

## LISTING PARTICULARS



**FINECOBANK S.p.A.**

**(incorporated with limited liability as a Società per Azioni in the Republic of Italy under registered number 01392970404)**

### **Issue of €300,000,000 Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes**

**Issue Price: 100 per cent.**

The €300,000,000 Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes (the **Notes**) will be issued by FinecoBank S.p.A. (the **Issuer** or **FinecoBank**). The Notes will constitute direct, unsecured and subordinated obligations of the Issuer, as described in Condition 4 (*Status of the Notes*) in “*Terms and Conditions of the Notes*” and will be governed by, and construed in accordance with, Italian law, as described in Condition 17 (*Governing Law and Jurisdiction*) in “*Terms and Conditions of the Notes*”.

The FinecoBank banking group is registered with the Register of Banking Groups held by the Bank of Italy pursuant to Article 64 of Legislative Decree No. 385 of 1 September 1993, as amended (the **Italian Banking Act**) under number 3015 (the **Group** or the **FinecoBank Group**).

The Notes will bear interest on their Prevailing Principal Amount (as defined in Condition 2 (*Definitions and Interpretation*) in “*Terms and Conditions of the Notes*”), payable (subject to cancellation as described below) semi-annually in arrear on 3 June and 3 December in each year (each an **Interest Payment Date**), as follows: (i) in respect of the period from (and including) 18 July 2019 (the **Issue Date**) to (but excluding) 3 December 2024 (the **First Call Date**) at the rate of 5.875 per cent. per annum, and (ii) in respect of each period from (and including) the First Call Date and every fifth anniversary thereof (each a **Reset Date**) to (but excluding) the next succeeding Reset Date (each such period, a **Reset Interest Period**), at the rate per annum, calculated on an annual basis and then converted to a semi-annual rate in accordance with market conventions, equal to the aggregate of 6.144 per cent. per annum (the **Margin**) and the 5-year Mid-Swap Rate (as defined in “*Terms and Conditions of the Notes*”) for the relevant Reset Interest Period. The Issuer may elect in its full discretion to cancel (in whole or in part) the Interest Amounts otherwise scheduled to be paid on any Interest Payment Date. Further, payment of Interest Amounts on any Interest Payment Date must be cancelled (in whole or, as the case may be, in part) in the circumstances described in Condition 5 (*Interest and Interest Cancellation*) in “*Terms and Conditions of the Notes*”. The cancellation of any Interest Amounts shall not constitute a default for any purpose on the part of the Issuer. Interest on the Notes is not cumulative and any Interest Amounts that the Issuer elects not to pay or is prohibited from paying will not accumulate or compound and all rights and claims in respect of such amounts shall be fully and irrevocably forfeited, and no payments shall be made, nor shall any Noteholder be entitled to any payment or indemnity in respect thereof. See Condition 5 (*Interest and Interest Cancellation*) in “*Terms and Conditions of the Notes*”. Further, during the period of any Write-Down pursuant to Condition 6 (*Loss Absorption and Reinstatement of Principal Amount*) in “*Terms and Conditions of the Notes*”, as described below, interest will accrue on the Prevailing Principal Amount of the Notes which shall be lower than the Initial Principal Amount unless the Notes have subsequently been Written-Up in full.

**The principal amount of each Note may be Written Down on a pro rata basis with the other Notes and taking into account the at least pro rata write-down (or write-off) or conversion into Ordinary Shares of any other Equal Loss Absorbing Instruments (and taking into account the write-down (or write-off) or conversion of any Prior Loss Absorbing Instruments, as described in Condition 6 (*Loss Absorption and Reinstatement of Principal Amount*) in “*Terms and Conditions of the Notes*”, if, at any time, the Common Equity Tier 1 Capital Ratio of the Issuer or of the FinecoBank Group falls below 5.125 per cent. (all as defined in Condition 2 (*Definitions and Interpretation*) in “*Terms and Conditions of the Notes*”). Noteholders may lose some or all of their investment in the Notes as a result of such a Write-Down. Following any such reduction, the Issuer may, in its full discretion and subject to the Maximum Distributable Amount (if any) not being exceeded thereby, increase the Prevailing Principal Amount of the Notes up to a maximum of the Initial Principal Amount, on a pro rata basis with the other Notes and with other Written-Down Additional Tier 1 Instruments, if the Issuer records both a positive Net Income and a positive Consolidated Net Income (all as defined in Condition 2 (*Definitions and Interpretation*) in “*Terms and Conditions of the Notes*”), subject to certain further conditions. See Condition 6 (*Loss Absorption and Reinstatement of Principal Amount*) in “*Terms and Conditions of the Notes*”.**

