



**REPORT ON THE CORPORATE GOVERNANCE SYSTEM AND
ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE FOR LISTED COMPANIES**

pursuant to Section IA.1.1., Table 1, point 1.11 of the Regulations of Markets
organised and Managed by Borsa Italiana S.p.A.

Issuer: "FinecoBank S.p.A."

Website: www.fineco.it

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GLOSSARY

Articles of Association in effect	the articles of association of the Company in effect at the date of this Report.
Articles of Association after listing	the articles of association of the Company, adopted by resolution of the Extraordinary Shareholders' Meeting of 5 June 2014, that will come into effect on the date when trading of the Company's shares on the MTA commences, with the exception of Article 1, already in effect at the date of this Report.
Bank of Italy Circular	Bank of Italy Circular 263/2006 ("New regulations for the prudential supervision of banks") as amended;
Bank of Italy regulations on Corporate Governance	the supervisory regulations on the organisation and corporate governance of banks issued by the Bank of Italy on 6 May 2014.
Board of Directors	the board of directors of the Issuer.
Board of Statutory Auditors	the board of statutory auditors of the Issuer.
Borsa Italiana	Borsa Italiana S.p.A.
Civil Code	the Italian Civil Code.
Consob	Commissione Nazionale per le Società e la Borsa (National Commission for Companies and the Stock Exchange) with headquarters in Rome, Via G.B. Martini n. 3.
Corporate Governance Code for Listed Companies	the Corporate Governance Code for Listed Companies approved in March 2006 by the Corporate Governance Committee and endorsed by Borsa Italiana.
External Auditors	the external auditors registered in the Register of Auditors established by Article 161 of the TUF, appointed to audit the accounts of the Issuer.
Group or UniCredit group	UniCredit and its subsidiary companies pursuant to Article 2359 of the Italian Civil Code and Article 93 of the TUF.
Issuer Regulations	the Regulations issued by Consob with ruling no. 11971 of 1999 on issuers, as amended.
Issuer, FinecoBank, Bank or Company	FinecoBank S.p.A.
Listing Date	the date when the trading of ordinary shares of the Company on the MTA will commence.
Market Regulations	the Regulations issued by Consob with ruling no. 16191 of 2007 on markets, as amended.

MTA	the Mercato Telematico Azionario (electronic stock market) organised and managed by Borsa Italiana.
Related-Parties Regulations	the Regulations issued by Consob with ruling no. 17221 of 2010 on related-party transactions.
Report	this report comparing the corporate governance system of the Issuer with recommendations of the Corporate Governance Code for Listed Companies.
Remuneration and Appointments Committee	The committee on the Board of Directors established in compliance with Articles 5 and 6 of the Corporate Governance Code for Listed Companies.
Shareholders' Meeting	meeting of the shareholders of the Issuer.
Stock Exchange Regulations	the Regulations of Markets organised and managed by Borsa Italiana, in effect at the Date of the Report.
Stock Exchange Regulations	the Regulations of Markets organised and managed by Borsa Italiana, resolved by the shareholders' meeting of Borsa Italiana, in effect at the date of the Report.
TUF	Legislative Decree no. 58 of 24 February 1998, as amended.
UniCredit	UniCredit S.p.A., with registered office in Rome, Via Specchi n. 16.

INTRODUCTION

This Report has been prepared by the Company in compliance with Section IA.1.1, Table 1, point 1.11 of the Stock Exchange Regulations, which requires a report comparing the corporate governance system of the Issuer at the Listing Date with recommendations in the Corporate Governance Code for Listed Companies to be submitted along with the application for the Company's shares to be listed on the MTA.

On 15 April 2014, the Board of Directors decided to adopt the Corporate Governance Code for Listed Companies, in the belief that bringing its own corporate governance system in line with the international best practices the Code is based on, is key to achieving the Company's objectives.

In view of the above and ahead of the listing of its shares on the MTA, the Company adopted some measures to align its corporate governance system with the Corporate Governance Code for Listed Companies.

In particular:

- (i) in the meeting of 27 March 2014, the Board of Directors, in compliance with Bank of Italy regulations on Corporate Governance - approved the profiles and numbers of members of the Board, intended to ensure that members effectively carry out the role assigned to them (see section 4.2 below);
- (ii) the Shareholders' Meeting of 15 April 2014:
 - established the number of Board Directors as 9 (nine) and appointed new members, of which 5 (five) meet the independence requirements established in Article 3 of the Corporate Governance Code for Listed Companies and 3 (three) are of the least represented gender in compliance with provisions on gender balance;
 - approved regulations for shareholders' meetings, in compliance with Article 9 of the Corporate Governance Code for Listed Companies (see section 3.2 below);
- (iii) in the meeting of 15 April 2014, the Board of Directors:
 - appointed three board directors that meet the independence requirements as of Article 3 of the Corporate Governance Code for Listed Companies (see section 5.1 below) as members of the Audit and Related-Parties Committee;
 - approved the Company's planned and general adoption of the Corporate Governance Code for Listed Companies, giving FinecoBank, as regards specific aspects, the power to comply with the Code's recommendations in full or partially, based on a "comply or explain" criterion;
 - adopted a procedure for the processing of inside information ("**Procedure for the processing of Inside Information**") and established a list of persons with access to inside information ("**List**") in compliance with Articles 114, paragraph 1 and 115-*bis* of the TUF; the Procedure for the processing of Inside Information and the List will come into effect on the date the application is made to Borsa

Italiana for the Company's shares to be listed on the MTA (see section 9 below);

- appointed, pursuant to Legislative Decree no. 231 of 8 June 2001, members of the Supervisory Body that are tasked with proposing updates to the Compliance Programme adopted by the Bank on 15 March 2010, in compliance with the above decree (see section 8.4 below);

(iv) in the meeting of 13 May 2014, the Board of Directors:

- assessed the independence of board members, pursuant to and for the purposes of Article 147-*ter*, paragraph 4 of the TUF and Article 3 of the Corporate Governance Code for Listed Companies, ensuring that the board has an adequate number of non-executive and independent directors;
- approved regulations concerning material transactions, pursuant to Article 114, paragraph 7 of the TUF and Articles 152 et seq. of the Consob Issuer Regulations (the "**Insider Dealing Code**") which will come into effect on the date the application is made to Borsa Italiana for the Company's shares to be listed on the MTA (see section 9 below);
- approved the establishment of a Remuneration and Appointments Committee, in compliance with Articles 5 and 6 of the Corporate Governance Code for Listed Companies, and appointed three board directors that meet the independence requirements established in Article 3 of the Corporate Governance Code for Listed Companies (see section 5.2 below) as the committee members;
- adopted new Regulations for the Board of Directors, which include, inter alia, regulations on the composition, role and operation of the Control and Risks Committee, in compliance with Article 7 of the Corporate Governance Code for Listed Companies, and of the Remuneration and Appointments Committee, in compliance with Articles 5 and 6 of the Corporate Governance Code for Listed Companies (see section 4.3.2 below);
- appointed the Internal Audit function manager, pursuant to Article 7 of the Corporate Governance Code for Listed Companies (see section 8.1.4 below);
- appointed the Financial Reporting Officer, pursuant to Article 154-*bis* of the TUF and Article 16.5 of the Articles of Association that will come into effect when the trading of shares commences (see section 8.1.5);
- established, in compliance with Principle 9.C.1 of the Corporate Governance Code for Listed Companies, the position of Company Investor Relator, to manage relations with investors and financial analysis, appointing Ms Stefania Mantegazza to this role (see section 12 below);

- (v) in the meeting of 15 May 2014, the Board of Directors approved the procedure for managing transactions with entities in conflict of interest; this procedure includes guidelines for the conduct to adopt in related-party transactions, pursuant to the Related-Parties Regulations; in transactions with connected parties, pursuant to the Bank of Italy Circular 263/2006 (as amended), and with bank officers pursuant to Article 136 of the TUB ("**New Related Parties and Associated Persons Regulations**") (see section 7 below);
- (vi) the Shareholders' Meeting of 5 June 2014:
- approved, on an extraordinary basis, the wording of the Articles of Association that will come into effect when the trading of shares commences, i.e. on the Listing Date;
 - approved, on an ordinary basis, the remuneration policies of the Issuer, in compliance with Principle 6.P.4 of the Corporate Governance Code for Listed Companies (see section 6 below);
- (vii) in the board meeting of 5 June 2014, the Board of Directors appointed the director in charge of the internal control and audit risk management system, assigning the functions in the Application Criterion 7.C.5 of the Corporate Governance Code for Listed Companies (see section 8.1.2 below).

The Company, in compliance with point 1.11 of Section IA.1.1, Table 1 of the Stock Exchange Regulations, undertakes to submit this report as promptly as possible to Borsa Italiana, amended and supplemented as necessary, after today's date and before the Listing Date, and in any case before approval is given for the Company's shares to be listed.



1. COMPANY BACKGROUND

The Company's corporate governance system is based on principles recognised by international best practices as fundamental for good governance: the central role of the Board of Directors, the correct management of conflicts of interest, an efficient internal control system and transparency in relations with the market, with particular reference to reporting corporate management decisions.

FinecoBank's overall corporate governance structure has been defined taking into account applicable laws and recommendations in the Corporate Governance Code. The Company must also meet the requirements of Supervisory Regulations issued by the Bank of Italy and, in particular, as regards corporate governance, the Regulations on Corporate Governance issued by the Bank of Italy.

FinecoBank is part of the UniCredit group that manages and coordinates FinecoBank pursuant to and for the purposes of Article 2497 et seq. of the Italian Civil Code.

UniCredit carries out management and coordination activities in conformity to and within the limits of the Consolidated Banking Law and Supervisory Instructions, based, among others, on the following: (i) proposing members of the board of directors and control bodies, and managerial positions, of Group companies, to the shareholders' meetings; (ii) disseminating best practices, methodologies, procedures and IT systems in order to standardise operating procedures within the Group; (iii) defining and implementing a managerial/functional system that defines mechanisms for managerial coordination at group level, assigning the managers of parent company functions specific responsibilities and powers vis-à-vis corresponding functions of subsidiaries, in order to ensure the overall consistency of the group's corporate governance system, through adequate coordination among bodies, structures and company functions of different entities comprising the group; and (iv) defining, disseminating and implementing group regulations for activities which are significant in terms of legal compliance and/or risk management, concerning, for example: (a) the reporting of inside information; (b) the preparation of periodic financial information; (c) the drafting of the strategic budget; (d) management control and the notification of management information; (e) the structure, composition and remuneration of the Board of Directors; (f) transactions with related parties and associated persons; (g) choice of suppliers; and (h) personnel and personnel training.

FinecoBank adopts a traditional administration and control system based on two bodies appointed by the Shareholders' Meeting: the Board of Directors, with strategic oversight and business management functions, and the Board of Statutory Auditors, with administration control functions. Accounts are audited by external auditors, in compliance with applicable laws.

FinecoBank's governance system also comprises:

- the Audit and Related Parties Committee
- the Remuneration and Appointments Committee:

The **Shareholders' Meeting** represents the interests of shareholders as a whole, and through its decisions - of the company.

The Shareholders' Meeting passes resolutions in ordinary or extraordinary sessions, with the quorums required by law for the Meeting to be duly established and pass resolutions, in view of specific issues on the agenda.

The Ordinary Shareholders' Meeting approves, inter alia, the financial statements and decides on the distribution of dividends, the appointment of directors and statutory auditors and appoints the external auditors, determining their fees. It also resolves on remuneration and incentive policies and practices established by current regulations.

The Extraordinary Shareholders' Meeting resolves on amendments to the articles of associations, capital increases and mergers and demergers.

Holders of voting rights and in respect of whom the Company has received, from the broker holding the relevant account, notification within the deadline set forth by applicable law (record date, the seventh open market day prior to the date established for the Meeting).

For further information on the Shareholders' Meeting, see Section 3

The **Board of Directors**, pursuant to the Articles of Association after Listing, is the body, within the framework of the company object, given all powers according to law or the Articles of Association after Listing, that are not expressly conferred on the Shareholders' Meeting, and that exclusively oversees business management, and to this end, is given full powers for the ordinary and extraordinary administration of the Company.

In compliance with current regulations, when nominating directors, shareholders should consider the qualitative and quantitative composition identified by the Board as optimal in order to achieve the objective of correctly fulfilling its functions, as well as guidance issued by the Board on the maximum number of administration, management and control positions that may be held by Board directors in external companies, in compliance with current and statutory regulations.

Board members meet the professional competence, integrity and independence requirements of current and statutory regulations.

As established in the Articles of Association after Listing, members of the Board of Directors are appointed by the Shareholders' Meeting for a three-year term of office, save for a shorter term established by the Meeting when making appointments, based on a slate voting system, to guarantee an adequate number of board directors elected by the minority.

The Board of Directors elects a **Chairman** from amongst its members and - where appropriate - one or two **Vice Chairmen**, one of whom will act as a stand-in. The Chairman and Vice Chairmen remain in office for the entire duration of the Board. The Board of Directors also appoints a **Secretary**, who is not necessarily a board member. The Board may establish committees or commissions with advisory, decision-making or coordination functions, in compliance with applicable current and statutory regulations.

The Board of Directors may also appoint a **Managing Director**, determining the term of office and relative duties and powers, and one or more Deputy General Managers, who form the Head Office. At the date of this Report, the Board of Directors of the Company had appointed Alessandro Foti as Managing Director and General Manager of the Bank.

For further information on the Board of Directors, see Section 4

The **Audit and Related Parties Committee** is a Board Committee which, pursuant to Article 7.P.4 of the Corporate Governance Code and Article 3 of the Related Parties Regulations, and as provided for by the Control and Risk Committee Regulations, comprises three independent directors, with adequate professional expertise of corporate governance and internal controls, capable of independent unbiased judgement in the duties assigned to them. This Committee (i) has advisory functions concerning internal control and company risk management (ii) it issues preliminary and reasoned opinions, also in the interest of carrying out transactions with related parties and/or associated persons completed by the Bank and on the appropriateness and fairness of the relative terms and conditions.

For further information on the Audit and Related Parties Committee, see Section 5.1

The **Remuneration and Appointments Committee** is a Board Committee which, pursuant to Articles 5.P.1 and 6.P.3 of the Corporate Governance Code, comprises three independent directors, with advisory functions concerning the remuneration of directors and senior managers and the appointment of directors, the General Manager and key management personnel.

For further information on the Remuneration and Appointments Committee, see Section 5.2

Pursuant to the Articles of Association after Listing, the **Board of Statutory Auditors** comprises three standing and two stand-in auditors. Auditors are appointed by the Shareholders' Meeting based on a slate voting system to guarantee an auditor elected by the minority, as well as compliance with regulations on gender balance.

Auditors remain in office for three years, they may be re-elected and their term ends on the date of the Shareholders' Meeting called to approve the financial statements relating to the third year of their appointment. The Board of Statutory Auditors performs the functions assigned to it by law and other applicable regulations. For the entire period while the Company's shares are admitted to trading on a regulated Italian market, the Board of Statutory Auditors also exercises all powers and carries out all duties provided for by special laws; with particular reference to disclosure, directors are required to report on a quarterly

basis, pursuant to Article 150 of the TUF, according to the procedures in Article 15 of the Articles of Association after Listing. The Board of Statutory Auditors, acting as the "internal control and auditing committee", pursuant to Legislative Decree 39/2010, carries out all other activities provided for by this decree.

Members of the Board of Statutory Auditors are registered in the Register of Auditors and meet the professional competence, integrity and independence requirements of current and statutory regulations.

For further information on the Board of Statutory Auditors, see Section 11

As established in the Articles of Association after Listing, the accounts are audited, pursuant to applicable legal provisions, by an entity that meets the requirements of current regulations.

The **External Auditors** represent the external control body auditing the accounts. In particular, the External Auditors are required, during the year, to verify the accounts of the company, and to give an opinion on the financial statements and consolidated financial statements, in a relative report.

For further information on the External Auditors, see Section 11

The powers and duties and operating procedures of corporate bodies are governed by law, by the Articles of Association after Listing and by decisions taken by competent bodies.

For further information on each body and/or entity comprising the Company's governance system, reference is made to specific sections in this Report.

2. COMPLIANCE

In a Board resolution of 15 April 2014, the Company decided to comply with the "Corporate Governance Code for Listed Companies" endorsed by Borsa Italiana, bringing its own conduct in line with the principles therein, where applicable.

In order for its shares to be listed on the MTA, the Issuer has also adopted additional corporate governance measures, so that its own corporate governance model is fully in line with provisions of the Corporate Governance Code. These measures, as described in this Report, will come into effect as from the Listing Date, save for the Code for the Processing of Inside Information, the establishment of a List of Informed Persons and the appointment of a Reporting Contact Person (defined below), effective from the date of the application to Borsa Italiana for the Company's shares to be listed on the MTA.

For further information on the structure of FinecoBank's corporate governance system, reference is made to specific sections of this Report and also to the Company's Internet site, which publishes financial/economic information, and data and documents of interest for shareholders as a whole.

3. SHAREHOLDERS' MEETINGS

In compliance with laws in force, the Ordinary Shareholders' Meeting, pursuant to the Articles of Association, is convened at least once a year, within 120 days from the end of the financial year, to resolve on items in its remit as established by laws in force and the Articles of Association. The Extraordinary Shareholders' Meeting is convened whenever there is a need to resolve on items in its remit as established by the applicable regulations.

The Shareholders' Meeting is convened as one session in compliance with laws in force, however in order to maintain adequate organisational flexibility, the Articles of Association establish that the Board may convene several sessions for individual Shareholders' Meetings.

Meetings are convened according to law, by notice published on the Company's Internet Site, as well as by other procedures required by law. The Agenda is established according to law and the Articles of Association by the person with powers to convene Shareholders' Meetings.

Before the deadline for publishing the notice convening the meeting, based on each item on the agenda – or another term established by law – the Board of Directors shall make available to the public a report on each item on the Agenda.

The Agenda may be supplemented - according to the circumstances, procedures and terms established by laws in force - by shareholders that, even jointly, represent at least 2.50% of the share capital. Shareholders that request an item on the agenda to be added shall prepare a report stating the reasons for proposals to resolve on new items. Shareholders may also submit further proposals for resolutions on items already on the Agenda, giving relative reasons.

The Shareholders' Meeting meets at the Registered Office of the company or at another venue in Italy, indicated in the notice of meeting, and resolves with the majorities established by laws in force.

