does not reward failure. Failure is defined as situations where key management personnel are no longer considered as meeting appropriate standards of fitness and propriety, where an Executive is responsible for actions which result in significant losses for the Group including but not limited to acting contrary to internal rules and/or in a way which is harmful to the Bank. Any severance payment to the GCEO requires the approval of the NRC.

Unless stipulated by local regulation, the maximum severance payment awarded may be of a maximum of three (3) months' salary. Severance packages in excess of the equivalent of three (3) months' salary would require the approval of the NRC.

In the event that this is extended, such amount would be considered as part of the variable remuneration component for the year it was awarded, however it would not be taken into account for the purpose of the calculation of the ratio of fixed to variable remuneration if it meets the definition set out in point 153 of BR/20 on Remuneration Policies and Practices (BR/20/2019).

[NIL]

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	the courts.		
<p>Savings (Pension) Plan</p> <p><i>To assist Executives with saving for personal pension planning purposes</i></p>	<p>The GCEO and the Deputy CEO are entitled to a monthly contribution (% of the base salary) as may be applicable according to the local Compensation and Benefits Policy and Procedure or the applicable legislation. Currently the FIMBank (Malta) Compensation and Benefits Policy stipulates that the monthly contribution can be granted up to 5% of the base salary.</p>	<p>This contribution is disbursed according to the local Compensation and Benefits Policy and Procedure and/or the relevant local legislation.</p>	<p>NIL</p>
<p>Sign-On Bonus</p> <p><i>To motivate Executives in maximising individual, departmental and Group performance.</i></p>	<p>The Group may pay out a sign on bonus in the first year of employment, if applicable. Such sign on bonus for first year of employment will require the approval of the NRC.</p>	<p>Such sign on bonuses would not be paid unless the Group Capital Adequacy ratio is in excess of 14% or to the regulatory minimum whichever is the highest.</p> <p>The Group does not pay out or promise to pay out any guaranteed variable remuneration except for a sign on bonus in the first year of employment, if applicable. Such sign on bonus for first year of employment will require the approval of the NRC. In the event that this is awarded, such amount would be considered as part of the variable remuneration component for the year it was awarded, however it will not be included as part of the variable component in the calculation of the ratio between the fixed and variable components of the total remuneration for the first performance period.</p> <p>The Group may, in exceptional circumstances, pay a buy-out compensation where necessary to on-board a new Executive. Such</p>	<p>NIL</p>

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bonus would require the approval of the NRC, and would be considered as part of the variable remuneration component.

Variable Remuneration (continued)

Clawback and Malus	<p>Any variable remuneration extended by the Group to any of its Executives is subject to clawback and malus. These are defined in Banking Rule 20 of 2019 as follows:</p> <ul style="list-style-type: none">▪ Malus means an arrangement that permits the institution to reduce the value of all or part of deferred variable remuneration based on ex post risk adjustments before it has vested.▪ Clawback means an arrangement under which the staff member has to return ownership of an amount of variable remuneration paid in the past three (3) years or which has already vested to the institution under certain conditions. <p>The Group reserves the right to apply clawback and malus on 100% of bonus paid and/or deferred, in the case of gross misconduct as defined in the Disciplinary Policy and in the event that conditions stipulated in the performance targets in the subsequent two years are not met.</p>
Total Maximum Variable Remuneration	<p>The total maximum variable remuneration that can be paid to an individual should not exceed the total fixed component of the total emoluments. Bonus in excess to 100% of total fixed component will require shareholders' approval. The maximum bonus that can be awarded is 200% of the fixed component of the total remuneration for each individual.</p>
Payment of deferred bonus in case of loss	<p>In case the Group incurs a loss in a financial year, in the interest of strengthening the capital base and getting the Bank back in good standing, payment of any deferred bonus will be decided by the NRC. Such bonuses may be further deferred in the interest of Group sustainability.</p>
Reassessment of Performance	<p>Every year, before paying out the deferred part of the variable remuneration, reassessment of performance will be done by the GCRO in conjunction with the performance management process to ensure that variable remuneration is aligned to the risks and errors that might have appeared since the component was awarded.</p>

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Contracts

The GCEO is appointed on a definite term contract which may vary from a two year definite term contract to a three year definite term contract, in both such cases the contract may be renewed for further periods. The Deputy CEO is appointed pursuant to an indefinite term contract. The notice periods applicable for both the GCEO and the Deputy CEO are in accordance with the prevailing legislation by which the respective employment contract is governed in terms of jurisdiction

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Non-Executive Directors' Remuneration Policy Table

The remuneration policy for the Non-Executive Directors, including the Chairman, is to pay fees necessary to attract Non-Executive Directors of the calibre required, taking into consideration the size and complexity of the business and the time commitment of the role, without paying more than is appropriate.