Unless previously redeemed or purchased and cancelled as provided in “*Terms and Conditions of the Notes*”, the Notes will become repayable on the date on which voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) proceedings are instituted in respect of the Issuer, in accordance with (a) a resolution of the shareholders’ meeting of the Issuer, (b) any provision of the articles of association of the Issuer (currently, the maturity of the Issuer is set in its articles of association at 31 December 2100) or (c) any applicable legal provision or any decision of any judicial or administrative authority. Noteholders do not have the right to call for the redemption of the Notes. Thereupon, the Notes will become due and payable at an amount equal to their Prevailing Principal Amount together with any accrued interest and any additional amounts due pursuant to Condition 9 (*Taxation*). The Issuer may, at its sole discretion (but subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*) in “*Terms and Conditions of the Notes*”), redeem the Notes in whole, but not in part, on any Optional Redemption Date (Call) at their Prevailing Principal Amount (all as defined in Condition 2 (*Definitions and Interpretation*) in “*Terms and Conditions of the Notes*”), plus any accrued interest and any additional amounts due pursuant to Condition 9 (*Taxation*) in “*Terms and Conditions of the Notes*”. The Issuer may also, at its sole discretion (but subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*) in “*Terms and Conditions of the Notes*”), redeem the Notes in whole, but not in part, at any time at their Prevailing Principal Amount upon the

occurrence of a Capital Event or a Tax Event (all as defined in Condition 2 (*Definitions and Interpretation*) in the “*Terms and Conditions of the Notes*”) plus any accrued interest and any additional amounts due pursuant to Condition 9 (*Taxation*) in “*Terms and Conditions of the Notes*”.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the approval of this document as Listing Particulars. Application has also been made to Euronext Dublin for the Notes to be admitted to the official list (the **Official List**) and to trading on the Global Exchange Market which is the exchange regulated market of Euronext Dublin. The Global Exchange Market is not a regulated market for the purposes of Directive 2014/65/EU (as amended, **MIFID II**). References in these Listing Particulars to the Notes being listed (and all related references) shall mean that the Notes have been admitted to trading on the Global Exchange Market. These Listing Particulars do not constitute a prospectus for the purposes of Directive 2003/71/EC, as amended or superseded (the **Prospectus Directive**) and, in accordance with such Prospectus Directive, no prospectus is required in connection with the issuance of the Notes.

Payments of interest or other amounts relating to the Notes may be subject to a substitute tax (referred to as *imposta sostitutiva*) of 26 per cent. in certain circumstances. In order to obtain exemption at source from *imposta sostitutiva* in respect of payments of interest or other amounts relating to the Notes, each Noteholder not resident in the Republic of Italy is required to comply with the deposit requirements described in “*Taxation – Taxation in the Republic of Italy*” and to certify, prior to or concurrently with the delivery of the Notes, that such Noteholder is, *inter alia*, (i) resident in a country which recognises the Italian tax authorities’ right to an exchange of information pursuant to terms and conditions set forth in the relevant treaty (such countries are listed in the Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and possibly further amended according to Article 11(4)(c) of Decree No. 239 of 1 April 1996 (as amended by Legislative Decree No. 147 of 14 September 2015)) and (ii) the beneficial owner of payments of interest, premium or other amounts relating to the Notes, all as more fully set out in “*Taxation – Taxation in the Republic of Italy*” on pages 140 to 145.

Amounts payable under the Notes are calculated by reference to the annual mid-swap rate for euro swaps with a term of five years which appears on Bloomberg screen “EUAMDB05 Index” as of 11:00 a.m. (Central European time) on such Reset Rate of Interest Determination Date (as defined in the “*Terms and Conditions of the Notes*”) which is provided by ICE Benchmark Administration Limited or by reference to EURIBOR which is provided by the European Money Markets Institute. As at the date of these Listing Particulars, ICE Benchmark Administration Limited is included in the register of administrators maintained by the European Securities and Markets Authority (**ESMA**) under Article 36 of the Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As at the date of these Listing Particulars, the European Money Markets Institute is not included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the European Money Markets Institute is not currently required to obtain authorisation or registration (or, if located outside the European Union, recognition, endorsement or equivalence).

The Notes have been rated “BB-” by S&P Global Ratings Europe Limited (**S&P**). S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. **A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.** Please also refer to “*Risk Factors – Credit ratings may not reflect all risks and may be lowered, suspended, withdrawn or not maintained*” section of these Listing Particulars.

The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about the Issue Date with a common depository for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the **Temporary Global Note**, the **Global Notes**), without interest coupons, on or after 27 August 2019 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances – see “*Overview of Provisions relating to the Notes while in Global Form*”.

**An investment in the Notes involves certain risks. Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider the suitability of the Notes as an investment in light of their own circumstances and financial condition. For a discussion of these risks see “*Risk Factors*” below. The Notes are not intended to be offered, sold or otherwise made available and should not be offered, sold or otherwise made available to “retail clients” (as defined in MiFID II) in the European Economic Area (EEA) and/or under the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015 published by the United Kingdom’s Financial Conduct Authority. Potential investors should read the whole of this document, in particular the “*Risk Factors*” set out on pages 11 to 55 and “*Restrictions on Marketing, Sales and Resales to Retail Investors*” set out on pages 8 to 9.**

**MiFID II professionals/ECPs-only/No PRIIPs KID/FCA PI RESTRICTION – Manufacturer target market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels). The target market assessment indicates that the Notes are incompatible with the needs, characteristic and objectives of retail clients and accordingly the Notes shall not be offered or sold to any retail clients. No packaged retail and insurance-based investment products (PRIIPs) key information document (KID) has been prepared as the Notes are not available to retail investors in the EEA.**

**Joint Bookrunners and Joint Lead Managers**

**BNP PARIBAS**

**UBS Investment Bank**

**UniCredit Bank**

The date of these Listing Particulars is 16 July 2019

## IMPORTANT INFORMATION

The Issuer accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in these Listing Particulars is in accordance with the facts and contains no omissions likely to affect its import.