Quorums are not established in the Articles of Association, therefore in order for the Shareholders' Meeting to be duly established and for resolutions to be passed, laws in force shall be observed.

Pursuant to the Articles of Association, and in line with laws in force on remuneration and incentive policies and practices issued by Consob, and, for banks and banking groups, issued by the Bank of Italy, the Ordinary Shareholders' Meeting establishes the fees of the bodies it appoints, and also approves: (i) remuneration policies for Board Directors, employees and persons working for the company on a self-employed basis; (ii) remuneration plans based on financial instruments; (iii) payments agreed on in the event of the early termination of employment or early termination of an appointment, including the limits established for said fees in terms of annual fixed remuneration.

When approving remuneration policies, the Shareholders' Meeting may increase the limit of the ratio between variable and fixed remuneration up to a maximum of 2:1 or, if lower, to the maximum allowed by applicable laws in force. The Shareholders' Meeting votes on the section of the report on remuneration that sets out the Company's policy on the remuneration of Board Directors, the General Manager and

Key Management Personnel, and the procedures used to adopt and implement this policy.

3.1 LEGITIMATION, PROCEDURES FOR TAKING THE FLOOR AND VOTING

According to applicable regulations, referred to in Article 8 of the Articles of Association after Listing, persons may take part in the shareholders' meeting and exercise their voting rights following notification sent to the Company, within the legal established time limits, by the intermediary authorised by law to keep the accounts, based on the entries in the accounting records relative to the end of the accounting day of the seventh open market day prior to the date established for the shareholders' meeting convened as a single session, or as a first session if the Board of Directors has planned for further sessions to take place.

The Articles of Association after Listing enables shareholders to take part in the Shareholders' Meeting using telecommunication means and to exercise voting rights digitally. The decision to activate these means is to be taken by the Board of Directors for each Shareholders' Meeting.

Article 8 of the Articles of Associations that will come into effect when trading of shares commences also establishes that shareholders who may take part in Shareholders' Meetings can be represented by written proxy by another person, who is not necessarily a shareholder, provided this complies with legal provisions. Voting by proxy may also be authorised by a document signed digitally pursuant to laws in force and notified to the Company at the email address and according to procedures indicated in the notice of meeting, or by another procedure established by current laws in force.

In compliance with Application Criterion 9.C.2 of the Corporate Governance Code for Listed Companies, which recommends the involvement of directors in Shareholders' Meetings as an important opportunity for director/shareholder engagement, all directors usually take part in the Shareholders' Meetings of the Company. On these occasions, the Board of Directors, in particular, reports on past and planned activities and ensures shareholders are given sufficient information on items necessary for them to make informed decisions during shareholders' meetings.

The Board reports to the Shareholders' Meeting on past and planned activities within the context of the Directors' Report on Operations. It also gives shareholders sufficient information on items necessary for them to make informed decisions during shareholders' meetings, ensuring that Directors' reports and additional documents are made available within the times established by regulations and laws.

3.2 PROCEEDINGS OF SHAREHOLDINGS' MEETINGS

On 15 April 2014, the Shareholders' Meeting adopted regulations for the orderly and functional proceedings of shareholders' meetings. The Regulations for Shareholders' Meetings, last approved in April 2011, will be available on the Company's Internet Site, from the Listing Date.

Under Article 8 of the Regulations for Shareholders' Meetings, persons who are entitled to take part in shareholders' meetings may take the floor as regards each



item to discuss. Persons intending to take the floor shall request permission from the Chairman, submitting a written request with details of the issue the request refers to, after the Chairman has read the items on the Agenda and before he declares discussions the request to take the floor refers to as closed. The Chairman may authorise requests to take the floor to be made with a show of hands, and in this case persons take the floor in the alphabetical order of their surnames.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT

In compliance with the laws and regulations applicable to listed companies, Article 13 of the Articles of Association after Listing requires that the Board of Directors be appointed by the Shareholders' Meeting based on the lists submitted by shareholders, according to the procedure described below.

Shareholders can submit a list for the appointment of Directors, provided that when they submit the list they hold, alone or together with others presenting shareholders, at least the minimum investment established by Consob pursuant to Article 147-*ter*, subsection 1, of the Consolidated Law on Finance (TUF) and in accordance with the relevant issues established by CONSOB Issuers Rules. Ownership of the minimum shareholding required is calculated based on the shares registered to each shareholder on the day when the lists are filed at the Company; the related certification may be submitted after the lists have been filed, provided that it is within the deadline for publication of the lists.

Each party entitled to vote (as well as (i) entitled persons belonging to the same group, intended as a party, which need not be a corporation, exercising control pursuant to Article 2359 of the Italian Civil Code and any subsidiary controlled by, or under the control of the said party, or (ii) shareholders who are party to a shareholders' agreement as per Article 122 of the TUF, or (iii) entitled persons who are otherwise associated with each other in a material relationship pursuant to current and applicable statutory or regulatory provisions) may submit individually or with others only one list, just like each candidate can be included in only one list, or otherwise be considered ineligible.

Both genders must be represented on each list, so as to ensure compliance with at least the minimum requirements of current laws and regulations on gender equality

The lists shall be filed at the Registered Office or Head Office - also by means of remote communication and in accordance with the procedures stated in the notice of call, so as to allow the identification of the parties submitting the list - at least twenty-five days before the date of the Shareholders' Meeting called to appoint members of the board of directors, in one session. Furthermore, the Company shall ensure that the lists are made public on the Company's website and by the other means established by current provisions, at least twenty-one days prior to the above shareholders' meeting, in one session.

The lists also contain, in attachments, any additional documentation and declarations required by the laws and regulations in force at the time, as well as:

- information pertaining to those who submitted the lists, with information on the total percentage of interest held;
- information on the personal and professional characteristics of the candidates included in the list;
- a statement whereby the individual candidates irrevocably accept the position (subject to their appointment) and attest, under their responsibility, that there are no grounds for their ineligibility or incompatibility to stand as candidate, and that

they meet the professional competence and integrity requirements prescribed by current laws and regulations;

- a statement that the independence requirements set out in the Articles of Association have been met..

Each eligible voter may vote for one list only.

After the vote, candidates are elected from lists that have obtained the largest number of votes, with the following criteria:

a) a number of Directors equal to the number of board members, decreased by 1 (one), shall be drawn - in the order in which they appear on the list - from the list receiving the most votes. The remaining Director shall be drawn- in numerical order- from the minority list that received the most votes among the minority lists;

b) if the majority list does not reach a sufficient number of candidates for the election of the number of Directors to be appointed, according to the mechanism indicated in letter a) above, all the candidates from the majority list shall be appointed and the remaining Directors shall be drawn from the minority list, in the order in which they appear on the list, receiving the highest number of votes; if necessary, directors shall also be drawn from the second most voted minority list, always in the order in which they appear on the list, until the number of Directors to elect has been reached;

c) if the number of candidates in the majority as well as minorities lists submitted is less than the number of the Directors to be elected, the remaining Directors shall be elected through a resolution made by the Shareholders' Meeting by relative majority, ensuring compliance with the principles of independence and gender equality prescribed by current law and regulations. If there is a tie vote between two or more candidates, a run-off will be held between these candidates by means of another vote at the Shareholders' Meeting;

d) if only one list or no list is filed, the Shareholders' Meeting shall act in accordance with the procedures set forth in letter c) above;

e) if the required minimum number of Independent Directors and/or Directors belonging to the least represented gender is not elected, the Directors of the most voted list who have the highest consecutive number and do not meet the requirements in question shall be replaced by the next candidates on the same list, who meet the necessary requirements. Should it prove impossible, even after applying this criterion, to identify the Directors who meet the above requirements, the above substitution criterion shall apply to the minorities lists receiving the highest votes from which the candidates elected have been drawn;

f) if even after applying the substitution criteria referred to in letter e) above, suitable substitutions have not been found, the Shareholders' Meeting shall resolve by a relative majority. In this case, the substitutions shall be effected starting from the most voted lists and from the candidates bearing the highest number in consecutive order.

In the event of death, resignation, withdrawal or removal from office for any other reason of a Director, or where a Director no longer meets the professional competence and integrity requirements, the Board of Directors can take steps to co-opt a Director, in compliance with the principles of minority representation and

gender equality. If, in the above cases, the minimum number of independent Directors falls below the level required by the laws and regulations in force at the time and/or the number of Directors belonging to the least represented gender falls below the level prescribed by law, the Board of Directors shall replace them.

For the appointment of Directors needed to fill vacancies on the Board of Directors, the Shareholders' Meeting shall resolve by relative majority, ensuring that the principles of independence and gender equality established by current law and regulations are met.

The Board of Directors shall elect a Chairman from among its members and - where appropriate - one or more Vice Chairmen, one of which will act as a stand-in.

4.2 COMPOSITION

Pursuant to Article 13 of the Articles of Association after Listing, the company is managed by a Board of Directors composed of a minimum of 5 (five) and a maximum of 13 (thirteen) Directors, elected by the Shareholders' Meeting. The Shareholders' Meeting shall also determine the term of office, on the understanding that said term may not be less than one year or more than three years from acceptance of office and shall expire on the date of the Shareholders' Meeting called to approve the financial statements relating to the last year of their appointment. The members of the Board of Directors may be re-elected.

All directors must meet the eligibility and professional requirements provided for by law and any other applicable regulations.

As regards integrity requirements, given the important role played by directors in terms of reputation, the Board of Directors' Rules and Regulations requires that, in addition to meeting the integrity requirements set out in Ministerial Decree no. 161 of 18/03/1998 and Ministerial Decree no.162 of 30/03/2000, the Directors should avoid any situation that could be cause for suspension from their duties as Director pursuant to Article 6 of Ministerial Decree no. 161 of 18/03/1998 and must refrain from engaging in conduct which, while not constituting an offence, appears to be inconsistent with the role of a bank director or that could seriously damage the bank's reputation.

The Board shall verify that its members meet the above requirements:

- (i) following appointment, the outcome of which shall be disclosed to the market by means of a press release;
- (ii) the respective results shall be reported on an annual basis in the annual corporate governance report.

Pursuant to Article 147-*ter*, of the TUF and Article 37 of the Market Regulations, as well as the Bank of Italy Rules on Corporate Governance, the majority of the members of FinecoBank's Board of Directors must meet the independence requirements provided in Article 3 of the Corporate Governance Code, as the Company is subject to the management and coordination of UniCredit ("**Independent Directors**").

The Board shall assess whether the independence requirements have been met

with regard to the prevalence of substance over form. This assessment shall be performed:

- (i) following appointment of a new Director who qualifies himself/herself as independent,
- (ii) once a year for all Directors.

For this purpose, the Board of Directors shall, based on the statements provided and any other information available, examine the Director's direct or indirect commercial, financial or professional relationships with the Company, assessing their significance both in absolute terms and with regard to the economic and financial position of the individual concerned. The results of the Board's assessment shall be disclosed to the market. The Board of Statutory Auditors shall ascertain the correct application of the criteria and procedures adopted by the Board of Directors for the above-mentioned assessment. The results of this assessment shall be disclosed to the market.

In accordance with the Bank of Italy Rules on Corporate Governance, on the date the Board of Directors determined and approved, at the meeting held on 27 March 2014, qualitative and quantitative composition (the "**Qualitative and Quantitative Profile**"), considered 'optimal in order to achieve the goal of correctly fulfilling the functions under the Board of Directors responsibility (for more information on the contents of this document see Section 4.3 "Role of the Board of Directors").

In line with the Qualitative and Quantitative Profile, the Board of Directors' Rules and Regulations requires that the number of Board members must be commensurate with the size and complexity of the bank's organisational structure, and allow for the supervision of all corporate operations, as far as management and controls are concerned.

Furthermore, this number should ensure the presence on the Board of (i) various representatives of the shareholder base, (ii) the professional skills necessary to foster internal dialogue and (iii) a sufficient number of independent members in accordance with the Corporate Governance Code.

Furthermore, pursuant to the Board of Directors' Rules and Regulations, in order for the Board of Directors to perform its duties properly, it must be composed of members who (i) are fully aware of the powers and obligations relating to the functions that each member is called upon to perform, (ii) possess the professional skills required for the position held and suited to the bank's operational characteristics and size, (iii) possess, among them, a variety of diversified competencies so that each member can effectively help to identify and pursue the Bank's strategies and ensure effective risk management in all areas of the bank, (iv) dedicate adequate time and resources to the overall nature of their offices, and (v) direct their efforts towards the pursuit of the Company's interests on the whole, acting with independent judgement and regardless of the shareholders who voted for them or the relevant list.

In particular, to ensure that the Board of Directors functions smoothly, the Directors of the Company must have, in addition to the requirements of applicable statutory and regulatory provisions (professional requirements), a good understanding of and experience in preferably two or more of the following areas of competency:

- FAMILIARITY WITH THE BANKING BUSINESS and risk assessment and management techniques for assessing and managing the risks associated with the banking business: gained through several years of experience in administrative, management or supervisory positions in the financial services sector;
- EXPERIENCE IN BUSINESS MANAGEMENT AND ORGANISATION: gained through several years of experience in administration, management and control at large scale corporations or groups;
- THE ABILITY TO READ AND INTERPRET THE FINANCIAL STATEMENTS OF A FINANCIAL INSTITUTION: gained through several years of experience in the administration and control of companies in the financial services sector or in performing professional activities or teaching at the university level;
- CORPORATE SKILLS (*audits, compliance, legal, corporate, etc.*): gained through several years of experience in auditing or management control at large scale companies or in performing professional activities or teaching at the university level;
- AN UNDERSTANDING OF THE REGULATION OF FINANCIAL ACTIVITIES: gained through several years of specific experience in financial services companies or supervisory bodies, or in performing professional activities or teaching at the university level;
- AN UNDERSTANDING OF GLOBAL TRENDS IN THE ECONOMIC-FINANCIAL SYSTEM: gained through significant experience acquired in research bodies, corporate or international think tanks or supervisory authorities;
- EXPERIENCE AND KNOWLEDGE OF MARKETS: gained through research or studies conducted at research centres or through carrying out business or professional activities for a number of years at institutions or entities, corporations or groups (public or private), also of an international nature..

The Company's Board of Directors was appointed by the 'Shareholders' Meeting held on 15 April 2014 and will remain in office until approval of the financial statements for the year ending on 31 December 2016.

In the light of the foregoing, the slate voting system (described in section 4.1 of this report) shall be used to appoint the new Board of Directors to be carried out during the Shareholders' Meeting for approval of the financial statements for the year ending on 31 December 2016.

The table below provides relevant information about each member of the Board of Directors in office as of the date of this report.

NAME AND SURNAME	POSITION	PLACE AND DATE OF BIRTH	DATE OF APPOINTMENT
Enrico Cotta Ramusino	Chairman	S. Alessio con Vialone (PV), 22.05.1959	15.04.2014
Francesco Saita ¹	Vice Chairman	Milan, 15.10.1967	15.04.2014
Alessandro Foti	Managing Director	Milan, 31.08.1960	15.04.2014
Gianluigi Bertolli ¹	Director	Milan, 27.11.1951	15.04.2014

Mariangela Grosoli ¹	Director	Modena, 10.05.1960	15.04.2014
Pietro Angelo Guindani ¹	Director	Milan, 11.01.1958	15.04.2014
Girolamo Ielo ¹	Director	Reggio di Calabria, 01.02.1947	15.04.2014
Marina Natale	Director	Saronno (VA), 13.05.1962	15.04.2014
Laura Stefania Penna	Director	Lecco, 26.12.1965	15.04.2014

¹ Independent Director pursuant to Article 3 of the Corporate Governance Code.

A brief *curriculum vitae* is provided below of each Director, highlighting their professional and personal details along with their expertise and experience.

Enrico Cotta Ramusino. After earning his degree in Business and Economics in 1982 from the University of Pavia, he undertook a PhD in Business Economics at the Bocconi University of Milan. After that he embarked on an academic career that led him to hold a number of professorships, including the chair in Economics and Business Management at the Faculty of Economics of the University of Pavia (where he is currently a full professor)). Alongside his academic career, in his professional career he has held the role of Board Director of the “Maria Conti” University Foundation (since 2008), member of the supervisory board and Chairman of the Audit Committee of UniCredit Austria GmbH (since 2009) and a member of the supervisory board and Chairman of the Audit Committee of UniCredit Leasing Romania (since 2010). In addition to the holding the position of Chairman of Fineco Leasing from 2005 to 2013, between the years 2008 and 2011 he held the role of Vice Chairman of Pioneer Alternative Investment (a UniCredit group company). He was also Chairman of Capitalia Investimenti Alternativi (formerly Fineco Investimenti Alternativi) from 2003 to 2008. From 2001 to date (except for a short temporary break, from April 2008 to August 2009) he has held the position of Chairman of the Issuer. He is the author of several monographs and numerous articles and is also registered in the special register of the Association of Chartered Accountants, Court of Pavia division, and the register of auditors. He provides advisory services to numerous banks and financial institutions in the areas of finance, loans and commerce, and to businesses in the areas of finance and strategic planning.

Francesco Saita. He graduated in Business Economics from the Bocconi University of Milan in 1991. Since 2005 he has been a full professor of Economics of Financial Intermediaries at the Bocconi University of Milan, where he was previously a researcher and then associate professor. He currently teaches a number of courses and holds the position of Dean of the Graduate School (since 2010) director of the Centre for Applied Research in Finance (Carefin, from 2011) at the Bocconi University. . He is the author of numerous publications on risk management in banks, asset management companies and insurance companies, and on derivative instruments. From 2003 to 2006, he was an independent board director of Fondi Alleanza SGR and from 2012 to 2014 he was an independent board director of Banca Aletti. Over the years he has also provided advisory services on risk management and derivative instruments to banks, insurance companies and asset management companies.