Element and Purpose of Remuneration	Operation	Maximum Opportunity	Performance Measures
<p>Fixed Fees</p> <p><i>To provide the basis of market-competitive overall remuneration package. It provides a fixed remuneration which is sufficient to recruit and retain individuals of the necessary calibre.</i></p>	<p>All Non-Executive directors receive a basic fee for their duties as Board members. Additional fees are paid for added responsibilities such as chairpersonship, membership, being permanent invitees on committees as outlined below, and/or acting as independent Directors.</p>	<p>The NRC reviews the remuneration for non-executive Directors and makes recommendations to the Board of Directors in this respect. Each year the total emoluments payable to the directors are approved in the Annual General Meeting.</p> <p>In determining the level of fees the NRC considers the time commitment and other requirements of the role and market data for Independent roles. Each member is paid for assigned chairpersonship and/or membership as well as for any other additional assignment they may be tasked with by the Board.</p>	<p>Attendance and participation at Board and Committee meetings.</p>

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Element and Purpose of Remuneration	Operation	Maximum Opportunity	Performance Measures
<p>Committee Memberships and Chairperson Allowance for Non-Independent Directors</p> <p><i>Directors may be members of one or more Committee/s</i></p>	<p>Non-Independent Directors are paid a fixed allowance depending on their committee memberships, chairpersonships and when they are appointed permanent invitees on committees.</p>	<p>Different limits are set if they chair the committee, are members of it or if they participate as permanent invitees of the committee. Should a new committee be formed, or the remit of an existing committee be materially expanded, the new or additional fees paid for the membership and/or chairmanship of the committee will be commensurate with the new or additional responsible and time commitment involved.</p> <p>Non-executive Directors do not currently receive benefits. They are not eligible to participate in bonus plans or share award schemes.</p>	<p>Attendance and participation at Board and Committee meetings.</p>
<p>Committee Memberships and Chairperson Allowance for Independent Directors</p> <p><i>Independent Directors are nominated in accordance with listing rules. Such roles act as a sounding board for the Chairman and</i></p>	<p>Independent Directors are paid a fixed allowance depending on their committee memberships, and when they are appointed permanent invitees on committees. A different fixed allowance may also be paid to independent Directors depending on their committee chairpersonships.</p>	<p>Different limits are set if they chair the committee, are members of it or if they participate as permanent invitees of the committee. Should a new committee be formed, or the remit of an existing committee be materially expanded, the new or additional fees paid for the membership and/or chairmanship of the committee will be commensurate with the new or additional responsible and time commitment involved.</p> <p>Independent Directors do not currently receive benefits. They are not eligible to participate in bonus plans or share award schemes.</p>	<p>Attendance and participation at Board and Committee meetings.</p>

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<i>serve as an intermediary for the other Directors when necessary.</i>			
Reimbursements <i>This includes expenses incurred for the purpose of executing their role.</i>	Directors are reimbursed the direct expenses incurred to attend the scheduled meetings of the Board and/or committees.	Any travel and business expenses incurred by Non-Executive Directors in the normal course of business (for e.g. in relation to attendance at Board and Committee meetings) are met by the Company in accordance with the Corporate Travel Policy as applicable from time-to-time.	Against presentation of receipts and the applicable <i>per diem</i> allowance as stipulated in the Corporate Travel Policy.

Service contracts

Non-Executive Directors are appointed pursuant to appointment letters. Their appointment is for a period of one year renewed or otherwise at the subsequent AGM of the Bank.

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5. Amendments to the Policy

The NRC is authorised to approve deviations to this Supplement.

6. Publication

Pursuant to Chapter 12, the Supplement shall be made available on FIMBank's website after the general meeting and shall remain publicly available, free of charge, as long as it is applicable.

7. Effective Date and Review

The effective date of this Supplement is 30th November 2020 and will be reviewed as described herein.