These Listing Particulars are to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “*Documents Incorporated by Reference*”). These Listing Particulars shall be read and construed on the basis that such documents are incorporated and form part of these Listing Particulars.

The Joint Lead Managers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made by any of the Joint Lead Managers named under “*Subscription and Sale*” below or any of their respective affiliates and no responsibility or liability is accepted by any of the Joint Lead Managers or by any of their respective affiliates as to the accuracy or completeness of the information contained or incorporated in these Listing Particulars or of any other information provided by the Issuer in connection with the Notes. No Joint Lead Manager or any of their respective affiliates accepts any liability in relation to the information contained or incorporated by reference in these Listing Particulars or any other information provided by the Issuer in connection with the Notes. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer under these Listing Particulars.

These Listing Particulars contain or incorporate by reference industry and customer-related data as well as calculations taken from industry reports, market research reports, publicly available information and commercial publications. It is hereby confirmed that (a) to the extent that information reproduced herein derives from a third party, such information has been accurately reproduced and (b) insofar as the Issuer is aware and is able to ascertain from information derived from a third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

Commercial publications generally state that the information they contain originates from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed, and that the calculations contained therein are based on a series of assumptions. External data have not been independently verified by the Issuer.

No person is or has been authorised by the Issuer or the Joint Lead Managers to give any information or to make any representation not contained in or not consistent with these Listing Particulars or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Joint Lead Managers.

Neither these Listing Particulars nor any other information supplied in connection with the Notes (a) are intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, or any of the Joint Lead Managers that any recipient of these Listing Particulars or of any other information supplied by the Issuer or such other information as is in the public domain in connection with the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial conditions and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither these Listing Particulars nor any other information supplied in connection with the issue of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the

Notes or to advise any investor in any Notes of any information coming to their attention. Investors should review, *inter alia*, the documents incorporated by reference into these Listing Particulars when deciding whether or not to purchase any Notes. Neither the delivery of these Listing Particulars nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of these Listing Particulars.

These Listing Particulars do not constitute an offer to sell or the solicitation of an offer to buy Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of these Listing Particulars and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that these Listing Particulars may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Joint Lead Managers which is intended to permit a public offering of the Notes or distribution of these Listing Particulars in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither these Listing Particulars nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession these Listing Particulars or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of these Listing Particulars and the offering and sale of Notes. In particular, there are restrictions on the distribution of these Listing Particulars and the offer or sale of Notes in the United States (Regulation S), the United Kingdom, the EEA, the Republic of Italy and Switzerland. For a further description of certain restrictions on offers and sales of the Notes and on the distribution of these Listing Particulars, see "*Subscription and Sale*".

**The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the *Securities Act*) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder). The Notes may be offered and sold outside the United States to non-U.S. persons in reliance on Regulation S (*Regulation S*) under the Securities Act. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of these Listing Particulars and other offering material relating to the Notes, see "*Subscription and Sale*".**

Each prospective investor in the Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is fully consistent with its financial needs, objectives and condition, complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it and is a fit, proper and suitable investment for it, notwithstanding the clear and substantial risks inherent in investing in or holding the Notes.

A prospective investor may not rely on the Issuer, the Joint Lead Managers or any of their respective affiliates in connection with its determination as to the legality of its acquisition of the Notes or as to the other matters referred to above.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in these Listing Particulars;

- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Each prospective investor should consult its own advisers as to legal, tax and related aspects in connection with any investment in the Notes. An investor's effective yield on the Notes may be diminished by certain charges such as taxes, duties, custodian fees on that investor on its investment in the Notes or the way in which such investment is held.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Notes can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

These Listing Particulars, including the documents incorporated by reference herein, contain forward-looking statements. Such items in these Listing Particulars include, but are not limited to, statements made under "*Risk Factors*". Such statements can be generally identified by the use of terms such as "anticipates", "estimates", "believes", "intends", "aims", "seeks", "could", "expects", "may", "plans", "should", "will" and "would", or by comparable terms and the negatives of such terms. By their nature, forward-looking statements and projections involve risk and uncertainty, and the factors described in the context of such forward-looking statements and targets in these Listing Particulars could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. The Issuer has based forward-looking statements on its expectations and projections about future events as of the date such statements were made. These forward-looking statements are subject to risks, uncertainties and assumptions about FincoBank and the FincoBank Group, including, among other things, the risks set out under "*Risk Factors*".

All references in these Listing Particulars to **Euro**, **EUR**, **€** or **euro** are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union of those members of the European Union which are participating in the European economic and monetary union.

Certain figures included in these Listing Particulars have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

## STABILISATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, UBS EUROPE SE ACTING AS STABILISING MANAGER (THE *STABILISING MANAGER*) (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILISING OR OVER-ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.

## Restrictions on Marketing, Sales and Resales to Retail Investors

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in June 2015, the UK Financial Conduct Authority published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1 October 2015 (the **PI Instrument**). In addition: (i) on 1 January 2018, the provisions of Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (as amended or superseded, the **PRIIPs Regulation**) became directly applicable in all EEA member states and (ii) MiFID II was required to be implemented in EEA member states by 3 January 2018. Together, the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the **Regulations**.

The Regulations set out various obligations in relation to: (i) the manufacture and distribution of financial instruments; and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write down or convertible securities, such as the Notes.

Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein), including the Regulations.

Each of the Joint Lead Managers (and/or their affiliates) are required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or any Joint Lead Manager, you represent, warrant, agree with and undertake to the Issuer and each of the Joint Lead Managers that:

- (a) you are not a retail client in the EEA (as defined in MiFID II);
- (b) whether or not you are subject to the Regulations, you will not:
  - (i) sell or offer the Notes (or any beneficial interests therein) to retail clients (as defined in MiFID II); or
  - (ii) communicate (including by the distribution of the Preliminary Listing Particulars or the final Listing Particulars relating to the Notes) or approve any invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client (in each case, within the meaning of MiFID II) and in selling or offering the Notes or making or approving communications relating to the Notes you may not rely on the limited exemptions set out in the PI Instrument;
- (c) you will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) by investors in any relevant jurisdiction;
- (d) if you are a purchaser in Singapore, you are an accredited investor or an institutional investor as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) and you will not sell or offer the Notes (or any beneficial interest therein) to persons in Singapore other than such accredited investors or institutional investors;
- (e) you will act as principal in purchasing, making or accepting any offer to purchase any Notes (or any beneficial interest therein) and not as an agent, employee or representative of any of the Joint Lead Managers; and



(f) if you are a Hong Kong purchaser, your business involves the acquisition and disposal, or the holding, of securities (whether as principal or as agent) and you fall within the category of persons described as "professional investors" under the Securities and Futures Ordinance (Cap.571) of Hong Kong (the **SFO**) and any rules made under the SFO.

You further acknowledge that:

- (a) the identified target market for the Notes (for the purposes of the product governance obligations in MiFID II) is eligible counterparties and professional clients; and
- (b) no key information document (KID) under the PRIIPs Regulation has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a **retail investor** means a person who is one (or more) of: (i) a retail client, as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Where you are acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or any of the Joint Lead Managers, the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both you as agent and your underlying client(s).

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## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under these Listing Particulars. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under these Listing Particulars are also described below.*

*The Issuer believes that the factors described below represent the material risks inherent in investing in Notes issued under these Listing Particulars, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons. The Issuer has identified in this “Risk Factors” section a number of factors which could materially adversely affect its businesses and ability to make payments due under the Notes. Prospective investors should read these risk factors together with the other detailed information set out elsewhere in these Listing Particulars and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ISSUER’S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE LISTING PARTICULARS**

#### **Risk Factors Related to FinecoBank’s and FinecoBank Group’s Business**

*FinecoBank has recently exited from the UniCredit banking group and will remain dependent, during an agreed transition period, upon UniCredit and its subsidiaries for a number of services that are important to its operations; during the transition period, any termination or disruption of those services could have a material adverse impact on FinecoBank’s business.*

On 10 May 2019, following the settlement date for UniCredit’s sale of approximately 103.5 million existing ordinary shares of FinecoBank, FinecoBank ceased to be subject to direction and control by UniCredit or part of UniCredit’s consolidation group for the purposes of Directive 2013/36/EU and Regulation 575/2013/EU (the **Exit**). Notwithstanding full business, regulatory and operational independence of FinecoBank following the Exit, UniCredit and FinecoBank have also agreed that UniCredit will continue to provide certain services to FinecoBank for a certain amount of time in line with the current operations and terms, for example ATMs and certain administrative services in order to allow FinecoBank to act in full operational continuity following the Exit. In addition, UniCredit and FinecoBank have agreed that FinecoBank will, under a new trademark license agreement (which maintains the same conditions as prior to the Exit), be allowed to carry on the use of certain words and figurative marks containing the term “FinecoBank” which are owned by UniCredit. The new agreement allows FinecoBank to continue the use of its recognized brand and will include the option for FinecoBank to buy the brand in the future (at a number of given call option windows up to 2032).

FinecoBank is party to a number of commercial and financial agreements with UniCredit and its subsidiaries (collectively, the **UniCredit Group**). It relies on certain agreements entered into with UniCredit as part of the Exit for its ability to continue using various “FinecoBank” trademark and other related trademarks and brands associated with its business, the provision of certain administrative and back-office services, the placement of certain financial products, and the ability to provide its customers with access to certain banking services, such as ATMs and banking services that are offered through physical branches (See “Description of the Issuer–Material Contracts” for further information). FinecoBank also provides certain guarantees and services in favour of UniCredit Group companies.

During the years ended 31 December 2017 and 2018, transactions with members of the UniCredit Group generated interest income of €196.4 million and €173.5 million, respectively, and fee and commission income of €62.7 million and €1.3 million, respectively, (equal to, respectively, for the years ended 31 December 2017 and 2018, 72.8% and 59.18% of its interest income and 11.75% and 0.23% of its fee and commission income), interest expense of €2.8 million positive and €2.9 million and fee and commission

expenses of €6.5 million and €6.6 million (equal to 53.65% and 20.26% of its interest expense and 2.48% and 2.43% of its commission expense), administrative costs of €13.3 million and €12.7 million (equal to, respectively, for the years ended 31 December 2017 and 2018, 4.12% and 3.70% of its administrative costs). The net value of all transactions with the UniCredit Group totaled €156.1 million during 2018, compared to €240.1 million in 2017.