Alessandro Foti. After receiving his Degree in Business and Economics at the Bocconi University of Milan in 1984, he began his professional career in the

Financial Management Office of IBM in 1985. After three years of experience in Montedison S.p.A., where he became the Head of financial coordination of the group's affiliate companies, he joined Fin-Eco Holding S.p.A. in 1989, with responsibility for capital market operations. In 1993 he became the head of the operational section for administration, asset management and trading of Fin-Eco Sim S.p.A.. After having been appointed as a member of the Board of Directors, General Manager and Managing Director, in 2002 he became Chairman of Fin-Eco Sim S.p.A. In the meantime, he was appointed as a member of the Board of Directors of Fineco (in 1999). He was also a member of the management committee of Assosim for three years. In 2001, he became a member of the Supervisory Board of Entrium Direct Bankers AG and, from 2003 to 2005, he was a member of the Board of Directors of Ducati Motors Holding S.p.A. and General Manager of FinecoGroup S.p.A. He has been the Managing Director of the Company since December 2000. He is also Vice Chairman of the Supervisory Board of DAB. He is a member of the Steering Committee of Assoreti and, since 2013, of the Executive Management Committee of the UniCredit group.

Gianluigi Bertolli. He received his degree in Business Economics from the Bocconi University of Milan in 1978. He is an accountant and founder of the Bertolli & Associati firm of Milan. He has held the position of advisor, statutory auditor and director for numerous companies, both listed and unlisted, operating in different sectors. He currently holds the role of director and statutory auditor for a number of companies. He is specialised in the valuation of companies and their associated business divisions, in addition to the preparation of out-of-court appraisals, and has experience in financial analysis and business planning, as well as extraordinary corporate transactions. He is entered in the register of auditors, the single register of Milan and the register of technical expert consultants of Milan.

Mariangela Grosoli. She graduated in Law from the University of Modena in 1986. During her university career she worked with the family business Aceto Balsamico del Duca di Adriano Grosoli S.r.l., where she joined the management and executive team in 1985 and of which she is currently a shareholder and Managing Director. She initially held the position of Chairman (from 2001 to 2006), then (from 2006 to 2013) that of Vice Chairman of the Consorzio Aceto Balsamico di Modena (Modena balsamic vinegar consortium), also gaining legal and technical experience in the field of administrative and EU law. . In 2013, she again held the position Chairman of the Aceto Balsamico di Modena Consortium and currently sits on the Board of Directors. In 2005, she was appointed as a member of the Board of Directors of the Fondazione Cassa di Risparmio di Modena (Modena savings bank foundation), a position she held until 2010. Since 2011, she has been a board director of the Issuer.

Pietro Angelo Guindani. After receiving a degree in Business and Economics received in 1982 from the Bocconi University of Milan, he began his career at Citibank N.A. From 1986 to 1992 he held the position of Director of the International Finance Department at Montedison S.p.A. and subsequently at the joint venture Enimont S.p.A. After a year at the European Vinyls Corporation S.A./N.V. as Group Finance, Budget and Reporting Manager (from 1992 to 1993), he joined Olivetti S.p.A. as International Finance Director. From 1995 to 2008, he worked at Vodafone Omnitel N.V. (Milan), first as Chief Financial Officer of the SEMEA Region of the Vodafone Group, and then as Chief Executive Officer of Vodafone Italy where he has been the Chairman of the Board of Directors since

2008. He sits on the Board of Directors of ENI S.p.A., Salini Impregilo S.p.A and the Italian Institute of Technology and has been a Director at Pirelli & C. S.p.A, Carraro S.p.A. and Sorin S.p.A..

Girolamo Lelo. He received his degree in Business and Economics in 1973 from the University of Messina and a specialist diploma in Administrative Science. He is a chartered accountant and auditor. He is a freelance journalist and the author of numerous monographs. He was a lecturer in social and tax legislation at the Iervis Professional Institute for Commerce of Ivrea and on technical commercial subjects at the Giulio Professional Institute for Commerce of Turin. He has been a board director in numerous companies and has also held institutional positions.

Marina Natale. After receiving her degree in Business and Economics gained in 1987 from the Sacro Cuore Catholic University of Milan, she began her professional career in 1988 working in the Research and Planning department of the UniCredit group (Credito Italiano at the time). Her career has been spent in the UniCredit group: in 1991 she joined the Planning and Control group, where she was the manager of various projects; in 1997 she was appointed as Head of the Group M&A and Business Development Department; from 2008 to 2009 she held the position of Head of Private Banking Division with the title of Senior Executive Vice President within the UniCredit group. She has been the Chief Financial Officer of UniCredit since 2009.

Laura Stefania Penna. After receiving her degree in Business and Economics in 1989 from the Bocconi University of Milan, she began her career in Accenture in the risk management, business strategy and post-merger management sectors. In 1999 she joined the UniCredit group, covering the position of Head of Planning and Control at Rolo Banca (now UniCredit) from 1999 to 2001. Since 2001 she has held various positions in the UniCredit group, including Head of Group Planning and Control (from 2001 to 2005) and, starting in 2007, Head of the UniCredit Management Consultancy (UMC) as Executive Vice President of UniCredit.

4.2.1. Maximum number of board mandates in other companies

Pursuant to the recommendations contained in Criteria 1.C.3 of the Corporate Governance Code, the Board of Directors' Rules and Regulations, approved at the Board meeting held on 13 May 2014, determines the maximum number of mandates as Director or Statutory Auditor normally considered compatible with the effective performance of the role of Director at FinecoBank.

The table below provides an overview of these limits.

FinecoBank	Listed companies and/or banks, financial, insurance companies and/or large companies		Total positions
	Executive positions	Non-executive positions	
Managing Director	NO	2	5
Chairman	NO	3	8
Non-executive Directors	3	5	10
Non-executive Directors	0	7	10
<p>Executive positions are considered as: Managing Director, Member of the Management Board, Chairman of the Board of Directors or of the Supervisory Board, General Manager.</p> <p>Non- executive positions are considered as: Member of the Board of Directors without delegated powers, Member of the Supervisory Board, Member of the Board of Statutory Auditors.</p> <p>The Managing Director and the Chairman are not allowed to accept positions as members of a Board of Statutory Auditors.</p> <p>In addition to any other incompatibility prescribed by law, the rule of incompatibility with positions of a political or trade union nature shall apply.</p>			

Companies within the same Group as FinecoBank are not included in the calculation of the total number of companies in which Directors hold a position as Director or Statutory Auditor.

Up to 4 positions may be held as director or member of controlling bodies within the same Group (outside of FinecoBank). Each position shall be counted as 1 executive position in listed companies, banks, financial and insurance companies or large companies; over 4 offices shall be counted as 2 executive positions in listed companies, banks, financial and insurance companies or large companies.

Director candidates for FinecoBank must provide the Board with an updated list of any directorships, management and audit positions they hold. Following their appointment and before accepting a directorship, directors must notify the Board about any management or audit positions held in other companies that have a limit on the number of board mandates.

If the limit is exceeded, the Board of Directors will assess the situation in the interest of the company, and then call upon the director to take appropriate (as decided by the Board) action.

Based on information received from the Directors, the Board shall disclose on an annual basis the Directorships or positions as Statutory Auditors held by the Directors in the above-mentioned companies.

The Board of Directors' Rules and Regulations establishes that Directors accept the directorship when they deem that they can devote the necessary time to the diligent performance their duties, also taking into account the number of positions held as Director or Statutory Auditor in other listed and unlisted companies, banks, finance, insurance or large companies, as well as any other professional activities they may be engaged in, within the limits referred to above.

Moreover, Directors must take into account the provisions of Article 36 of Law no. 214/2011 according to which holders of a seat in managerial, supervisory and controlling bodies, as well as top management officers in companies or groups of companies active in banking, insurance and financial markets are forbidden to hold similar offices, or to exercise similar duties, in competing companies or groups of companies.

4.3 ROLE OF THE BOARD OF DIRECTORS

4.3.1 Duties

Pursuant to current regulations for companies with shares listed on regulated markets and in accordance with the recommendations of the Corporate Governance Code, the Board of Directors plays a central role in the Company's governance system which will take effect on the listing date.

Article 17 of the Articles of Association after Listing requires that the Board of Directors be vested with the broadest powers for the ordinary and extraordinary management of the Company, without any exception whatsoever, and the power to carry out all the activities that it deems necessary to achieve the corporate purposes, except for those powers that are reserved by law to the Shareholders' Meetings.

In particular, in addition to those duties and powers that cannot be delegated under law, the Board of Directors shall have exclusive jurisdiction over the following issues:

- A. the general guidelines, as well as the adoption and amendment of the Company's industrial, strategic and financial plans, within the framework of the directives imparted by the Parent Company, in line with the recommendations provided in Criteria 1.C.1, letter a);
- B. the appointment and dismissal of the General Manager/s and Deputy General Managers;
- C. the assessment of the overall business performance, as provided by Criteria 1.C.1, letter d);
- D. adjustments to the Articles of Association to bring them in line with legal requirements;
- E. corporate mergers and demergers in the cases provided under Articles 2505 and 2505 bis and 2506 of the Italian Civil Code;
- F. the reduction of capital in the event of shareholder withdrawal;
- G. guidelines on which Directors, in addition to those indicated in these Articles of Association, may represent the Company;

- H. the establishment of committees or commissions with advisory, deliberative or coordination functions;
- I. the risk management policies, as well as the evaluation of the functionality, efficiency and effectiveness of the internal control system and the adequacy of the organisational, administrative and accounting structure under the directives issued by the Parent Company, as recommended by the Criteria 1.C.1, letter b) and c);
- J. the purchase and sale of equity investments, companies and/or company divisions, without prejudice to the provisions set out in Article 2361, paragraph 2, of the Italian Civil Code;
- K. the purchase and sale of property;
- L. the approval and amendment of internal regulations;
- M. the appointment and dismissal of the heads of the internal audit, conformity and risk control functions;
- N. the opening and establishment, also for the purpose of structuring the signing authority, in Italy and abroad, of, in Italy and abroad, of secondary offices, branches, agencies, counters and representation offices, however named, as well as closing them.

The Board also has exclusive jurisdiction over activities related to:

- approving processes related to the provision of investment services and periodically checking the adequacy of these services;
- deciding the remuneration/ incentive methods for Top Management as well as verifying that they do not increase corporate risks and that they are in line with the long-term strategies;
- defining the criteria to identify the major transactions to be examined beforehand by the Audit and Related Parties Committee.

Pursuant to the Bank of Italy's regulation on internal control systems, and in compliance with the Board of Directors' Rules and Regulations, the Board:

- approves:
 - a) the policies and processes for the assessment of corporate activities and, in particular, the financial instruments, ensuring the ongoing appropriateness; they also establish the bank's maximum exposure limits for financial instruments or products that are uncertain or difficult to measure;
 - b) the process for the development and validation of the internal risk measurement systems not intended for regulatory purposes, periodically assessing its correct functioning;
 - c) the approval process for new products and services, the start-up of new activities, entry into new markets;
 - d) the company policy on outsourcing corporate functions;
 - e) in order to mitigate the bank's operational and reputational risks and encourage the dissemination of a culture based on internal controls, a

code of ethics which must be complied with by all members of the corporate bodies and employees. The code defines the principles of conduct (e.g. rules of professional conduct and rules to follow in dealings with clients) of which company activities must be based on;

- ensures that:
 - a) the bank's structure is consistent with the activities carried out and with the business model adopted, avoiding the creation of complex structures which are not justified by an operational aim;
 - b) the implementation of the relevant framework for determining the Risk Appetite Framework ("RAF") is consistent with the approved risk objectives and tolerance thresholds (where identified); they periodically assess the suitability and effectiveness of the RAF and the compatibility between the actual risk and the risk objectives;
 - c) the strategic plan, RAF, ICAAP, the budget and internal control system are consistent, also bearing in mind the changing internal and external conditions within which the bank operates;
 - d) the quantity and allocation of capital and liquidity held is consistent with the risk appetite, the risk governance policies and the risk management process;
- in the case where the bank operates in jurisdictions lacking transparency or through especially complex structures, the Board assesses the related operational risks, especially those of a legal, reputational and financial nature, identifying oversight measures to mitigate them and ensure that they are effectively monitored;
- approves, at least once a year, the plan of activities, including the audit plan prepared by the internal audit function and reviews the annual reports prepared by the corporate control functions. The Board also approves the multi-year audit plan.

Furthermore, the Board of Directors shall ensure the adoption of the directives issued by UniCredit in exercising the powers attributed to the Parent Company - by the relevant laws and regulations – to give instructions to the various legal entities of the Group.

Lastly, it is the exclusive task of the Board to report to the shareholders at the Shareholders' Meeting.

Certain Board members are given special duties within the Board for specific matters. In designating these Directors, who meet in specific committees and whose functions include providing advice and recommendations, particular importance is attributed to non-executive and/or independent directors recognised as such – also formally by the Board- based on the provisions contained in the Articles of Association and the criteria of the Corporate Governance Code.

Pursuant to the Board of Directors' Rules and Regulations, non-executive Directors, an appropriate number of which sit on the Board of Directors, shall:

- acquire, also through the input of internal committees, information on corporate administration and organisation, from management as well as the internal audit

and other control functions;

- not be involved, not even de facto, in the executive management of the company, and avoid situations where conflicts of interest may exist;
- be pro-actively involved in the tasks entrusted to them, also in terms of the time that they dedicate to these tasks;
- participate in decision-making processes for the appointment or dismissal of heads of internal control or risk management functions.

These rules and regulations also establishes that Independent Directors are responsible for independently overseeing corporate management, helping to ensure that it is conducted in the interest of the Company and in accordance with the principles of sound and prudent business management.

The Independent Directors shall meet at least once a year in a closed session (Independent Directors only).

The Board of Directors may appoint a General Manager, establishing the functions and powers, for the implementation of the Board of Directors resolutions and for the day-to-day management of corporate affairs.

The Board of Directors shall, subject to the mandatory opinion of the Board of Statutory Auditors, appoint a Nominated Official in charge of drawing up Company Accounts pursuant to Article 154-*bis* of the TUF, granting them the appropriate powers and means to perform their appointed duties.

4.3.2 Meetings and functioning

Article 16 of the Articles of Association after Listing requires that the Company's Board of Directors be convened, also using telecommunication facilities, at the Registered Office or elsewhere, provided that it is in Italy by the Chairman (or his/her representative), usually at least once every three months and however any time the Chairman feels it necessary, or if requested in writing by the Managing Director or by least two Directors of the Board of Directors. A Board meeting may also be convened on the initiative of one Statutory Auditor

If deemed appropriate by the Chairman of the Board of Directors, Board meetings may be held using telecommunication facilities, provided that each attendee can be identified by all the other attendees and that each attendee is able to intervene in real time on the matters being discussed, as well as receive, send and view documents.

Pursuant to the Board of Directors' Rules and Regulations, notice of meetings must be given to all Directors and Standing Auditors within a reasonable period of time, except in the case of emergency. The notice should include, except in cases where this is not possible due to confidentiality issues, the items on the agenda so that the attendees can read the issues ahead of time and come prepared to the meeting. The Regulation also provides that documentation in support of proposals and any information needed so that the Directors are able to express an informed opinion on the issues being decided, be provided to the Directors at least 48 hours prior to the meeting.

The Board of Directors shall be validly composed even without a call notice, provided that all Directors and Standing Auditors are present.

Article 16 of the Articles of Association after Listing provides that individuals taking part in Board meetings may do so remotely using audiovisual systems (video-conference or conference calls) provided that it is possible to ensure, in particular, the conditions for identification of the attendees, their active participation, as well as the possibility to receive, transmit and examine documents not previously known.

The Chairman shall be responsible for planning of the Board's workload, in relation to the relevant items on the agenda, based on input from the Managing Director. Furthermore, the Chairman shall ensure that adequate information – both in terms of quality and quantity – on the items placed on the agenda are provided to all Board members, so as to allow the Board to make informed decisions on the business to be discussed and approved and shall endeavour to ensure that the necessary time is devoted to an effective discussion of the items on the agenda during the meetings, encouraging directors to actively contribute to the meetings.

The Chairman of the Board of Directors, also at the request of one or more Directors, may request the Managing Director that the senior managers of the issuer and those of group companies, in charge of the pertinent management areas related to the Board agenda, attend the meetings of the Board, in order to provide appropriate supplemental information on the items on the agenda.

Pursuant to Article 15 of the Articles of Association after Listing, the General Managers, if appointed, may take part, without voting rights, at the meetings of the Board of Directors. If a Managing Director has not been appointed, the General Manager shall take part in Board meetings with the power to make proposals. In addition, the Chairman may invite Deputy General Managers and other employees from the management team to take part in Board meetings.

4.3.3 Self-assessment

Pursuant to the Board of Directors' Rules and Regulations, the Board performs an evaluation of the general performance of the company, taking into consideration, in particular, the information received from executive bodies and officers and periodically (at least once every quarter) compares the results achieved with those planned.

In accordance with the recommendations contained in Criteria 1.C.1 letter g), the Board shall perform at least annually an evaluation of the performance of the Board of Directors and its committees, as well as their size and composition, and the contribution made by each Director, taking into account elements such as professional competence, experience (including managerial experience), gender of its members and the number of years in office. The evaluation shall also include verifying the validity of the requirements for filling posts and compliance with the prohibition of *interlocking directorships* pursuant to Article 36 of Legislative Decree 214/2011.

The Board shall perform annually an assessment on the suitability and effectiveness of the provisions contained in the Regulation.

This assessment shall be performed at least once every three months, assisted by an independent professional.

The results of the assessment are reported in the annual corporate governance report and the ownership structures referred to in Article 123 bis of the TUF.

4.3.4 Competing activities

The Company has not authorised any exceptions to the non-competition clause pursuant to Article 2390 of the Italian Civil Code.

4.4 EXECUTIVE BODIES AND OFFICERS

The Board of Directors' Rules and Regulations establish that powers be delegated in such a way that does not deprive the Board of its fundamental rights and prerogatives.

The Board establishes the content of the delegated powers analytically, in a clear and precise manner, also indicating the limits in terms of quantity and value, as well as the means of performance of the delegated powers; this will also allow the Board of Directors to accurately check that the delegated powers have been correctly complied with, as well the possibility to exercise its overriding executive and evocation rights.

4.4.1 Managing Director

Pursuant to Article 15 of the Articles of Association after Listing, the Board of Directors may appoint a Managing Director, and also determine his/her duties.

The Managing Director or, if appointed, the General Manager at the request of the Managing Director, shall be responsible for the implementation of the resolutions passed by the Board of Directors, with the assistance of the Head Office.

At the time of writing this Report, the Company has appointed Mr. Alessandro Foti as Managing Director, to whom the Board of Directors has granted powers, within prescribed limits, and also the authority to sub-delegate powers, across all sectors of the Bank's activities.