FinecoBank can provide no assurance that, either following the expiry of the transition period described above or prior to such expiry if its individual relationships with members of the UniCredit Group were to be disrupted or terminated prior to such time, it will be able to enter into similar arrangements or agreements, providing similar terms and conditions, with third parties. Any failure to enter into similar arrangements or agreements or disruption or termination of these arrangements or agreements as described above could have a material adverse effect on FinecoBank's business, results of operations and financial condition.

***FincoBank's available liquidity is loaned in part to UniCredit and it is highly exposed to any risk of default by UniCredit on its financial obligations.***

Historically, the vast majority of FinecoBank's assets and nearly all of the available amounts deposited with FinecoBank by its banking customers in the form of current and demand accounts and term deposits were loaned to UniCredit in the form of debt securities and other interest-earning deposits. FinecoBank's current liquidity investment strategy envisages an increasing diversification of financial investments as the existing stock of UniCredit bonds progressively runs off by 2024. FinecoBank has been progressively replacing UniCredit bonds as they mature with a widely diversified government bond portfolio and intends to continue to do so. See further “ - *FincoBank is exposed to credit and counterparty risk, particularly with UniCredit, the Republic of Italy and the Kingdom of Spain* ” below and “*Description of the Issuer – Business Areas – Banking Services - FincoBank's Liquidity Investment Policy*” below.

Despite this progressive diversification, as recently as 31 March 2019, a portion of FinecoBank's available liquidity (an amount equal to €12.5 billion) was invested with UniCredit. In addition, FinecoBank guarantees certain payment obligations of UniCredit. As of 31 March 2019, its exposure *vis-à-vis* the UniCredit Group was equal to €12.7 billion, of which €8.7 billion consisted of bonds, €3.7 billion consisted of loans to banks and customers (representing 54% of its total loans to banks and customers) while the remaining €0.3 billion consisted primarily of repo transactions, guarantees and other assets.

FinecoBank is exposed to a significant default risk if UniCredit were to default on its obligations, be deemed insolvent or otherwise be incapable of making payments as they come due. In addition, from a regulatory capital perspective, prior to the Exit, FinecoBank's regulatory exposure *vis-à-vis* UniCredit was zero, because it was part of the same banking group. In order to keep substantially the same regulatory exposure following the Exit and with a view to mitigating FinecoBank's exposure to UniCredit default risk, UniCredit and FinecoBank entered into a pledge agreement on 10 May 2019 (as subsequently amended or replaced from time to time) pursuant to which UniCredit has granted financial collateral in favour of FinecoBank in order to secure the credit risk exposures of FinecoBank *vis-à-vis* UniCredit until the UniCredit bonds entirely run off in 2024. As a result, the RWA absorption and the risk concentration limit usage for FinecoBank will remain substantially unaffected by the Exit. UniCredit has the right, at any time following a period ending 365 days after the occurrence of a change of control event (as described in the Pledge Agreement) and following consultation with the relevant supervisory authority (with the participation of FinecoBank), to the release of the pledge in the event of a change of control of FinecoBank (as determined under the Pledge Agreement).

As a result of its lending relationship with UniCredit, any adverse change in UniCredit's creditworthiness and/or the release of the pledge in the event of a change of control of FinecoBank could have a material adverse effect on FinecoBank's business, results of operations or financial condition (including, without limitation, its capital adequacy ratios).

***The “Fineco” trademark and other related trademarks and brands that FinecoBank uses in its business are owned by UniCredit.***

FinecoBank operates its business under the “FinecoBank” trademark, and it also uses other related trademarks and brands, which are all owned by UniCredit and licensed to FinecoBank, consideration free, pursuant to a trademark agreement entered into on 10 May 2019 between FinecoBank and UniCredit that expires on 31 December 2023, but is automatically renewable up to 31 December 2032, unless FinecoBank terminates the agreement. The parties to the trademark agreement have the right to terminate the agreement for material breaches of contract which are not remedied within 120 business days of notice of the breach. UniCredit furthermore has the right to terminate the trademark agreement in the event of a change of control of the Issuer (as determined under the trademark agreement). Termination of the trademark agreement could have a material adverse effect on the Issuer’s business and operations and its ability to continue to use the trademarks. According to the trademark agreement, FinecoBank has a call option to buy the “FinecoBank” trademark and the related trademarks and brands at specific strike prices set out in the trademark agreement. In the event of a change of control of the Issuer (as determined under the trademark agreement), the strike price would instead need to be specifically determined either by FinecoBank and UniCredit acting in good faith or by a firm of auditors, which may result in a higher strike price than envisioned under the trademark agreement, and this could have a material adverse effect on FinecoBank’s business, results of operations and financial condition.

***FinecoBank has recently exited the UniCredit banking group and must implement governance policies as an independent entity.***

Until the Exit, FinecoBank was controlled by UniCredit, which meant, *inter alia*, it was able to propose and determine the outcome of resolutions voted on at FinecoBank ordinary shareholders meetings, including the appointment of directors and the FinecoBank board of statutory auditors, and FinecoBank was subject to direction and control (“*direzione e coordinamento*”) by UniCredit. In addition, while FinecoBank was subject to direction and control by UniCredit, under Italian law, UniCredit was required to exercise oversight over FinecoBank with respect to ensuring capital adequacy, risk management, internal audit and internal controls. As the head of the banking group, UniCredit was also responsible for ensuring the overall consistency of the group’s governance and for establishing proper procedures between various corporate entities and governance structures, as well as defining and approving the “risk appetite framework” for the group and ensuring that it was consistently applied. FinecoBank will be responsible for implementing such policies and decisions for itself and for the FinecoBank Group as an independent entity which may lead to different outcomes for the FinecoBank Group and investors compared to before the Exit. Failure to do so successfully may have an adverse effect on the profits, business and operations of FinecoBank.

***FinecoBank is exposed to a risk of failure or malfunction of its information technology systems, which could harm its business and reputation.***

FinecoBank relies on its information technology systems - many of which have been developed internally - for the provision of its banking, brokerage and investing services to its customers, as well as for the management of nearly all its internal administrative, financial, accounting and control systems. These information technology systems are fundamental to FinecoBank’s operations and are a key element of its success and its ability to generate revenues hinges on these systems functioning properly and efficiently. Although FinecoBank has adopted business continuity and disaster recovery plans, and implemented other protections for these systems, its information technology systems may experience outages, delays or other failures or malfunctions due to design flaws, malicious attacks, hacking or other reasons. Any such failures may lead to customer dissatisfaction or otherwise damage its reputation. Any failure of, or attack upon, FinecoBank’s systems, including failures that are only temporary in nature, may have a material adverse effect on its business, results of operations or financial condition.

***FinecoBank’s business is sensitive to fluctuations in interest rates.***

FinecoBank is particularly exposed to changes in interest rates to the extent that these fluctuations may have an impact on the interest that FinecoBank earns on its portfolios of UniCredit bonds and part of its

government bonds portfolio – in particular floating rate bonds and hedged fixed rate investments. FinecoBank's euro sight deposits are currently remunerated at zero rate whilst part of its assets are linked to floating rates. FinecoBank has diversified its portfolio of government bonds since 2015, gradually reducing the risk related to the Italian market.

As a result, an increase in interest rates may generate greater earnings on the liquidity FinecoBank has advanced to its counterparties, but it could also increase its cost of funding by increasing the amounts it pays customers for their deposits. Conversely, a decline in interest rates will likely decrease amounts FinecoBank earns from its counterparties. Due to these factors, any change in interest rates will likely have an impact on FinecoBank's results, but positive trends in one part of its business due to interest rates may not be offset by other aspects of its business. Any lack of alignment between the interest income that FinecoBank earns and the interest expense it pays could have a material adverse effect on its business, results of operations and financial condition.

The management of interest rate risk is focused on stabilization. The banking book interest rate risk measure covers the dual aspect of the value and the net interest income/expense of FinecoBank. The two perspectives include the economic value perspective where variation in interest rates can affect the economic value of assets and liabilities, and the income perspective where the focus of analysis is the impact of changes of interest rates on accrual or reported net interest income that is the difference between revenues generated by interest sensitive assets and the cost related to interest sensitive liabilities.

FinecoBank measures and monitors interest rate risk daily, within the methodological framework and corresponding limits or thresholds relating to the sensitivity of the net interest margin and the economic value. Interest rate risk has an impact on all owned positions resulting from strategic investment decisions.

***Volatile market conditions may have an adverse impact on FinecoBank's business.***

Over the last few years, global financial markets have been characterized by significant volatility and uncertainty. High market volatility has an impact on FinecoBank's investing and brokerage services and the other fee-based services that it provides to its clients, even during short periods. In particular, persistent levels of high volatility may lead to significant fluctuations in the market prices for stocks and bonds, as well as the values and/or yields of financial assets. These conditions could lead to a reduction in trading activity by FinecoBank's clients that are more risk-averse, with only a partial, temporary recovery in trading as these risk-averse clients sell their holdings. Conversely, periods of exceptionally low volatility may also lead to a decline in trading activity and therefore revenues in FinecoBank's brokerage operations if those customers hold onto investments and do not make additional purchases. Market volatility may also lead to a decline in the value of assets under management and the fees FinecoBank earns in its investment management services.

Although FinecoBank has historically been able to generate positive returns, even in atypical and volatile market conditions, it can provide no assurance that future volatility or market conditions will not be accompanied by a decrease in the number and volume of trades carried out by customers of its brokerage business or in the value of its assets under management, each of which could have a material adverse effect on its business, results of operations and financial condition.

***FinecoBank relies on the quality and performance of its financial advisors and its ability to recruit and retain them.***

FinecoBank's network of financial advisors is a key component of its distribution channel and consisted of 2,571 financial advisors as of 31 March 2019. Despite the fact that FinecoBank seeks to select, recruit and train its financial advisors carefully, it can provide no assurance that there will not be errors in its assessment of potential candidates or shortcomings in its training programs, each of which could result in poor performance by these financial advisors and which could have a negative impact on its customers' experience and its reputation.