4.4.2 Chairman of the Board of Directors

Pursuant to Article 14 of the Articles of Association after Listing, the Board of Directors shall elect a Chairman from amongst its members and - where appropriate- one or two Vice Chairmen, one of which will act as a stand-in. Board of Directors shall elect the Chairman and Vice Chairman from amongst its members, who shall remain in office for the entire duration of the Board.

The Board of Directors appointed, by resolution on 15 April 2014, Mr. Enrico Cotta Ramusino as Chairman of the Board of Directors.

Article 10 of the Articles of Association after Listing, provides that the Chairman of the Board of Directors is responsible for presiding over the Shareholders' Meeting, as well as directing and moderating the discussions, establishing the voting procedures and confirming the results, in compliance with the provisions of current regulations and the procedures for Shareholders' meetings.

The Chairman of the Board of Directors has not been granted any management powers and therefore does not have any executive role.

4.4.3. Other Executive Directors

At the time of writing this Report, no other Directors have been granted management powers besides the Managing Director. Furthermore, the Issuer, on

the basis of a particularly strict application of the Criteria 2.C.1 of the Corporate Governance Code, has qualified Ms. Marina Natale as executive director, in view of her leadership role held at the parent company UniCredit.

4.4.4. Reporting to the Board of Directors

The Board of Directors' Rules and Regulations requires that the flow of information amongst and within Corporate Bodies is an essential condition for ensuring that the objectives of efficient management and effective control of the company are actually achieved.

In order to ensure the continuous and comprehensive flow of information amongst and within the corporate bodies, the Board is called on to approve and oversee the maintenance and update of a structured information flow system over time that regulates the circulation of information and ensures the correct flow in a timely and comprehensive manner, whilst respecting the responsibilities of the various bodies with supervisory and control functions.

Furthermore, in order to implement the necessary organisational controls for the proper management of information flows and to provide the necessary information on other aspects (forms, tasks and duties and other content), not covered in the Regulation, the Board approves specific organisational procedures that accurately describe the activities and controls related to the "Management of the Board of Directors" as well as the "Management of inside information", in relation to the complexity of the information processed. In compliance with the foregoing, the Board of Directors approved the Code on handling privileged information (see Section 5 *below*) on 15 April 2014..

Article 21 of the Articles of Association after Listing provides that the decisions made by those with delegated powers must be disclosed to the Board according to the procedures and frequency (at least quarterly) established by the Board. In particular, the executive bodies and officers shall report to the Board of Directors and the Board of Statutory Auditors, at least on a quarterly basis, on the general performance of the company, the business outlook, and transactions that have a significant effect on the results of operations and financial position- with particular regard to those that could potentially give rise to conflict of interest- carried out by the Company and its subsidiaries.

4.5 INDEPENDENT DIRECTORS

At the time of writing this report, the Board of Directors has five independent Directors in accordance with Article 3 of the Corporate Governance Code.

In compliance with Criteria 3.C.1 of the Corporate Governance Code, the Company's Board of Directors evaluated the independence of its non-executive members, in accordance with Article 3 of the Corporate Governance Code, at their meeting on 13 May 2014; on this same occasion, the Board also verified whether the independence requirements were met as per Article 148 (3) of the TUF. In particular, the Board of Directors, during the above meeting, verified that five members of the Board of Directors met the above requirements, and they are Francesco Saita, Gianluigi Bertolli, Mariangela Grosoli, Pietro Guindani and Girolamo Ielo.

The Board of Statutory Auditors ascertained the correct application of the

assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members..

4.6 LEAD INDEPENDENT DIRECTOR

As the conditions envisaged by the Code for such an office do not exist, the Board of Directors has not appointed any independent Director as *lead independent director*.

4.7 GENERAL MANAGER

Pursuant to Article 15 of the Articles of Association, the Board of Directors may appoint, determining the term of office and the respective duties and powers, a General Manger and one or more Deputy General Managers, who form the Head Office, together with the other employees of this office.

The Managing Director or – where not appointed – the General Manager shall oversee the Head Office.

The Managing Director shall take up the powers and duties of the General Manager if the latter has not been appointed.

If a Managing Director and General Manager are appointed, both positions must be held by the same person.

The Managing Director, or where not appointed, the General Manager shall be responsible for implementing the resolutions passed by the Board of Directors, with the assistance of the Head Office.

If a Managing Director has not been appointed, the General Manager shall take part in the meetings of the Board of Directors with the power to make proposals and without voting rights.

The Managing Director and other Directors vested with particular responsibilities, as well as the General Manager, where no Managing Director has been appointed, shall report to the Board of Directors on their activities, according to the procedures and time limits established by the Board, in accordance with law.

The Board of Directors appointed Managing Director Alessandro Foti as the General Manager during the meeting held on 15 May 2014 2010, with effect from 1 July 2014.

5. INTERNAL COMMITTEES OF THE BOARD OF DIRECTORS

In accordance with Articles 4, 5, 6 and 7 of the Corporate Governance Code, which recommends listed companies establish committees within the Board of Directors, with responsibilities for specific issues, Article 17 of the Articles of Association after Listing recognises to the Board of Directors the right to establish internal committees tasked with proposal making, advisory and coordination functions.

For reasons of efficiency and simplification of the governance structure, the Company considered it appropriate to make use of the option allowed by the Corporate Governance Code to combine the functions of its Appointments Committee and Remuneration Committee into one committee, as described in further detail below.

In the performance of their duties, the committees set up within the Board of Directors have the right to access the company's information and functions required for the performance of their respective tasks. Furthermore, the committees may avail themselves of external advisers at the Company's expense, within the budget limits approved by the Board of Directors. The committees established within the Board of Directors are described below.

5.1 AUDIT AND RELATED-PARTIES COMMITTEE

FinecoBank's Board of Directors established, by resolution of 17 June 2008, the audit committee (now the Audit and Related-Parties Committee) specialised in the field of internal controls and risks and called on to provide support to the Board of Directors on issues concerning the internal control system, determining the RAF ("risk appetite framework") and the risk governance policies.

The above Committee is also responsible for related-party transactions in accordance with the Regulation on transactions with Related Parties and with associated persons pursuant to the Bank of Italy Circular.

5.1.1. Composition

The Board of Directors appointed new members of the Audit and Related-Parties Committee on 15 April 2014, in application of the provisions referred to in Article 37 of the Market Regulations, according to which - since FinecoBank is subject to the management and coordination of UniCredit - all members of this Committee must be independent directors.

Furthermore, in accordance with Principle 7.P.4 of the Corporate Governance Code, under which at least one member of the committee is required to have an adequate experience in the area of accounting and finance or risk management, all members of the Committee meet the requirements indicated above.

The members of the Committee shall remain in office for as long as they are members of the Board of Directors, unless a shorter term is decided on at the time

of their appointment. They may resign as member of the Committee, without this necessarily entailing resignation from the Board of Directors.

If, for any reason whatsoever, a member no longer holds the position, the Board of Directors will replace the member. The expiry of the new member's term of office coincides with that of the outgoing member. If the Chairman of the Committee ceases to hold office, the Board of Directors will appoint a new Chairman with the decision to appoint the replacement member.

As of the date of this Report, the Audit and Related-Parties Committee is composed of the following Directors, who are non-executive and independent pursuant to Article 3 of the Corporate Governance Code and also Article 148 (3) of the TUF: Francesco Saita (Chairman), Pietro Guindani and Mariangela Grosoli.

5.1.2. Functioning

In compliance with the provisions set forth in Criterion 4.C.1 of the Corporate Governance Code, the composition, functioning, organisation and activities of the Control and Risk Committee are regulated by the specific section of the Board of Directors' Rules and Regulations

The Committee shall meet as often as necessary to perform its functions, as well as at the request of any of its members or the Chairman of the Board of Statutory Auditors, through a notice of call sent by the Chairman of the Committee, also through the Secretary of the Committee, usually at least three days before the scheduled date of the meeting. In case of an emergency, determined to be so by the Chairman of the Committee, meetings may be convened with one day notice.

The notice shall state the date, time and venue of the meeting, together with the list of items to be discussed. The meeting shall be considered held at the venue where the Chairman and Secretary of the Committee are located.

The Committee shall be considered valid with the presence of the majority of its members in office and with the absolute majority vote of those present for resolutions; in case of a tie, the vote cast by the Chairman shall prevail.

In the event the Chairman is absent or incapacitated, the oldest member of the Committee shall act as Chairman.

Should the Chairman of the Committee so decide, their meetings may be held using telecommunication means, provided that each attendee can be identified by all the other attendees, and that each attendee is able to intervene in real time during discussions, and is able to receive, transmit and view the documents.

The minutes of the Committee meetings shall be transcribed briefly by the Secretary, who need not be a member of the Committee. The minutes contain, amongst other things, the reasons for any disagreements expressed by the Committee members. The Secretary shall retain the minutes of the meeting for consultation by Committee members who did not attend the meeting, as well as Directors and Statutory Auditors.

The Nominated Official in charge of drawing up Company Accounts, the head of the Internal audit function and the Chairman of the Board of Statutory Auditors, or other statutory auditor by him designated, shall participate in the Committee meetings; executive directors and senior managers of the Company may be invited to participate at the meetings for specific issues.

The Chairman of the Board of Directors and the Managing Director of the Company are invited to take part in the meetings on a permanent basis.

In carrying out their duties, the Committee may rely on adequate financial resources for the performance of their duties, within the limits of the budget approved annually by the Board of Directors.

The Shareholders' Meeting resolves the annual remuneration for the members and/or an attendance fee for participating in the Audit and Related-Parties Committee.

The Board of Directors' Rules and Regulations also lay down the rules for temporary replacement of a Committee member with reference to, in particular, cases where the Committee is called on to express an opinion on transactions with related parties and/or associated persons.

In this regard, the Regulation, after making it clear that, for each transaction considered, the members of the Audit Committee must be different from the counterparty and parties related thereto, establishes that, in the event a member of the Committee is a counterparty of the transaction (or a person associated to the counterparty), they must promptly inform the Chairman of the Board of Directors and the Chairman of the Committee about this situation, and refrain from taking part in any further work of the Committee concerning the relevant transaction.

In this event, the Chairman of the Board of Directors, having consulted with the Chairman of the Audit Committee, immediately replaces the member who is in conflict of interest by appointing, after having contacted him/her, another independent and unconnected member of the Board of Directors.

In case of transactions with related parties and/or associated persons whose completion is urgent and for which the Committee is involved in the negotiation and diligence phases and/or when issuing an opinion, the Chairman of the Audit and Related-Parties Committee, after having acknowledged the urgency of the transaction and having established that the majority or all members are unavailable to meet or to carry out the required activities in time for the transaction to be concluded, shall promptly notify the Chairman of the Board of Directors of this situation.

This communication must be sent no later than the day after the Chairman of the Committee learns that the majority or all of the members are unavailable.

The Chairman of the Board of Directors, having consulted with the Managing Director to assess the actual urgency of the transaction, shall immediately reform the Audit and Related-Parties Committee by appointing the required number of Independent Directors, following the same procedure followed for temporary replacement of a member in case of a conflict of interest (appointment of the replacement(s) from amongst the independent members of the Board of Directors).

The above shall also apply if the unavailability of the majority is due to the resignation of a member of the Committee.

5.1.3 Duties and Responsibilities

In accordance with the recommendations contained in Criteria 7.C.1 and 7.C.2 of the Corporate Governance Code, the role of the Audit and Related-Parties Committee is to provide information, advice, make proposals and enquiries, in

defining, based on a risk-oriented approach, the guidelines for the entire internal control system, and to assess its effectiveness and efficiency, so that the main risks are properly identified, as well as appropriately measured, managed and monitored, without prejudice to the Board of Director's power to make all decisions on the issue at hand.

The Committee helps to promote a corporate culture that values the control function, steering it towards a risk-oriented approach.

The Committee's mission also includes evaluating the adequacy of the accounting standards used for preparing the financial statements, and overseeing the effectiveness of the audits and the activities of external auditors.

The Audit and Related-Parties Committee is also responsible for related-party transactions pursuant to Consob Resolution no. 17221 of 12 March 2010, and with associated persons pursuant to the applicable Supervisory Regulations of the Bank of Italy.

The Audit and Related-Parties Committee is called upon to perform the following activities:

- a) as regards the model for outsourcing audit activities adopted by the Bank (see Section 8.1.4 below):
 - acting as a liaison between the Bank and the Group's Independent Auditors, in line with the instructions provided by the Appointed Director and the Regulatory Authority;
 - verifying that the service levels covered by outsourcing contracts for audit activities are complied with at all times, providing support to the Board of Directors and Appointed Director in evaluating the adequacy of the services received, and verifying that the audits conducted by the internal audit function are primarily based on the constantly updated risk assessment analyses;
 - monitoring compliance with Group Audit Standards and the Group Audit Policies;
- b) helping to identify internal control system guidelines, based on a risk-oriented approach, so that main risks concerning the Company are correctly identified and adequately measured, managed and monitored;
- c) reporting to the Board of Directors, at least every six months, when the financial statements and interim financial statements are approved, on activities carried out, and also describing the essential elements of the internal control system, rating its adequacy, effectiveness and actual functioning;
- d) assessing the guidelines and annual audit plan prepared by the internal audit function, checking compliance and monitoring the adequacy, effectiveness and efficiency of the above-mentioned Internal audit function;
- e) examining the periodic reports and audit reports produced by the internal audit function, and evaluating any findings, following actions taken to remedy deficiencies/anomalies identified, as well as the implementation of corrective measures proposed and adoption of suggested recommendations;

- f) evaluating the adequacy of accounting standards used and their uniformity for preparing the consolidated financial statements, in conjunction with the company financial reporting officer and external auditors;
- g) examining the process for preparing the quarterly and half-year financial reports as well as the annual financial statements, on the basis of the reports by the heads of the relevant function;
- h) evaluating the proposals made by external auditors seeking to obtain appointment, including the amount of remuneration;
- i) overseeing the audit process, reviewing the audit work plans and the findings contained in the audit report and any letter of recommendations;
- j) meeting with the external auditors at least once a year;
- k) examining the reports received by the Board of Statutory Auditors, by the Supervisory Body pursuant to Law 231/01, and by the Regulatory Authorities, to assess the findings and ensure that action is taken to remedy any abnormal situation or shortcomings reported;
- l) where deemed appropriate, requesting the internal audit function to conduct audits on specific operational areas, at the same time informing the Chairman of the Board of Statutory Auditors, the Chairman of the Board of Directors and the Appointed Director;
- m) expressing its opinion on the Corporate Governance Report to the Board of Directors, for the purposes of describing the main features of the internal control and risk management system, and its evaluation on its adequacy;
- n) formulating preliminary opinions (binding, where appropriate) on procedures for the identification and management of transactions with related parties and/or associated persons carried out by the Company as well as on the relevant changes thereof;
- o) formulating preliminary, reasoned opinions, when explicitly required, also in the interest of carrying out transaction with related parties and/or associated persons to be completed by the Bank, and on the appropriateness and fairness of the relative terms and conditions;
- p) in case of material transactions with related parties and/or associated persons, the Committee is involved – if considered necessary by the Committee, through one or more of its members – in the negotiation and the diligence phase by being sent a complete and prompt stream of information, with the right to request information and make observations to the appointed bodies and persons in charge of conducting the negotiations or diligence phases.

5.2 REMUNERATION AND APPOINTMENTS COMMITTEE

The Board of Directors established by resolution of 13 May 2014, an internal remuneration and appointments committee, in accordance with the recommendations contained in Principles 5.P.1 and 6.P.3 of the Corporate Governance Code and making use of the option, provided by the aforementioned Code, to combine the functions of the Appointments Committee and Remuneration

Committee into one committee.

5.2.1 Composition

In accordance with Article 37 of the Market Regulations, the Remuneration and Appointments Committee is composed of three Directors who met the independence requirements set out in Article 3 of the Corporate Governance Code and also Article 148 (3) of the TUF. Furthermore, all members of this Committee have adequate knowledge and experience in finance or remuneration policies.

The members of the Committee shall remain in office for as long as they are members of the Board of Directors, unless a shorter term is decided on at the time of their appointment. They may resign as member of the Committee, without this necessarily entailing resignation from the Board of Directors.

If, for any reason whatsoever, a member no longer holds the position, the Board of Directors will replace the member. The expiry of the new member's term of office coincides with that of the outgoing member. If the Chairman of the Committee ceases to hold office, the Board of Directors will appoint a new Chairman with the decision to appoint the replacement member.

As of the date of this Report, this Committee is composed of Directors Gianluigi Bertolli (Chairman), Mariangela Grosoli and Girolamo Ielo.

5.2.2. Functioning

In compliance with the provisions set forth in Criterion 4.C.1 of the Corporate Governance Code, the composition, functioning, organisation and activities of the Remuneration and Appointments Committee are regulated by the specific section of the Board of Directors' Rules and Regulations.

The Committee shall meet when convened by its Chairman, whenever he/she deems necessary, or upon the request of one of its members.

Committee meetings shall be convened with at least five days notice. The call notice for the meeting, sent by the secretary of the Committee, may be sent by fax or e-mail. In case of an emergency, determined to be so by the Chairman of the Committee, meetings may be convened with one day notice. The Committee meeting shall be valid even without a call notice, provided that all members are present.

Should the Chairman of the Committee so decide, their meetings may be held using telecommunication means, provided that each attendee can be identified by all the other attendees, and that each attendee is able to intervene in real time during discussions, and is able to receive, transmit and view the documents.

The minutes of the Committee meetings shall be transcribed briefly by the Secretary, who need not be a member of the Committee. The minutes contain, amongst other things, the reasons for any disagreements expressed by the Committee members. The Secretary shall retain the minutes of the meeting for consultation by Committee members who did not attend the meeting, as well as Directors and Statutory Auditors.

The Chairman of the Board and the Managing Director of the Company are invited to take part in the meetings on a permanent basis. The Chairman of the Board of

Statutory Auditors shall also be invited to the meetings, and may delegate another Statutory Auditor to attend the meetings.

No Director shall participate in meetings of the Committee in which proposals are reviewed and presented to the Board of Directors relating to his/her remuneration.

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 organisations 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.

In performing its duties, the Remuneration and Appointments Committee may call on corporate functions as well as external consultants at the Company's expense within the budget limits established on an annual basis by the Board of Directors. When using the services of a consultant to obtain information on market standards for remuneration policies, the Committee shall first ensure that there is no risk that the consultant's independence of judgement may be compromised.