FinecoBank's ability to recruit and retain financial advisors is a key element in the achievement of its targets for the growth of its network over the next few years. The market for financial advisors is highly

competitive, and FinecoBank employs several strategies to recruit potential candidates, including offering compensation packages and incentives that are consistent with market standards. Should FinecoBank's strategies or the packages it offers be inadequate to meet these recruitment targets, or if FinecoBank's competitors were to offer more generous compensation packages to recruit financial advisors (whether in its network or that it may be targeting for recruitment), FinecoBank may experience difficulty in recruiting new financial advisors or it may lose financial advisors with significant client portfolios to its competitors. In addition, FinecoBank is also exposed to the risk that, as a banking institution, it may be subject to future regulatory limitations on the compensation of its financial advisors. Such regulations may not impact competitors that are not subject to them, which could also impact FinecoBank's ability to recruit and retain financial advisors. Any negative developments concerning the performance of its financial advisors or its ability to recruit and retain them could have a material adverse effect on FinecoBank's business, results of operations and financial condition.

***Improper acts committed by FinecoBank's financial advisors in the course of their professional activities could give rise to liability for FinecoBank and/or damage its reputation.***

From time to time, FinecoBank has been and is the subject of lawsuits that have been brought against it in connection with allegedly improper or illegal activities by its financial advisors, including fraud. FinecoBank has been impleaded as a defendant in these matters, despite the fact that the financial advisors are not employees of FinecoBank, because, under Italian law, an intermediary (like FinecoBank) that employs the services of a financial advisor is jointly and severally liable for any damage that the financial advisor may cause to clients or third parties arising out of the provision of such services, even if the financial advisor in question is convicted by a criminal court. FinecoBank has taken out specific insurance policies to protect against the risk associated with these types of lawsuits, and has made provisions for expected liabilities that are not covered by such insurance policies. However, the incurrence of any liability that is not or that is only partially covered by insurance, or not at all, could have a material adverse effect on FinecoBank business, results of operations and financial condition. See "*Description of the Issuer—Litigation and Other Proceedings*".

Although FinecoBank continuously monitors its financial advisors' compliance with applicable laws and its high standards concerning fairness and transparency, its financial advisors may be negligent in the manner in which they distribute FinecoBank's products and services or they may willfully engage in fraudulent or illegal activity. As a consequence, in addition to the adverse financial impact that FinecoBank may suffer through lawsuits, regulatory authorities may also bring administrative proceedings against it and may apply administrative sanctions, which could include fines or restrictions on its ability to conduct certain aspects of its business. Any such action could have a material adverse effect on FinecoBank's business, results of operations and financial condition.

Irrespective of the underlying merits of the claim, the initiation of legal or administrative proceedings against any of FinecoBank's financial advisors could also have a material adverse effect on its image and market reputation and, more generally, on the level of trust between FinecoBank and its customers. Any such action could have a material adverse effect on FinecoBank's business, results of operations and financial condition.

***FinecoBank relies on UniCredit to provide its clients with certain banking services.***

Pursuant to the master service agreement entered into on 7 May 2019 between FinecoBank and UniCredit (which includes the ATM agreement), FinecoBank's clients are able to access the entire Italian UniCredit network of branches and ATMs for the purposes of carrying out their banking transactions without being charged any additional fees, and FinecoBank considers this a key aspect of the banking services it offers. The ATM Agreement will be valid until 31 May 2029, upon which (unless FinecoBank terminates the agreement) it will be automatically renewed for a further 10 years until 31 May 2039, after which both FinecoBank and UniCredit will be entitled to terminate the ATM agreement upon 12 months prior notice. UniCredit has the right to terminate the ATM Agreement before 31 May 2039 in the event of a change of control of the Issuer (as determined under the ATM agreement). UniCredit also has a right to terminate other

activities and services provided for under the above-mentioned master service agreement on a change of control of FinecoBank (as determined under such master service agreement).

Any error, delay, interruption or termination, whether in whole or in part, in the services provided by UniCredit could impair the timing and quality of FinecoBank's services to its customers. Furthermore, should UniCredit terminate the above-mentioned master service agreement or ATM agreement which permit, *inter alia*, FinecoBank's customers to use UniCredit's branches and ATMs, it may be unable to enter into other agreements, on similar terms and conditions, including with another banking institution that has a network of branches and ATMs comparable to the UniCredit Italian network.

The occurrence of any of these events could have a material adverse effect on FinecoBank's business, results of operations and financial condition.

***FinecoBank is subject to operational risks that could have an adverse impact on its business.***

FinecoBank, like all financial institutions, is exposed to many types of operational risks, including the risk of fraud or other misconduct by employees or outsiders, claims from customers, unauthorized or illegal transactions by employees or operational errors, including clerical or record-keeping errors or errors resulting from malfunctioning computers or telecommunication systems. In addition, FinecoBank's dependence upon automated systems to record and process its transactions may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses which are difficult to detect. FinecoBank may also be subject to disruptions of its operating systems, arising from events that are wholly or partially beyond its control (computer viruses, hacking from outsiders, electrical or telecommunication outages, force majeure events), which may give rise to service outages and to losses or liability to it. As at 31 December 2018, FinecoBank's average risk loss was €2.7 thousand and total operating losses amounted to approximately €1.8 million. With specific reference to its brokerage services, FinecoBank relies on a technical infrastructure developed and managed internally to process and execute its clients' trading orders. This infrastructure is connected to the financial markets through dedicated systems that are not managed by FinecoBank. Errors or technical disruptions of FinecoBank's infrastructure or malfunctions in the communication systems between FinecoBank and the financial markets, as well as problems in relation to the settlement of orders, may give rise to service outages and to losses or liability to FinecoBank. The net commissions FinecoBank earned from its brokerage services amounted to €73 million (12% of its operating income) and €75 million (12% of its operating income) in 2017 and 2018, respectively.