The Shareholders' Meeting resolves the annual remuneration for the members and/or an attendance fee for participating in the Audit and Related-Parties Committee.

The Chairman of the Committee shall periodically report to the Board on the Committee's activities. At the Company's annual Shareholders' Meeting, the Committee, or the Board based on the information received, shall report on the remuneration policies, and the Committee (via its Chairman or other member of the Committee) shall report on the exercise of its functions.

5.2.3 Duties and Responsibilities

In line with the recommendations of the Corporate Governance Code, 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 Managing Director - concerning:
 - a) 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);
 - b) the appointment of the Managing Director, the General Manager and other key management personnel;
 - c) the definition of any succession plans for the Managing Director, the General Manager and other key management personnel;
 - d) 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;
 - e) 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 Managing Director, the General Manager, and other key management personnel – also so that the Board is able to prepare the Report on Remuneration to be presented to the Shareholders' Meeting on an annual basis, and to periodically assess the suitability, overall consistency and effective application of the general remuneration policy approved by the Board;
- C. presents proposals to the Board relating to the total remuneration of the Managing Director, the General Manager, and other key management personnel, and for determining criteria for the remuneration of the Company's senior management, including the relevant performance targets related to the variable component of the remuneration;
- 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.

6. REMUNERATION OF DIRECTORS

Article 20 of the Articles of Association after Listing establishes that Directors are entitled to the reimbursement of expenses incurred in carrying out their functions. The Board shall also be entitled to an annual fee, fixed and/or variable, which shall be resolved upon by the Ordinary Shareholders' Meeting and shall remain unchanged until the Meeting subsequently decides otherwise. Remuneration of the Board of Directors, as resolved upon by the Shareholders' Meeting shall be distributed among its members by way of resolution by the Board. The Board of Directors may also, after consulting with the Board of Statutory Auditors, establish the remuneration of the Chairman, Vice Chairman, Managing Director and, in general, the Directors vested with specific responsibilities, pursuant to Article 2389, third paragraph, of the Italian Civil Code

In compliance with the recommendation in Article 6 of the Corporate Governance Code for Listed Companies and with Regulations on remuneration and incentive policies and practices for Banks and Banking Groups issued by the Bank of Italy in March 2011, Article 6 of the Articles of Association after Listing establishes that the Ordinary Shareholders' Meeting approves: (i) the remuneration policies for the members of the Board of Directors, employees and collaborators not linked to the company by an employment contract; (ii) any remuneration plans based on financial instruments ; (iii) the compensation arrangements in the event of early termination of employment or early termination of office, including the fixed limits for such compensation in terms of years of fixed remuneration.

The Articles of Association also allow the Shareholders' Meeting, when approving remuneration policies, and as provided for by the above regulations of the Bank of Italy, to increase the limit of the ratio between variable and fixed remuneration up to a maximum of 2:1 or, if lower, to the maximum permitted by applicable laws in force. The Shareholders' Meeting may exercise this power after ensuring that the conditions and majorities required by the applicable regulations to take decisions are complied with.

The Articles of Association after Listing also establishes that adequate information shall be provided to the Shareholders' Meeting on the implementation of the remuneration policies.

In its resolution of 13 May 2014, the Board of Directors approved the Company's remuneration policies, drawn up in compliance with regulations of the Bank of Italy applicable to banking groups, and with the principles and standards defined at Group level ("**Remuneration policy**").

On 2 June 2014, the Remuneration and Appointments Committee approved the Remuneration Policy, which will be voted on in the Shareholders' Meeting of 5 June 2014.

The Remuneration Policy concerns:

- every employee category, as the Group's Remuneration Policy provides for the centralised and uniform management of remuneration and incentive systems, at

Group level, with specific reference to Group executives (as defined in the Group's Global Job Model);

- persons working for the Company's Network of Financial Advisors, in keeping with remuneration relative to them.

The principles and main contents of the Remuneration Policy are outlined below.

Clear and transparent governance

As regards corporate governance, the Policy contains indications on the role assigned to the Remuneration Committee; the Committee performs its functions from when it is established;

As regards organisational governance, the Policy states that the Parent Company and its key functions, in accordance with the Group model, provide recommendations on the remuneration of Finecobank personnel; the final decision is taken in any case by the relevant body of the Bank. If the final decision differs from Parent Company recommendations, FinecoBank informs the Parent Company.

Compliance

Compliance with regulatory framework requirements also protects and consolidates the Bank's reputation in the short and long term. The Bank's Compliance function, as provided for by Bank of Italy Regulations, is tasked with "monitoring the consistency of the company's incentive system with regulations, the articles of association, as well as codes of ethics or other standards of conduct applicable to the Bank".

Monitoring market practices

At a Group level, the UniCredit Remuneration Committee assisted by an external, independent advisor, analyses benchmarking of the market as regards executives. As established in the Policy, the results of this analysis are made available to FinecoBank. Alternatively, analysis may be conducted by FinecoBank, always with the aid of external, independent advisors.

Sustainability

The Bank adopts an approach of "sustainable remuneration for a sustainable performance".

Sustainability is achieved through reference standards used to establish levels of remuneration and fees (sustainable remuneration) as well as performance and conduct to be encouraged and rewarded (sustainable performance).

Sustainable remuneration is based, inter alia, on a balance of fixed and variable components. The decision taken by the Board on 15 April follows the above principle; on this date the Board presented its proposal to the Shareholders' Meeting to increase the maximum ratio between the variable and fixed component of remuneration to 2:1 or to a different limit, if less, as required by applicable regulations, while maintaining a more conservative approach for company control functions.

Sustainable performance is based, inter alia, on the fact that its measurement is aligned to profitability weighted by risk. To ensure the above is fully effective in

systems adopted by the Bank, the Human Resources function works with the Risk Management function to identify the most appropriate metrics.

Motivation and Loyalty

The adoption of effective remuneration strategies is a key factor in encouraging personnel's commitment, loyalty and achievement of company objectives.

The Policy explains the approaches adopted by the Bank in defining fixed and variable remuneration.

Key personnel

Key personnel are identified, guaranteeing compliance with regulatory requirements, and on the basis of an assessment process at a FinecoBank and Group level, using European-wide qualitative and quantitative criteria (Regulatory Technical Standards issued by the European Banking Authority). In the assessment process for FinecoBank, 9 persons were identified as key personnel.

Variable remuneration

FinecoBank adopts a specific approach for employees' variable remuneration, with:

- a Group Incentive System adopted for executives and key personnel; the guidelines of this system, which complies with the principles in the policy for preparing incentive systems, were approved by the Board in the meeting of 15 April 2014;
- an incentive system for other employees, in which annual bonuses are adopted on a discretionary basis, in line with the process assessing individual performance;
- long-term loyalty plans approved at the time of the application for the Company to be listed on Borsa Italiana and subject to the relative outcome. The guidelines of these Plans were approved by the Board in the meeting of 15 April.

The Policy also describes remuneration for Financial Advisors which is variable, because the Advisors have freelance employment contracts. In this regard, remuneration comprises recurrent and non-recurrent components, set beforehand by the Company.

The Policy also explains cases when legal requirements in force are applied as regards the network of financial advisors and in particular:

- correction mechanisms, ex ante
- claw-back clauses
- mechanisms to determine incentives adopted to take account of operating risk, legal risk and reputational risk and to promote compliance with laws and customer protection
- identification of Key Personnel.

The Policy also establishes that the remuneration system for financial advisors may be revised and updated based on new Regulations issued by the Bank of Italy.

7. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

On 17 December 2013, the Board of Directors of the Company approved the “*Global Policy for the management of transactions with entities in conflict of interest*” (Related Parties as defined by Consob, Associated Persons as defined by the Bank of Italy and Banks Corporate Officers as defined by Article 136 of the TUB” (“**Global Policy**”) issued by the Parent Company UniCredit as part of its activities to manage and coordinate subsidiaries. The Global Policy systematically defines the principles and rules to observe to monitor risk arising from situations of potential conflict of interest and implements applicable laws and regulations, and specifically provisions of the Related-Parties Regulations, the Bank of Italy Circular and Article 136 of the TUB (“**Applicable Regulations**”).

On 27 January 2014, the Board of Directors of the Issuer approved the “*UniCredit Global Operational Instructions for the management of transactions with persons in conflict of interest*” that define the operating procedures to adopt to implement the principles and rules established in the Global Policy.

On 15 May 2014, the Board of Directors approved the adoption of procedures to manage transactions with related parties and associated persons (“**New Procedures for Related Parties and Associated Persons**” or “**New Procedures**”), to replace existing procedures to manage risky activities and conflicts of interest with associated persons (adopted by the Issuer in compliance with regulations issued by the Bank of Italy in 2011).

The New Procedures for Related Parties and Associated Persons were previously reviewed and approved by the Audit and Related Parties Committee.

The New Procedures for Related Parties and Associated Persons address governance issues, the scope of the procedures and the procedural and organisational profiles relative to managing transactions with related parties, associated persons and corporate officers pursuant to Applicable Regulations, as regards the operations of the Issuer.

The Procedures cover the following:

- the identification, updating and ongoing monitoring of persons in conflict of interest (previously identified);
- the management of transactions with persons in conflict of interest, with reference to, among others:
 - identification of transactions (including exemptions and exclusions);
 - management of the deliberative process;
 - reporting and transparency obligations to company bodies, the Supervisory Authorities and the market.

They also define:

- procedures for activities to manage transactions with persons in conflict of interest;
- organisational structures involved and their relative role;

- internal and external information flows;
- monitoring and control activities;
- methods for updating the procedures.

The New Procedures, in line with the Global Policy, are adopted for transactions undertaken by Fineco with parties in the "**Combined Perimeter**" which means the Related Parties and Associated Persons of UniCredit ("*UniCredit Perimeter*"), of Fineco ("*FinecoBank Perimeter*") and of other Banks and Intermediaries supervised by UniCredit ("*Banks and Supervised Intermediaries Perimeter*") combined.

The FinecoBank perimeter includes persons defined as "*Consob Related Parties*", pursuant to the Related-Parties Regulations, and "*Associated Persons*", or Related Parties identified as such pursuant to the Bank of Italy Circular, as well as persons connected to them, in addition to persons who are included in the Perimeter on a voluntary and discretionary basis and not on the basis of the current regulations.

In particular, the New Procedures identify the following as members of the FinecoBank Perimeter:

FinecoBank's CONSOB Related Parties

- 1) The persons who directly or indirectly, including through subsidiaries, trusts or intermediaries:
 - a) control FinecoBank, are controlled by it, or are subject to joint control;
 - b) holds an interest in the share capital of FinecoBank such that it is able to exert significant influence over it;
 - c) exercises joint control over FinecoBank with others;
- 2) Associates of FinecoBank;
- 3) Joint ventures in which FinecoBank is a venturer;
- 4) Key management personnel with strategic responsibilities for FinecoBank or its parent (including executive/non-executive directors and standing/alternate statutory auditors).
- 5) Close family members of one of the parties referred to in points (1) to (4);
- 6) Legal Entities in which one of the parties referred to in letters (4) or (5) exercises control, joint control or significant influence or holds, either directly or indirectly, a significant proportion, and in any case not less than 20%, of voting rights;
- 7) The supplementary pension funds (collective or individual; Italian or non-Italian) established or promoted by UniCredit, as well as the funds that UniCredit can influence.

FinecoBank Associated Persons

A) *FinecoBank's Bank of Italy Related Parties*

- 1) FinecoBank Corporate Officers

- 2) The shareholders of FinecoBank (i.e. the parties who have to obtain Bank of Italy authorisation to hold the capital of banks, pursuant to Article 19 et seq. of Legislative Decree 385/1993.
 - 3) Parties other than shareholders who are able to appoint, by themselves, one or more members of the management or strategic supervision bodies of the FinecoBank, including on the basis of agreements, however stipulated, or clauses in the bylaws that explicitly or effectively cover the use of such rights or powers.
 - 4) Companies or businesses, even if not incorporated as a company, over which FinecoBank can exercise control or significant influence.
- B) *Connected Persons of FinecoBank's Bank of Italy Related Parties*
- 5) The companies or businesses, even if not incorporated as companies, that are controlled from a related party listed under points (1) to (4).
 - 6) The parties that control a related party as indicated in numbers (2) and (3) or the parties subject, either directly or indirectly, to common control with the same related party.
 - 7) The close relatives of a related party (from 1 to 4) and the companies or businesses they control.

Parties voluntarily included

The Procedures also identify some categories of persons included in the Perimeter on a voluntary and discretionary basis and not on the basis of the current regulations, and specifically:

- parties who directly or indirectly, also through subsidiaries, trusts or intermediaries, hold more than 2% of the share capital of FinecoBank, represented by shares with voting rights, as well as the parties they directly or indirectly control and their close relatives.
- parties who between them have entered into an agreement, drawn up in whatever form and made public in accordance with the law, for the joint exercise of voting rights at FinecoBank Shareholders' Meeting in excess of 2% of the share capital, as well as the parties they directly or indirectly control and their close relatives.
- The key management personnel of FinecoBank (other than Directors and Statutory Auditors), as well as their close relatives and the companies controlled by them and the Legal Entities/Companies, even if not incorporated as companies, where they exercise control, joint control or significant influence or where they directly or indirectly hold a significant stake, in all cases understood to be no less than 20% of voting rights.

For information on persons included in the UniCredit Perimeter and Banks and Supervised Intermediaries Perimeter, reference is made to pages 17 - 19 of the Procedures.

In identifying "*Transactions with the members of the Combined Perimeter*" (meaning transactions with members of this Perimeter, as previously defined, involving the undertaking of risky activities, transfer of resources, services or obligations, regardless of any agreement of a consideration), the Issuer adopts a

criterion of materiality that is not limited to the formal legal classification of transactions.

In compliance with Related-Parties Regulations, the New Procedures identify, as regards the materiality threshold, material transactions, non-material transactions and minor transactions.

Material transactions are identified as those transactions where at least one of the materiality indicators in the Related-Parties Regulations, also indicated in the New Procedures, applicable depending on the specific transaction, is higher than 5% of Fineco's regulatory capital (the materiality threshold falls to 2.5% for transactions with UniCredit or with persons related to it that are in turn related to the Company ("**Material Transactions**");

Non-material transactions ("**Non-Material Transactions**") are identified on a residual basis as transactions other than Material Transactions, and transactions for a small amount meaning ordinary transactions in market conditions, of a value below €250,000 or equivalent value in another currency ("**Minor Transactions**").

The New Procedures also exclude some categories of transactions, in compliance with the Related-Parties Regulations. In particular, ordinary transactions (Non-Material Transactions of an ordinary nature undertaken at market conditions), and Minor Transactions are excluded.

For the purposes of the above exclusions, transactions are classified as ordinary if the two criteria below are met: (i) the transaction can be attributed to operations, or alternatively to financial activities connected to said operations and (ii) is part of the ordinary performance of operations of the company or of related financial activities. Market/standard conditions exist in general, when in line with those: (i) adopted by counterparties that are not members of the Combined Perimeter with reference to transactions that have the same characteristics in terms of size, nature, type, riskiness, etc.; (ii) that may be assumed from manuals, price lists, goods' category tables, framework agreements and similar or applied based on conditions defined and required by law; (iii) used in similar transactions by "comparables".

The following are excluded from the provisions: (i) transactions to be performed on the basis of instructions for the purposes of stability issued by the Supervisory Authorities, or on the basis of instructions issued by UniCredit in accordance with instructions issued by the Supervisory Authority in the interests of the stability of the UniCredit group; (ii) remuneration plans based on financial instruments, provided they are approved by the Shareholders' Meeting pursuant to Article 114-*bis* of the TUF and relative implementing operations; (iii) resolutions of Shareholders' Meetings concerning remuneration for the members of the Board of Directors pursuant to Article 2389, paragraph 1 of the Italian Civil Code and to Statutory Auditors, as well as resolutions on the remuneration of directors with particular functions, which come under the total remuneration previously decided by the Shareholders' Meeting pursuant to Article 2389, paragraph 3 of the Italian Civil Code.

The New Procedures establish approval processes that differ depending on whether transactions are Material Transactions or non-ordinary Non-Material Transactions, and involve the decision-making bodies of the Issuer, the Audit and Related Parties Committee of Fineco, as well as the Related-Parties and Investments in Equity

Committee of UniCredit in some cases.

In particular, Material Transactions are approved by the Board of Directors of the Company, or for matters in its remit by the Shareholders' Meeting, with prior approval from the Audit and Related Parties Committee of the Company. In this regard, FinecoBank, with a cautionary approach, has established that any negative opinion from the Audit and Related Parties Committee will stop the approval process, so that decisions may be examined by the Board of Statutory Auditors; according to applicable law, the Board may defer Material Transactions when independent directors have given a negative or conditional opinion.

Due to their nature, the procedure established in the Global Policy also applies to Material Transactions, with a non-binding opinion from the Related-Parties and Investments in Equity Committee of UniCredit required. A negative opinion from the Related-Parties and Investments in Equity Committee and from the Board of Directors of UniCredit (as applicable) does not have any binding effect on the Board of Directors of FinecoBank, that in any case shall receive a favourable opinion from the Audit and Related Parties Committee of FinecoBank, save for the report on the decision providing sufficient reasons for approval of the transaction despite the negative opinion of the Related-Parties and Investments in Equity Committee and/or Board of Directors of UniCredit.

Non-ordinary Non-Material transactions undertaken by the Company are approved by the Board of Directors, subject to a non-binding opinion from the relevant body/function of UniCredit (as established in compliance with applicable Group regulations) and the non-binding opinion of the Audit and Related Parties Committee of the Company and the Related-Parties and Investments in Equity Committee of UniCredit.

The above deliberative procedures are not adopted for ordinary Non-Material Transactions (defined as such in compliance with specific criteria); instead the elements proving the ordinary nature of the transaction must be indicated, and information flows of at least an aggregate nature that allow for adequate monitoring of the type of transaction must be prepared on a quarterly basis.

The New Procedures for Related Parties and Associated Persons require transactions undertaken by Fineco with persons that have administration, management and control functions relative to Fineco or with persons referable to them to be assessed and approved pursuant to Article 136 of the TUB (thus incorporating the procedures in the Related-Parties Regulations and Bank of Italy Circular). These transactions therefore: (i) require approval from the Board of Directors with the unanimous consent of those present entitled to vote and from all members of the Board of Statutory Auditors (if the auditors are not present, approval is subsequently obtained from them); (ii) do not require approval from the Audit and Related Parties Committee; instead the reasons why it is in the interest of the Company to perform the transaction as well as the economic benefits and material fairness of relative conditions must be recorded in the approval report, and the Audit and Related Parties Committee must be given, by the FinecoBank Oversight Unit, and before decisions are taken by relevant bodies, prompt and complete information on the transaction according to procedures established for Material Transactions and Non-Material Transactions, without prejudice to Article 5 of the Related-Parties Regulations on market disclosure obligations.

The operating process described in the Procedures involves:

- The FinecoBank Oversight Unit, or Corporate Affairs Team given responsibility for coordinating and monitoring transactions with related parties and associated persons pursuant to Consob Regulations and the Bank of Italy Circular, acting also as "Local Contact Point" for the Central Oversight Unit of the Parent Company, as required by the UniCredit Global Policy;
- The Compliance Officer, as Secretary of the Audit and Related Parties Committee, is tasked with assisting the Committee and Board of Statutory Auditors in activities to manage relative operations;
- The Owner of the transactions, or the FinecoBank unit proposing the transaction that is responsible for starting the operative process whenever the counterparty is a member of the Combined Perimeter;
- The CRO, tasked with (i) identifying relations among counterparties and between counterparties and the Group, on the basis of which a counterparty may be classified as a Related or Connected Party; (ii) assessing lending transactions relative to conditions applied, and analysing information from the proposing unit, also preparing, where applicable, information flows which the FinecoBank Oversight Unit forwards to the Committee; (iii) measuring risks, including market risk, underlying relations with associated persons, ensuring compliance with limits assigned to different structures and operating units and verifying the consistency of their operations with the risk appetite levels defined in internal policies;
- Central Oversight Unit of the Parent Company for activities defined by the UniCredit Global Policy.

As regards Transactions with the members of the Combined Perimeter, the Procedures require specific information flows to:

- the Board of Directors and Board of Statutory Auditors
- the Audit and Related Parties Committee
- the Compliance Manager Department
- the CFO
- the Parent Company Central Oversight Unit

The full text of the New Procedures, to which reference is made for further details, will be available on the Issuer's website, www.fineco.it as from the Listing Date.

8. INTERNAL CONTROL SYSTEM

The internal control system is a fundamental part of the overall governance system of banks. It has a central role in the organisation and ensures the effective monitoring of risk, so as to guarantee that operations are in line with company strategies and policies and based on principles of sound and prudent management.

A efficient and effective internal control system forms the basis for creating value in the medium and long term, for safeguarding the quality of operations and for a correct perception of risk and appropriate allocation of capital.

The Company's internal control system is based on the principles of the Corporate Governance Code for Listed Companies, applicable regulations and best practices, and:

- concerns control function and positions, involving within their area of responsibility, the Board of Directors, the Audit and Related-Parties Committee, the Internal Control System and Risk Management System Director, the Board of Statutory Auditors, as well as company functions with specific internal control duties
- establishes procedures for entities involved in the internal control and risk management system to work together.

On 15 April 2014, the Board of Directors, in compliance with Stock Exchange Regulations and relative Instructions, approved the Memorandum describing the management control system adopted by FinecoBank and certified that the Company had adopted a management control system that could promptly and periodically give managers sufficiently in-depth information on the economic and financial situation of the company and main group subsidiaries, and provided for the following: (i) the monitoring of main key performance indicators and risk factors of companies and main group subsidiaries; (ii) the production of data and information with particular reference to financial information, according to analysis profiles that are adequate for the type of business, organisational complexity and specific information needs of management; (iii) the processing of forward-looking financial data for the industrial plan and budget, as well as the monitoring of company objectives being achieved, based on deviation analysis.

8.1. BODIES AND FUNCTIONS

8.1.1 Board of Directors and Audit and Related-Parties Committee

The guidelines of the internal control and risk management system (the “**Internal Control and Risk System**”) are established by the Board of Directors. Accordingly, the Board ensures that the main risks to which the Bank is exposed are adequately identified, measured, managed and monitored.

In this context, the Board of Directors revises and updates the Risk Appetite Framework on an annual basis, and in line with schedules for the budget process and definition of the financial plan, in order to guarantee a business development

that has a correct risk profile and complies with national and international regulations.

During 2014, the Board approved the "Pillar 2-Group Risk Appetite Framework" Global Policy and new "2014 Fineco Risk Appetite" (replacing the same document for 2013), which sets out the risk profile in relation to three areas (capital adequacy, profitability and risk, funding and liquidity), defining reference metrics for each one.

The definition process, revised from the previous version, is structured so as to guarantee consistency with the budget, while KPIs (Key Performance Indicators) were revised to include simple, comprehensible metrics.

The Risk Appetite Framework of FinecoBank not only includes the list of relevant metrics, but also the targets, triggers and reference limits: i) targets represent the extent of risk the Bank is prepared to undertake to achieve its budget objectives and defines the constraints for development of the business, ii) triggers represent alarm thresholds which activate the analysis of possible mitigation actions and require reporting to the CEO; iii) limits are the values that must not be exceeded; if exceeded, the Board of Directors must be informed.

As regards competencies, the Board of Directors' Rules and Regulations establish that the Board is responsible for the Internal Control and Risk System, and provides guidelines for and assesses the adequacy of the system; from its members the Board appoints:

- the director for establishing and maintaining an effective internal control and risk management system (the "Internal Control and Risk Management System Director"); an Audit and Related-Parties Committee (hereinafter also abbreviated to the "**Audit Committee**") consisting entirely of independent directors. This Committee assists the Board of Directors, based on adequate preliminary activities, in its assessments and decisions concerning the internal control and risk management system, as well as the approval of periodical financial reports.

- The Board of Directors, with the prior approval of the Audit Committee:

establishes the guidelines of the Internal Control and Risk System, assesses, at least annually, the system's adequacy in relation to the business and risk profile undertaken, as well as its effectiveness, assigning the Internal Control and Risk Management System Director to establish and maintain an effective Internal Control and Risk System;

- a. appoints, after consulting with the Board of Statutory Auditors, an Internal Audit Manager (the "**Head of Internal Audit**"), who ensures that the Internal Control and Risk system is functioning and adequate and that internal audit activities are carried out independently and in such a way as to guarantee their effectiveness and efficiency;
- b. approves, at least annually, the work plan prepared by the Head of Internal Audit, after consulting with the Board of Statutory Auditors and obtaining approval from the Audit Committee and Director;

- c. assesses, after consulting with the Board of Statutory Auditors, the results of the external auditors in the opinion letter and report on fundamental issues identified during auditing.
- d. The Board of Directors assesses, among others and at least annually, the adequacy, functioning and effectiveness of the Internal Control and Risk System, assisted by the Audit Committee, based on :

reports from the Managers of: the Compliance function, the Risk Management function and Internal Audit function;

- reporting from the Financial Reporting Officer on the proper use of accounting standards and their consistency for preparing consolidated financial statements;
- all useful information on the monitoring of overall company risk which is provided by relevant units and/or the External Auditors.
- The Board globally monitors main company risks, assisted by the Audit Committee (see Section 5.1 above).

The Board of Directors also determines the objectives and strategies to guarantee the operating continuity of the service, ensuring adequate resources to achieve established objectives. It approves the operating continuity plan and subsequent amendments, accepting residual risks not managed by the operating continuity plan.

It is informed, at least annually, of the results of controls on the plan's adequacy and on operating continuity measures. It appoints an operating continuity plan manager.

With specific reference to non-compliance risk¹, the Board of Directors, after consulting with the Board of Statutory Auditors, approves risk management policies, evaluates, at least once a year and with the technical support of the Audit Committee, the adequacy of the organisational unit, the quality and amount of resources of the Compliance function and analyses periodic reports on its controls on non-compliance risk management.

The Board of Directors also defines the Lending Strategies which, in the framework of Basel Tier Two, are an effective means of risk governance to ensure consistency between budget objectives and the Risk Appetite Framework.

8.1.2 Internal Control and Risk System Director

To comply with the recommendation in Principle 7.P.3 of the Corporate Governance Code for Listed Companies, and with Regulations on the Prudential Supervision of Banks issued by the Bank of Italy, the Managing Director and General Manager Mr Alessandro Foti has been appointed Internal Control and Risk System Director.

¹ *Non-compliance risk* may be defined as the risk of incurring legal or administrative sanctions, financial losses or sustaining reputational damage, as a result of non-compliance with financial and banking laws, regulations, codes of conduct and good practices.

As part of the internal control system, the Managing Director and General Manager, acting as Internal Control and Risk System Director, is tasked with and is responsible for the following:

identifying main company risks, to be examined by the Board of Directors;

- i. defining the means and methods for implementing the control and risk system, using guidelines from the Board of Directors, undertaking the design, management and monitoring of the internal control and risk management system, establishing operating limits for different types of risk and facilitating the development and dissemination of a culture of risk, assisted by relevant functions;
- ii. ensuring the overall adequacy of the Control and Risk System, its actual functioning, amendments to take into account changes in operating conditions and the legal and regulatory framework;
- iii. establishing and overseeing the implementation of process to approve investments in new products, the distribution of new products or services or start of new activities or entry on new markets, or the implementation of processes and methods to evaluate company operations, in particular financial instruments, overseeing ongoing updates;
- iv. defining and overseeing the implementation of company policy on the outsourcing of company functions;
- v. defining internal information flows to ensure that company control bodies are fully aware of and can govern risk factors and compliance with the Risk Appetite Framework;
- vi. authorising, within the Risk Appetite Framework and where a tolerance threshold has been defined, the risk appetite being exceeded - within the tolerance threshold limit, reporting to the Board of Directors and identifying the management actions necessary to return the risk to within the established limit;
- vii. implementing follow-up measures for the control and risk system after controls have been carried out, adopting necessary corrective measures or actions if inefficiencies or anomalies are identified, or after the introduction of new products, activities, services or processes that are significant;
- viii. submitting proposals to the Chairman of the Board of Directors to appoint or remove from office the Head of Internal Audit, ensuring that the Manager has adequate resources to carry out his/her responsibilities;
- ix. promoting the development, periodic control of the operating continuity plan and its updating, approving the annual plan to control operating continuity measures and examining results of tests documented in a written form.
- x. The Managing Director and General Manager implements the ICAAP (Internal Capital Adequacy Assessment Process), ensuring it conforms to the strategic guidelines and RAF and meets the following requirements: it considers all relevant risks; it includes forward-looking valuations; it uses appropriate methodologies; it is distributed to internal units; it is adequately formalised and documented; it identifies the roles and responsibilities assigned to company functions and units; it is managed by an adequate number of competent resources, in a hierarchical position appropriate for complying with planning; it is an integral part of management activities;

As regards credit and counterparty risk in particular, the Managing Director and General Manager, in line with strategic guidelines, approves specific guidance to guarantee the effectiveness of the system to manage risk mitigation techniques and compliance with the general and specific requirements of these techniques.

With specific reference to internal risk measurement systems to define capital requirements, the Managing Director and General Manager has the following duties:

responsibility for the structure and functioning of the selected system; to perform this duty, members shall have an adequate knowledge of relevant aspects;

- issuing instructions so that the selected system is developed based on identified guidelines, assigning duties and responsibilities to company functions and ensuring the formalisation and documentation of risk management process stages;
- ensuring that risk measurement systems are part of decision-making processes and use tests;
- considering observations made following the validation process and internal audits.

With regard to non-compliance risk in particular, they ensure the effective management of this risk, also establishing suitable policies and procedures for compliance for with the applicable regulations to be adhered to within the Bank, verifying, in cases of violations, whether the appropriate remedies have been implementing and establishing the reporting flows aimed at ensuring that the Bank's corporate bodies are fully informed about the for the management of non-compliance risk. Assisted by the Compliance function, the Managing Director and General Manager identifies and evaluates at least once a year, the main non-compliance risks to which the Bank is exposed, and plans relative management measures, as well as reporting at least once a year to the Board of Directors on the adequacy of non-compliance risk management.

Pursuant to the Board of Directors' Rules and Regulations, the Managing Director and General Manager promptly reports to the Audit Committee (or Board of Directors) on problems and critical aspects identified or notified while carrying out his/her activities, also reporting to the Chairman of the Board of Directors, so that the Audit Committee (or Board of Directors) may take appropriate measures.

The Managing Director and General Manager takes part in meetings of the Risk Committee, *which is an internal committee with advisory functions concerning strategic guidelines and policies referred to any type of risk.*

8.1.3 The Board of Statutory Auditors

The Board of Statutory Auditors of FinecoBank monitor the effectiveness, completeness, adequacy, functioning and reliability of the internal control and risk management system, and of the Risk Appetite Framework, in line with requirements of the Corporate Governance Code for Listed Companies and New Regulations for the Prudential Supervision of Banks, Circular no. 26 of 27 December 2006 – 15th edition of 2 July 2013.

It also monitors compliance with the Internal Capital Adequacy Assessment Process (ICAAP) and the completeness, adequacy, functioning and reliability of the operating continuity plan.

With specific reference to the possibility of the Board of Statutory Auditors to undertake Supervisory Body functions pursuant to Legislative Decree 231/2001, the Company considered it appropriate to assign these functions to a specifically established Body (see Section 8.4 below).

The Board of Statutory Auditors establishes appropriate working relations with the Audit Committee to carry out joint activities, in compliance with individual areas of responsibility.

To carry out its duties, the Board of Statutory Auditors receives adequate information flows from other company bodies and control functions.

8.1.4 Control functions

FinecoBank's internal control system is based on four types of controls:

(i) level one controls ("line controls"): these are controls relative to individual activities and are carried out according to specific operational procedures based on a specific internal regulation. "Process supervisors" monitor and continually update these processes, establishing appropriate controls to ensure the proper performance of daily activities by personnel concerned, as well as compliance with delegated powers. Formalised processes concern units that have contacts with customers and Company units that are exclusively internal;

(ii) level two controls: these are controls related to daily operations connected with the process to measure quantifiable risks and are carried out by units other than operating units, on an ongoing basis. the Risk Management function controls market, credit and operational risks, as regards compliance with limits assigned to operating functions and the consistency of operations of individual production areas with established risk/yield objectives; the Compliance function controls non-compliance risks;

(iii) level three controls: these controls are typical of internal auditing, based on analysis of information obtained from databases or company reports, as well as on-site controls. The purpose of these controls is to check the functioning of the overall internal control system and identify any anomalous trends, or infringements of procedures or regulations. These controls are assigned to the Internal Audit function, which operates at a central level, at UniCredit, based on a specific service agreement;

(iv) institutional supervisory controls: these refer to controls by Company bodies, including in particular the Board of Statutory Auditors and Supervisory Body pursuant to Legislative Decree no. 231 of 8 June 2001.

The Internal Audit Function

The Internal Audit function, pursuant to supervisory regulations for banks, is independent of other company functions and reports on its activities directly to the Board of Directors (also through the Audit Committee) and to the Board of Statutory Auditors on a quarterly basis; it also attends Audit Committee meetings, which are usually held monthly. As already indicated, FinecoBank's Internal Audit function is outsourced to UniCredit based on a specific service agreement which governs procedures for performing activities.

The purpose of audits is to provide an independent assessment of the adequacy and functionality of the Bank's internal control systems (line or operating controls,

or risk management controls), by evaluating the efficiency and effectiveness of information systems, organisational processes and company procedures, as well as the models and mechanisms for controlling and managing risks, including compliance risk.

The methodology used is based on the following main stages: (i) definition of the "Audit Universe", i.e. organisational and process analysis to identify elements involved in audit activities; (ii) risk assessment, i.e. identifying, assessing and measuring risks to which elements of the "Audit Universe" are exposed; (iii) definition of the annual and long-term audit plan, which establishes the objectives, types and frequency of audits and resources to use based on risk assessment results. Planning for the Financial Advisors Network is based on a combined assessment using a risk-based approach while also considering the frequency of audits.

Audits of Bank processes and the financial advisors network may be conducted: (i) remotely - mainly using electronic data extractors, to identify potential risks situations that may require further investigation in situ; (ii) in situ - with audits at the offices and organisational units of the Company, using conventional audit techniques such as document control, interviews and sampling; and (iii) with particular investigations referred to individual behaviour or types of operations.

After completing audits and based on findings, the Internal Audit function makes suggestions to relevant company structures. It also informs other company control functions of any inefficiencies, weaknesses and irregularities identified during audits of specific areas or matters within their remit. Actions to remedy identified anomalies and inefficiencies are monitored by a systematic audit tracking process, and if particular risk situations and/or weaknesses in the internal control system are noted, by specific follow up.

The Internal Audit Function Manager

The Company has outsourced the Internal Audit function to UniCredit, on the basis of a service agreement signed on 13 March 2008. Under this agreement, the Chief Audit Executive manages the agreement and this position is assigned to the Company's Internal Audit Manager, with the same duties and responsibilities as those in Application Criterion 7.C.5 of the Corporate Governance Code for Listed Companies.

In particular, the agreement gives the Chief Audit Executive the task of assessing the Bank's Internal Control and Risk System on an ongoing basis, making observations, proposals and suggestions and providing advice, in order to contribute to improving the effectiveness and efficiency of the system and correcting relative vulnerability factors. The Chief Audit Executive also assists Company bodies in planning audit activities.

Moreover, under the agreement, FinecoBank's Board of Statutory Auditors may request the Chief Audit Executive to report in full on activities carried out. The Chief Audit Executive shall also report to the Board of Statutory Auditors and Audit Committee, at least quarterly, on activities carried out in the period.

On 13 May 2014, the Board of Directors of the Company, acknowledging that the position of Chief Audit Executive pursuant to the agreement, is currently held by Mr Alessandro Carè, and ahead of the Listing of the Company and as part of

resolutions to adjust its corporate governance system to the Corporate Governance Code for Listed Companies, confirmed Mr Alessandro Carè as Internal Audit Manager of FinecoBank, pursuant to Article 7 of the Code.

The Internal Audit Manager, in compliance with Application Criterion 7.C.5 of the Corporate Governance Code for Listed Companies, is not responsible for any operating area and does not report hierarchically to any operating area manager. He also has direct access to all information useful for carrying out his duties.

The Risk Management function

The Risk Management function prevents and monitors different components of Bank risks. In particular the Risk Management Function controls credit, market and operational risk to which the Bank is exposed. Risk Management also involves monitoring business, reputational and liquidity risk.

The risk control function: (i) is involved in defining the RAF, risk governance policies and various stages comprising the risk management process, as well as establishing operating limits for various types of risk. In this context, it proposes quantitative and qualitative parameters necessary to define the RA, which refer to stress scenarios and, in the case of changes the bank's internal and external operating context, modifications to these parameters; (ii) checks the adequacy of the RAF and on an ongoing basis the adequacy of the risk management process and operating limits; (iii) is responsible for developing, validating and maintaining the independence of risk measurement and control systems in order to report periodically to Control Bodies, the Board of Directors and the Parent Company; (iv) it defines the metrics to use to assess operational risk in line with the RAF, coordinating with the compliance function, ICT function and operating continuity function; (v) defines procedures for assessing and controlling reputational risk, coordinating with the compliance function and with company functions that are most exposed; (vi) assists company bodies in assessing strategic risk, monitoring significant variables; (vii) ensures the consistency of risk control and measurement systems with processes and methodologies to assess company activities, coordinating with company units concerned; (viii) develops and adopts indicators that can identify anomalies and inefficiencies in risk control and measurement systems; (ix) analyses the risks of new products and services and risks from entering new operating and market segments; (x) gives prior opinions on the consistency of material transactions with the RAF, and obtains the opinion of other functions involved in the risk management process, depending on the nature of the transaction; (xi) monitors actual risk undertaken by the bank, on an ongoing basis, and consistency with risk objectives, as well as compliance with operating limits assigned to operating units in relation to the undertaking of different types of risk; (xii) checks that monitoring of single exposures is correctly carried out; (xiii) checks the adequacy and effectiveness of measures taken to remedy inefficiencies identified in the risk management process.

The Risk Management function also develops the ICAAP - Internal Capital Adequacy Assessment Process - in compliance with Basel II requirements, updates to Basel III requirements and indications from the Parent Company UniCredit.

The function also carries out monitoring and reports to company bodies (Managing Director and General Manager, Board of Directors, Audit Committee and Board of Statutory Auditors) and to the Risk Committee.

Reporting to corporate bodies consists of the quarterly report on the Bank's risk exposure; specific reporting is also prepared for the Risk Committee, with operating information in relation to key risk indicator performance and consequent corrective measures.

The Compliance Function

The Compliance function monitors non-compliance risk management² with a risk-based approach, referring to all company operations and ensuring that internal procedures are appropriate for preventing this type of risk.

The Compliance function assists/supports Management and Company employees in managing non-compliance risk and monitoring the correct performance of business operations so as to ensure compliance with current regulations, internal procedures and applicable best practices.

For an effective management of non-compliance risk, the Company shall have a Compliance function. This function must be independent, with a sufficient number and quality of human and technical resources for duties to perform, and may deal freely with Senior Management and company bodies; it shall have access to all resources and company information and may report any matter directly to higher hierarchical levels.

The role and requirements of the Compliance function are regulated in specific Global Rules issued by UniCredit and implemented by the Company.

Compliance activities at Fineco are based on the Group model which centralises activities at the Parent Company, through a specific outsourcing agreement, and establishes a Compliance Officer Unit at the Company, to implement methodologies to assess and monitor non-compliance risk.

The main duties of the non-compliance function are as follows:

assisting company units in defining non-compliance risk assessment methodologies;

- o identifying, and as necessary requesting the implementation, of suitable procedures - to prevent the risk identified; checking the adequacy and correct implementation of the procedures;
- o identifying, on a continual basis, laws applicable to banks and measuring/assessing their impact on company processes and procedures;
- o proposing organisational and procedural changes to ensure adequate monitoring of the non-compliance risks that are identified;
- o preparing information flows for company bodies and units involved (e.g. management of operational risk and internal audits);
- o checking the effectiveness of organisational changes (to units processes and procedures, also operational and business) suggested to prevent non-compliance risk.
- o

² Non-compliance risk may be defined as the risk of incurring legal or administrative sanctions, financial losses or sustaining reputational damage, as a result of non-compliance with financial and banking laws, regulations, codes of conduct and good practices.

The Compliance function manages non-compliance risk through the following activities:

- (i) analysis of and advice on laws, regulations, codes, practices, products, business lines, and geographic monitoring, existing, proposed or to be developed, including the implementation of organisational units;
- (ii) communication concerning: (i) the issue of guidelines, procedures, memos, notes and opinions; (ii) updates and training for employees on compliance, also through specific training services; (iii) the promotion of a company culture that fosters compliance with standards, regulations and internal procedures;
- (iii) monitoring, surveillance and reporting, with second level controls to identify compliance risks ("Compliance Risk Assessment"), classify these risks, remotely track them, monitor identified criticalities as well as start escalation procedures to remedy them and provide advice/information and reporting for corporate bodies concerning this risk; and
- (iv) interaction with the Supervisory Authorities, in the area of its responsibility, with involvement in requests, inspections, self-evaluations and consultations started by the Supervisory Authorities, as well fostering relations with them.

The function is directly responsible for non-compliance risk management in the case of regulations that are more significant as regards non-compliance risk, i.e. on banking and intermediation, the management of conflicts of interest, transparency in customer relations and, more in general, on consumer protection and regulations for which strategic oversight at the bank is not already provided for.

With reference to other regulations for which specific types of strategic oversight (e.g. occupational safety, tax laws, etc...) are provided, the bank, based on an assessment of the adequacy of specialist controls for managing non-compliance risk profiles, has ranked the duties of the Compliance function, which in any case is responsible, in conjunction with specialist appointed functions, for defining non-compliance risk assessment methodologies and identifying relative procedures, and verifying the adequacy of procedures for preventing non-compliance risk.

Save for the responsibilities of the Compliance function to carry out duties required by specific regulations (e.g. on remuneration and incentive policies and practices, the transparency of transactions and relations between intermediaries and clients and of Risk activities and conflicts of interest with Associated Persons), other duties concern:

- o involvement in assessing compliance with applicable regulations for all innovative projects (including transactions for new products or services), which the banks intends implementing, as well as in the prevention and management of conflicts of interest concerning bank operations, with reference to both employees and corporate officers;
- o advice and assistance for company bodies concerning all issues in which non-compliance risk is significant, as well as assisting with personnel training on applicable regulations, in order to disseminate a company culture based on principles of honesty, fairness and compliance with regulations.

With the aim of extending the Compliance function's responsibility to cover all regulatory areas which are significant for Bank transactions, the following coverage model has been adopted:

- *direct coverage* of the most significant regulatory areas (banking and intermediation, management of conflicts of interest, transparency in customer relations and, more in general, consumer protection), and of areas not covered by any specialist oversight function;
- *indirect coverage* of areas in which specialist oversight already exists.

Application of the *indirect coverage* model requires:

- the specialist unit to adopt the risk assessment methodologies and second level controls defined by the Compliance function;
- the Compliance function ensures the units operate in compliance with the methodologies and procedures provided.

In performing its duties, the Compliance function has access to all bank operations, both central and peripheral, and to all information considered significant in this regard, also through direct interviews with personnel.

An anti-money laundering service has been established within the Compliance Officer Unit, to manage the correct application of regulations on anti-money laundering and combating the financing of terrorism.

8.1.5 Financial Reporting Officer

As established by Article 28 of the Articles of Association after Listing and subject to the mandatory opinion of the Board of Statutory Auditors, the Board of Directors appoints the Officer responsible for preparing the financial reports (the **Financial Reporting Officer**), who is given the powers in Article 154-bis of the TUF.

The above article also establishes that the Financial Reporting Officer is selected by the Board of Directors from Company executives with an appropriate professional profile, i.e. with specific expertise, in administrative and accounting terms, of lending, finance, securities or insurance. This expertise, verified by the Board of Directors, shall be gained from professional experience in a position of adequate responsibility for a suitable period of time and in like-for-like companies. The Financial Reporting Officer shall also meet the good standing requirements of laws in force for positions indicated in the articles of association. If the Officer no longer meets the good standing requirements, he/she shall be removed from office.

As provided for by Article 154-*bis* of the TUF, the Financial Reporting Officer is responsible for the following: (i) preparing adequate administrative and accounting procedures for preparing financial statements and, as applicable consolidated financial statements, as well as any other kind of financial disclosure; (ii) including a written statement with the documents and notices required by law or disclosed to the market, containing information and data on the financial position and performance of the Company, that said information and data is truthful; (iii) arranging for the preparation of the Group's consolidated financial statements, interim reporting and (iv) within relative areas of responsibility, representing the Group in relations with the international financial community.

In the meeting of 13 May 2014, subject to approval from the Board of Statutory Auditors and in compliance with Article 154-*bis*, paragraph one of the TUF and

Article 28 of the Articles of Association after Listing, the Board of Directors of the Company appointed Lorena Pelliciarì as Financial Reporting Officer of the Company, assigning her the duties established in Article 154-*bis* of the TUF. This appointment will become effective as from the Listing Date.

Ms. Pelliciarì ha gained considerable experience as Chief Financial Officer of FinecoBank and therefore has an excellent knowledge of processes for preparing the Company's accounting and financial documents. She therefore meets the professional requirements established in Article 28 of the above Articles of Association after Listing.

The Board of Directors also gave Ms. Pelliciarì the following powers, in order for her carry out her duties as Financial Reporting Officer:

- (i) having free access to all information considered relevant for her duties, within the Company and its subsidiaries;
- (ii) taking part in Board Meetings dealing with issues in her area of responsibility;
- (iii) engaging with the Company's administrative and control bodies;
- (iv) approving company procedures, when they have an impact on the financial statements, consolidated financial statements or other documents which are certified;
- (v) being involved in the design of information systems that have an impact on the financial position and performance of the Company;
- (vi) using the internal auditing, organisation and compliance function to map and analyse processes within her area of responsibility and carry out specific controls;
- (vii) using information systems;
- (viii) updating, amending and supplementing, also with the assistance of external advisors, procedures on (a) the standardisation of information flows to the Financial Reporting Officer and (b) the preparation of financial statements and all other types of financial disclosure.

Lastly, the Board of Directors, in exercising its supervisory powers, established that the Financial Reporting Officer shall report at least quarterly to the Board of Directors on activities carried out, as well as on any critical aspects identified.

8.2 FINANCIAL REPORTING PROCESS

As regards the main characteristics of the internal control and risk system in relation to financial reporting, including the reporting of consolidated information, under article 154-*bis* of the TUF, the financial reporting officer of finecobank is responsible for preparing and adopting adequate administrative and accounting procedures for the preparation of the financial statements, as well as all other forms of financial reporting to the market.

The Financial Reporting Officer, along with the Managing Director and General Manager, in a report on the financial statements and interim abbreviated financial statements shall also certify:

- the adequacy and actual adoption of administrative and accounting procedures;
- compliance with applicable international accounting standards endorsed by the European Community pursuant to regulation (EC) no. 1606/2002;
- the consistency of accounting records;
- the accurate representation of the financial position and performance of the Company;
- the inclusion in the Directors' report on operations of reliable analysis of the company's performance, operations and situation, along with a description of main risks and uncertainties to which it is exposed.

As established by Article 28 of the Articles of Association after Listing, the Board of Directors ensures that the Financial Reporting Officer has adequate powers and resources to carry out the duties established by current regulations, and to comply with administrative and accounting procedures. In carrying out his/her duties, the Financial Reporting Officer may be assisted by all Bank units.

8.3 PROCEDURES FOR THE COORDINATION OF ENTITIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Procedures for interaction among company functions and entities involved in the risk management and control system have been designed to prevent as far as possible overlapping or gaps, or to alter, even in essence, the main responsibilities of company bodies as concerns the risk management and control system.

Specifically, the Company has significantly consolidated cooperation among control functions, through specific formalised information flows on internal regulations and through managerial committees dedicated to control issues.

Interaction among level two and level three control functions is part of a more general framework of ongoing, proactive cooperation, which is mainly formalised in specific regulations/internal regulations and includes:

- involvement in the process to define and/or update internal regulations on risks and controls;
- the exchange of information flows, documents or data, as well as access to all resources or company information in line with the control requirements of functions;
- involvement in Board and Managerial Committees, systematically or on request;
- involvement in working parties, which are set up from time to time for risk and control issues.

The purpose of improved interaction between control functions and their continual reporting to company bodies is to ultimately establish a corporate governance system that guarantees sound and prudent management, also through a more effective monitoring of risk, at all company levels.

8.4 COMPLIANCE PROGRAMME PURSUANT TO LEGISLATIVE DECREE NO. 231 OF 2001

On 15 March 2010, the Board of Directors approved the Compliance Program of FinecoBank ("**Compliance Program**"), following the issue of Legislative Decree no. 231 of 8 June 2001, on "Provisions for the administrative liability of corporate bodies, Companies and associations also without legal status" ("**Legislative Decree 231/2001**"). This document was amended to take into account subsequent regulations and the current version was approved by the Board on 1 August 2011.

The Company also adopted the Integrity Charter and Code of Conduct of the UniCredit group, along with supplementary Fineco regulations, on 11 May 2012. These documents supplement current regulations on banking, investment services and employment, identifying the fundamental principles on which persons working for the company shall base their conduct. The regulations therefore concern all persons performing activities on behalf of the Company: members of supervisory, management and control bodies of the Company, employees, financial advisors, outsourcers.

In compliance with Article 6, paragraph 1 of Legislative Decree 231/2001, the Company has also established a "**Supervisory Body**") to monitor the functioning of and compliance with the Model, and its continual updating.

To this end, the Supervisory Body (i) has independent powers to act and carry out controls, and independent spending powers, (ii) periodically reports to the Control and Risk Committee on the Programme's functioning, and (iii) gives the Board of Directors, on an annual basis, a written report on the implementation status of the Programme, and in particular, on controls carried out and on critical aspects and anomalies identified.

The Supervisory Body, in office at the date of this Report, was appointed by the Board of Directors on 15 April 2014, for a term of three years, and comprises five members, as indicated below.

NAME AND SURNAME

CATEGORY

Independent Director

GBS Division Manager

Human Resources Manager

Head of Internal Audit

Compliance Officer

The Programme adopted by the Company, described above, is available on the Issuer's Internet website, www.fineco.it.

8.5 EXTERNAL AUDITORS

The appointment (i) to audit the financial statements of the Issuer for the years from 31 December 2013 to 31 December 2021 (details included), including the auditing of the company's accounts, and (ii) the limited auditing of interim reports from 30 June 2013 to 30 June 2021 (details included), has been assigned to the External Auditors, pursuant to Article 16, paragraph 1 of Legislative Decree no. 39 of 27 January 2010, - due to the Issuer's nature as an organisation of public interest - by resolution of the Shareholders' Meeting of 16 April 2013 and confirmed, as applicable, in view of the listing of Shares on the MTA, by a letter of acknowledgement on 16 April 2014.

9. PROCESSING OF COMPANY INFORMATION

In compliance with Stock Exchange Regulations and relative Instructions, as well as relevant provisions of the TUF and Issuer Regulations, which require directors and statutory auditors to keep documents and information acquired in performing their duties confidential, the Board of Directors' Rules and Regulations require the Board to define procedures for the internal management and disclosure of documents and information on the Company, also with reference to inside information.

In the meeting of 15 April 2014, the Board of Directors approved the Procedure for processing Inside Information.

The aim of the Procedure is to prevent the processing of Inside Information (defined below) in a manner which is not prompt, is incomplete or inadequate and in any case may result in inconsistent disclosure.

In particular, the disclosure of Inside Information, as regulated by this Procedure, makes it possible to protect the market and investors, giving them adequate knowledge of matters concerning the Issuer, on the basis of which they may make investment decisions.

The Procedure for processing Inside Information also aims to prevent some persons or categories of persons from acquiring information which is not in the public domain in order to carry out speculative transactions on markets to the detriment of investors, that are not aware of this information.

The Procedure explains:

- with reference to FinecoBank as the entity controlled by the listed issuer UniCredit, the process to assess inside information concerning UniCredit, as well as requirements for managing the List of Persons who have access to the inside information ("UCI List");
- with reference to FinecoBank as a listed issuer, the process to assess and disclose inside information concerning Fineco, as well as requirements for managing the List of Persons who have access to this information ("Fineco List").

The Procedure regulates the management of company information (meaning all information and data concerning Fineco, UniCredit and/or other Group companies, which is not in the public domain, acquired by persons required to comply with the Procedure, in performing their duties), with particular reference to "Inside Information" as defined in Article 181.

It establishes, firstly, the obligation for all persons that perform activities within the Group to keep company information acquired in performing their duties confidential and to use this information exclusively for carrying out their duties.

The procedure also establishes the following:

- a) responsibility for assessing whether information is classified as inside information, also for the purpose of disclosure to the public, shall be assigned,
- as regards information relative to UniCredit, to the Planning, Finance and Administration Department ("UCI CFO"), assisted as necessary by the Group

Investor Relation Department and the Legal & Compliance Department, for areas in their responsibility;

- as regards information relative to the Company, to the Chief Financial Officer of FinecoBank ("FinecoBank CFO") assisted, as required by heads of Investor Relations, Legal and Compliance, for areas in their responsibility. In any case, the FinecoBank CFO shall notify the UCI CFO of its assessments, to verify whether inside information relative to the Issuer may also have an impact on UniCredit.

In particular, the procedure establishes that anyone who has inside information relative to UniCredit and/or Fineco and/or the Group shall promptly report the circumstance - as necessary - to the FinecoBank CFO and/or UCI CFO to allow for an assessment of the inside nature of the information disclosed and to take the necessary measures to correctly manage the information, including its prompt disclosure to the market, as applicable;

b) appropriate, effective measures to ensure the confidentiality of information until it is disclosed to the public shall be adopted.

To this end, FinecoBank has established a "List of persons who have access to inside information" which is price sensitive, as regards the Company's shares, in compliance with applicable regulations. It has also established a process to add data to, update and maintain the List, identifying the Compliance Officer of the Company as the entity responsible for the management of the Fineco List.

With reference to price sensitive information about UniCredit shares, the Issuer has assigned UniCredit to keep the UCI List, that shall add data to the list, notified as and when necessary by the Compliance Officer of the Issuer;

c) the FinecoBank CFO shall be responsible for assessing disclosure to the public of information about the Company, and - in agreement with the UCI CFO- the opportunity to delay disclosure to the public of Inside Information, in cases specifically indicated by the Procedure;

d) the FinecoBank CFO and the Head of Investor Relations shall be responsible for preparing press releases in which Inside Information is disclosed, assisted by Company units involved and with the equivalent units at UniCredit (if UniCredit is also required to disclose the same information);

e) the FinecoBank CFO shall be responsible for sending the prepared press release to the UCI CFO, so that he/she, if the Inside Information is also relevant for UniCredit shares, may submit it to the Board of Directors of the Parent Company for approval or, when relative to delegated transactions, to the Chairman, Managing Director, General Manager or one of the Deputy General Managers, for areas in their responsibility;

f) the press release shall be disclosed, subject to approval from the Managing Director of the issuer, via the S.D.I.R.-N.I.S. system, to Borsa Italiana and CONSOB.

As established by the procedure, if the press release concerns particularly significant events, the Head of Media Relations and Executive Communications, assisted by the Legal & Compliance Unit, informs Consob and Borsa Italiana before sending the press release.

Press releases are published on the Company's website before the opening of the market on the day after disclosure and are available on the site for at least five years from publication.

In compliance with provisions in Article 114, paragraph 7 of the TUF and Articles 152-*sexies* et seq. of the Issuer Regulations, on 13 May 2013 the Board of Directors approved the code of conduct on internal dealing, which regulates the management, processing and disclosure of information relative to transactions on shares or other financial instruments related to them undertaken by insiders and by persons strictly related to them ("**Internal Dealing Code**"). This procedure regulates disclosure obligations to be complied with and conduct to be observed by the above persons and by FinecoBank in order to ensure maximum transparency in disclosure to the market.

The main aim of the Code is to improve transparency and uniformity in disclosure relative to financial transactions undertaken by the above persons, to give investors an idea of how these persons perceive the prospects of the company and/or the group it belongs to. Thus the Code does not directly address whether significant persons have acquired confidential information and used said information unlawfully (a conduct which instead constitutes the offence of insider trading), assuming that the undertaking of certain financial transactions by particular persons considered "significant" (i.e. by persons that, due to their position, are able to acquire information on matters of the company and the group it belongs to), is, per se, price sensitive.

The Internal Dealing Code identifies "Significant Persons" and "Closely-Related Persons" to the Significant Persons in compliance with the Issuer Regulations and establishes that "Material Transactions" (and thus which are subject to the disclosure obligations of the Code), are transactions concerning the purchase, sale, underwriting or exchange of FinecoBank shares (or of related Financial Instruments, as defined therein), by the above persons, directly or through intermediaries, trusts or subsidiaries. The Internal Dealing Code also identifies some types of transactions which are exempt from disclosure obligations.

The Code also contains regulations on the management, processing and disclosure of information relative to these transactions. To this end it regulates:

- (a) disclosure obligations of Significant Persons vis-à-vis the Company;
- (b) disclosure obligations of Significant Persons and the Company vis-à-vis Consob;
- (c) cases in which the undertaking of transactions on financial instruments by Significant Persons is prohibited or limited.

In compliance with the Internal Dealing Code, the Board of Directors of the 13 May 2014 assigned the Reporting Officer the task of implementing the Code.

10. APPOINTMENT OF STATUTORY AUDITORS

In accordance with the recommendations contained in Criterion 8.C.1 of the Corporate Governance Code, statutory auditors shall be chosen among people who may be qualified as independent also on the basis of the criteria provided by the above Code with reference to directors.

In compliance with the laws and regulations applicable to listed companies, Article 23 of the Articles of Association after Listing requires that the Board of Statutory Auditors be appointed by the Shareholders' Meeting based on the lists presented by the shareholders, according to the procedure described below.

Shareholders can submit a list for the appointment of Auditors, provided that when they submit the list they hold, alone or in conjunction with other presenting shareholders, at least the minimum percentage of share capital established by the laws and regulations in force at the time. Ownership of the minimum shareholding required is calculated based on the shares registered to each shareholder on the day when the lists are filed at the Company; the related certification may be submitted after the lists have been filed, provided that it is done within the deadline for publication of the lists.

Each party entitled to vote (as well as (i) entitled persons belonging to the same group, intended as a party, which need not be a corporation, exercising control pursuant to Article 2359 of the Italian Civil Code and any subsidiary controlled by or under the control of the said party, or (ii) shareholders who are party to a shareholders' agreement as per Article 122 of Legislative Decree no. 58 of 24 February 1998, or (iii) entitled persons who are otherwise associated with each other in a material relationship pursuant to current and applicable statutory or regulatory provisions) may submit individually or with others only one list, just like each candidate can be included in only one list, or shall otherwise be considered ineligible.

Lists shall be divided in two sections, containing respectively up to three candidates for the position of Statutory Auditor and up to two candidates for the position of Stand-in Statutory Auditor.

At least the first two candidates for the position of Statutory Auditor and the first candidate for the position of Stand-in Statutory Auditor in the respective lists must be entered in the Register of Auditors and have experience as statutory auditors.

Each list for the appointment of Statutory Auditor and Stand-in Statutory Auditor must have a certain number of candidates belonging to the least represented gender, so as to ensure compliance with at least the minimum requirements for gender equality prescribed by current law and regulations.

In order to be valid, the lists must be filed at the Registered Office or the Head Office, also by means of remote communication and in accordance with the procedures stated in the notice of call which allows the identification of the parties filing the lists, no later than twenty-five days before the date of the Shareholders' Meeting (or within a different period of time according to applicable laws in force at the time) and must be made available to the public at the Registered Office, on the Company's website and through other channels provided for under current laws at

least twenty-one days prior to the date of the Shareholders' Meeting (or within a different deadline as per applicable regulations).

Minority shareholders who are not affiliated with the shareholders concerned shall be entitled to extend the deadline for presenting lists in the circumstances and according to the procedures set forth in current laws and regulations.

Each eligible voter may vote for one list only.

11. The members of the Board of Statutory Auditors shall be elected as follows:

a) 2 (two) Standing Auditors and 1 (one) Stand-in Statutory Auditor are drawn from the list obtaining the largest number of votes cast by the Shareholders, in the order in which they appear on the list;

b) the remaining Statutory Auditor and the remaining Stand-in Statutory Auditor are drawn from the list that obtained the most votes after the list referred to in letter a). The first candidates of the related section are thus elected Statutory Auditor and Stand-in Statutory Auditor.

The Chairmanship of the Board of Statutory Auditors will go to the first candidate of the minority list of Standing Auditors receiving the most votes.

If, in accordance with the deadlines and procedures set forth above, only one list or no list has been presented, or the lists do not contain the required number of candidates to be elected, the Shareholders' Meeting shall pass a resolution for the appointment or completion of the Board of Statutory Auditors by relative majority. If there is a tie vote between several candidates, a run-off election shall be held between them with a further vote of the Shareholders' Meeting. The Shareholders' Meeting shall be required to ensure compliance with the provisions of applicable laws and regulations concerning gender balance.

In the event the death, resignation, withdrawal or removal from office for any other reason of a Statutory Auditor, he/she shall be replaced by the Stand-in Statutory Auditor, from the same list as the outgoing Auditor, in the order in which they appear on the list, complying with the minimum number of members entered in the Register of Auditors who have been engaged in auditing activities, and in compliance with gender equality principles. If this is not possible, the outgoing Auditor shall be replaced by the Stand-in Statutory Auditor meeting the specified requirements, drawn from the minority list which obtained the most votes, following the order in which they appear on the list. Where the appointment of Auditors is not carried out using the slate voting system, the Stand-in Statutory Auditor shall take over pursuant to statutory provisions. Should it be necessary to replace the Chairman, the Stand-in Statutory Auditor taking over shall also serve as Chairman. The Shareholders shall appoint or replace Auditors in meetings called in accordance with article 2401, paragraph 1, of the Italian Civil Code in compliance with the principle of adequate representation of minority shareholders and gender equality. Where the appointment of the Stand-in Statutory Auditor in lieu of the Statutory Auditor is not confirmed by the Shareholders' Meeting, he/she shall return to his/her position as Stand-in Auditor.

11. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

Pursuant to Article 23 of the Articles of Association after Listing and in compliance with current rules and regulations, at least two Standing Auditors and one Stand-in Auditor must have been entered in the Register of Auditors for at least three years and have not less than three years of experience as a statutory auditor. The Auditors who are not entered in the Register of Auditors must have gained at least three years of experience in:

- a) professional activities as a certified public accountant or lawyer, rendered primarily to the banking, insurance and financial sectors;
- b) teaching, at University level, subjects concerning - in the legal field - banking, commercial and/or fiscal law, as well as financial markets and - in the business/finance field - banking operations, business economics, accountancy, the running of the securities markets, the running of the financial and international markets, and corporate finance;
- c) management functions at public entities governmental authorities operating in the credit, financial or insurance sector, as well as in the provision of investment services sector or collective portfolio management sector, both of which are defined in Legislative Decree no. 58 of 24 February 1998.

All Auditors must meet the eligibility, professional competence and integrity requirements provided for by law and any other applicable regulations.

Furthermore, in application of the recommendations contained in Criterion 8.C.1 of the Corporate Governance Code, the Auditors of FinecoBank must meet the independence requirements set forth in Article 3 of the Corporate Governance Code, as well as the requirements provided in Article 148 (3) of the TUF.

In application of Article 144 *novies* of the Issuer Regulations and the above Criterion, the Board of Directors and the Board of Statutory Auditors are responsible for evaluating whether the members of the Board of Statutory Auditors meet the requirements specified above:

- (i) following appointment, the outcome of which shall be disclosed to the market by means of a press release;
- (ii) on an annual basis, reporting the results thereof in the annual corporate governance report.

The Company's Board of Statutory Auditors currently in office was appointed by the Shareholders' Meeting held on 15 April 2014. It shall remain in office until approval of the financial statements for the year ending on 31 December 2016.

In the light of the foregoing, the slate voting system (described in Section 10 of this report) shall be used to appoint the new Board of Directors to be carried out during the Shareholders' Meeting for approval of the financial statements for the year ending on 31 December 2016.

The table below provides relevant information about each member of the Board of Statutory Auditors in office as of the date of this Report.

NAME AND SURNAME	POSITION	PLACE AND DATE OF BIRTH	DATE OF APPOINTMENT
Gian-Carlo Noris Gaccioli	Chairman	Genoa, 27.02.1951	15.04.2014
Barbara Aloisi	Statutory Auditor	Cervia (RA), 06.06.1967	15.04.2014
Marziano Viozzi	Statutory Auditor	Fara Gera d'Adda (BG), 20.08.1946	15.04.2014
Federica Bonato	Stand-in Statutory Auditor	Conegliano (TV), 25.11.1955	15.04.2014
Marzio Duilio Rubagotti	Stand-in Statutory Auditor	Brescia, 21.05.1965	15.04.2014

A brief *curriculum vitae* is provided below of each member of the Board of Statutory Auditors, highlighting their professional and personal details along with their expertise and experience.

Gian-Carlo Noris Gaccioli. He graduated in Political Sciences (administrative branch) from the University of Bologna in 1976. He is registered with the Board of Accountants and Industrial Experts of the province of Reggio Emilia (since 1983), the Association of Chartered Accountants and Accounting Professionals of Reggio Emilia and the Register of Auditors at the Ministry of Justice (since 1995). He provides advisory services and is a member of the Board of Statutory Auditors of various companies, also of medium size, operating in various sectors. He has worked as a lecturer on finance and tax matters at "S.C.S. Consulting Smaer Corum Sinnea S.p.A.". He is a founding partner and member of the Steering Committee of the "Ospedale della Donna e del Bambino" Non-Profit Organisation of Reggio Emilia.

Barbara Aloisi. After earning her degree in Business and Economics from the University of Bologna in 1991, she obtained the authorisation to practice the profession of chartered accountant in 1992 from the University of Bologna. She is entered in the Register of Chartered Accountants of Milan and Register of Auditors. She began her professional career working at a professional firm of chartered accountants. She was an associate of the firm Studio Pirola Pennuto Zei & Associati (also gaining experience in 2001 in the London office of PWC in the international tax department). Since 2003 she has been a partner of the tax department of the law firm NCTM (Negri-Clementi Toffoletto Montironi & Soci) - Studio legale associato. She currently serves as a statutory auditor in financial, industrial and commercial companies including Cordusio Fiduciaria S.p.A., Rivoira S.p.A, SIAD S.p.A., WPP Marketing Communications (Italy) S.r.l., and N&W Global Vending S.p.A. She is the author of a number of publications.

Marziano Viozzi. He graduated in Political Sciences from the University of Pavia in 1974. Since 1978 he has been registered with the Association of Chartered Accountants and Accounting Professionals of Tortona and the Register of Auditors. From 1978 to date, he has been the owner of a chartered accountancy firm in Tortona. He is also general partner of the consultancy and data analysis firm COGEFI S.a.S. di Dott. Marziano Viozzi & C. in Tortona. He has performed, and continues to perform, the role of Chairman or member of the Board of Statutory Auditors of numerous companies.

Federica Bonato. She graduated in Business and Economics from the University of Padua (Verona campus) and started her professional career as an employee of Cassa di Risparmio di Verona Vicenza e Belluno, in the "Research and Strategic Planning" sector. She continued her professional career as a permanent teacher of Technical and Applied Accounting at the Einaudi Institute of Verona. She has held the role of member of the Board of Statutory Auditors of numerous companies, including UniCredit Factoring S.p.A., UniCredit Corporate Banking S.p.A. (now UniCredit), UniCredit Merchant S.p.A. and UniCredit. Since 1990 she has been registered with the Association of Chartered Accountants of Verona and since 1995 in the Register of Auditors.

Marzio Duilio Rubagotti. He graduated in Business and Economics from the University of Brescia and then obtained the authorisation to practice the profession of chartered accountant. He is specialised in providing tax, corporate and accounting advice and also acts, among other things, as official receiver in insolvency proceedings. He holds the position of statutory auditor in numerous companies, in addition to stand-in statutory auditor of UBIS and the Issuer. He is entered in the Registered of Technical Expert Consultants of the Court of Brescia and the Register of Auditors.

All members of the Board of Statutory Auditors meet the professional competence and integrity requirements provided for Article 148 of the TUF and the Regulation adopted with decree no. 162/2000 of the Ministry of Justice.

The members of the Board of Statutory Auditors have not provided advisory services to the Issuer.

To the best of the Company's knowledge, none of the members of the Board of Statutory Auditors exceeds the limits on the number of board mandates referred to in Article 144-*terdecies* of the Issuer Regulations, at the time of writing.

The Board of Statutory Auditors has verified the independence of its members in accordance with the Corporate Governance Code and Article 144-*novies* of the CONSOB Issuers Regulations.

Article 24 of the Articles of Association after Listing provides that, in order to properly perform its tasks, and in particular to fulfil its obligation to promptly inform the Bank of Italy, and other Supervisory Authorities if required, on management irregularities or violations of the law, the Board of Statutory Auditors is vested with the broadest powers provided for by current laws and regulations.

The Board of Statutory Auditors, without prejudice to any other or more specific duty and power assigned to it by primary and secondary laws and regulations in force, monitors compliance with laws, regulations and the Articles of Association, as well as the correct administration, adequacy of organisational and accounting arrangements of the Bank, of the risk management and control system, as well as the functioning of the overall internal control system, of the external auditing of the accounts, of the independence of external auditors and on the financial reporting process. The Board of Statutory Auditors works in close cooperation with the corresponding body of the Parent Company.

The Board of Statutory Auditors takes part in periodic meetings with the Chairman of the Board and with the Managing Director, during which they exchange information.



In performing its duties, the Board of Statutory Auditors liaises with the Internal Audit function and the Audit and Related Parties Committee, through ongoing communication and the exchange of information, as well as by taking part in the meetings of the above mentioned Committee.

12. RELATIONS WITH SHAREHOLDERS

The Company considers it fitting in its own interests and a duty for the market to forge an ongoing dialogue with its shareholders and institutional investors, in compliance with the procedure for disclosing company documents and information to the market, and in general in compliance with laws and regulations applicable to listed companies.

With particular reference to shareholders, the Company, in compliance with Application Criterion 9.C.3 of the Code, considers the Shareholders' Meeting as an important opportunity for shareholders and directors to engage, and consequently adopts measures that encourage shareholders to take part in the Shareholders' Meeting and exercise their right to vote. In this regard, Article 5 of the Articles of Association after Listing (pursuant to Article 2369 of the Italian Civil Code) establishes that shareholders' meetings shall take place in one session and Article 6 (pursuant to Article 135-*undecies* of the TUF) establishes that the Company may appoint, for each Shareholders' Meeting, with information given in the notice of meeting, a person (company-appointed representative), that shareholders may appoint to act as proxy with instructions to vote on all or some items on the agenda, according to terms and procedures established by law.

Pursuant to Application Criterion 9.C.1 of the Corporate Governance Code for Listed Companies, relations with institutional investors are instead overseen by the Investor Relator. In this regard, on 13 May 2014 the Board of Directors assigned UniCredit, in a specific services agreement, investor relations activities, based on the expertise and experience developed over the years by the Parent Company. The Board also appointed Ms. Stefania Mantegazza as contract manager for the Investor Relations services that will be provided by UniCredit for the Company, based on the above agreement, assigning her the position of Investor Relator of the Company.

The Investor Relator reports continually to the Company's Senior Management on requirements concerning disclosure to the financial market and in particular to investors.

The Investor Relator is therefore the point of contact between the Issuer and the market and works with the entire company to maintain and promote compliance with regulations on corporate reporting. To this end, the Investor Relator will work in conjunction with the finance, administration, planning and control, legal and corporate affairs of external relations departments.

* * *

The Company has a section on its website www.fineco.it where updated information on the Company and Group, and services offered, is available to the public. Information on the website is updated as promptly as possible, to guarantee the transparency and effectiveness of disclosure to the public.

As from the Listing Date, the website will have an "Investor Relations" section with the most important documents on corporate governance, as well as all press releases on main company events, and financial and accounting data.



* * *

The Company, in compliance with point 1.11 of Section IA.1.1, Table 1 of the Stock Exchange Regulations, undertakes to submit this report as promptly as possible to Borsa Italiana, amended and supplemented as necessary, after today's date and before the Listing Date, and in any case before approval is given for the Company's shares to be listed.