There can be no assurance that FinecoBank's system of controls will not suffer losses from operational risk and that these losses will not be material. Should one or more of the aforementioned issues arise, this could have a material adverse effect on FinecoBank's business, results of operations and financial condition.

***FinecoBank is reliant on outsourcing arrangements and may experience disruption or failure of services provided by such outsourcing arrangements.***

FinecoBank outsources certain material back-office activities and services to third-party service providers (including affiliates of the UniCredit Group). In particular, FinecoBank outsources services for the maintenance of certain operating systems, transmission over certain interbank payment networks, credit card payment processing, and for certain aspects of its customer care. Any interruption in the services provided by third parties or breach by these third parties of their commitments could impair the timing and quality of the services received by FinecoBank's customers. FinecoBank is also exposed to the risk that external vendors that provide services to it may incur delays or interruptions in fulfilling their obligations or that they become subject to bankruptcy or insolvency proceedings, which could cause delays and inefficiencies in FinecoBank's business activities that could have a negative impact on its clients. The occurrence of any of these events could have a material adverse effect on FinecoBank's business, results of operations and financial condition.



***FinecoBank may not be able to maintain the quality of its services and respond in a timely manner to market trends.***

FinecoBank seeks to provide its clients with integrated banking, brokerage and investing services through its network of financial advisors, its website and applications, or “apps” for smartphones and tablets, in a way that makes it a “one stop solution” for their financial and investment needs.

FinecoBank believe that its results depend, *inter alia*, on its continuing ability to develop and offer innovative products and services that are efficient and easy to use, anticipating and responding in a timely manner to new market trends and its clients’ needs. FinecoBank must also maintain the quality of its operating platforms, investment products and network of financial advisors. FinecoBank continuously invests in these improvements, while also monitoring the range of its financial products to ensure they offer consistently high quality.

If FinecoBank is unable to maintain the quality and efficiency of its operating platforms, services and investment products or cannot anticipate or respond in a timely manner to new market trends, technological developments or changes in its clients’ needs, any of these failures could lead to problems in attracting and retaining customers or financial advisors. These problems, in turn, could have a material adverse effect on FinecoBank’s business, results of operations and financial condition.

***FinecoBank may suffer reputational damage if the products and services it offers perform poorly.***

FinecoBank offers its clients a wide range of investment products that are issued and managed by a variety of independent financial institutions that its management seeks to select and monitor based on objective criteria, but which are not under its control, as well as a range of internally and externally managed UCITS funds offered by FinecoBank’s subsidiary, Fineco Asset Management DAC (**Fineco AM**). FinecoBank also offers brokerage services which provide clients access to a wide range of trading products that include, among others, stocks, bonds, ETFs, futures, options, CFDs (on currencies, indices, stocks, bonds, and commodities), and structured products (i.e. certificates). The poor performance of any such products or services offered by FinecoBank, Fineco AM or any external financial institutions and that are placed with FinecoBank’s clients, whether due to the investment strategies employed by these relevant institution, or, more generally, due to the poor performance of its clients’ investment portfolios as a result of advice rendered by its financial advisors, may damage FinecoBank’s reputation, particularly if such poor performance relates to its guided products and services. This could have an adverse effect on FinecoBank’s ability to attract and retain clients, and in turn, on its business, results of operations and financial condition.

***FinecoBank’s success depends on the quality and retention of key personnel.***

FinecoBank’s success depends on its ability to attract, train and retain qualified personnel, as well as its ability to retain key members of its management team. FinecoBank’s current management team (particularly its Chief Executive Officer and certain other key managers) has significant experience in the industries in which it operates and has played a crucial role in its growth and the continued development of its business. FinecoBank has invested considerable time and resources in training its personnel and internally developing the skills that are required for the operation of its business and it offers its top management compensation and incentives to help ensure their continued service to it. However, if FinecoBank were to lose significant personnel or if any key member of its management were to terminate his or her relationship with FinecoBank and it was not able to find a suitable replacement for such personnel or management in a timely manner, its business, results of operations and financial condition could suffer.

***FinecoBank’s ability to successfully implement its growth strategy in a timely manner is not assured.***

FinecoBank’s ability to increase its total financial assets, revenues and improve its profitability depends upon the successful execution of its business strategy. FinecoBank’s business strategy is based on the following objectives: (i) growing and strengthening its network of financial advisors, (ii) shifting total financial assets toward more value-added products and services, (iii) increasing the products offered in the context of its brokerage service and the efficiency of its operating platforms, (iv) continuing to improve its

“one-stop solution” business model, which is important to maintaining the stability of its “transactional” liquidity levels (*i.e.*, the liquidity deposited by its customers to cover their day-to-day banking needs), and (v) taking advantage of the operating leverage offered by its internal platforms and industry-specific know-how.

If FinecoBank is unable to successfully implement its growth strategies, this could have a material adverse effect on its business, results of operations and financial condition.

***Risks connected with FinecoBank’s Budget.***

On 11 December 2018, FinecoBank’s Board of Directors approved the Budget 2019 (the **Budget**) which contains a number of strategic, capital and financial objectives (collectively, the **Budget Objectives**).

FinecoBank’s ability to meet the Budget Objectives depends on a number of assumptions and circumstances, some of which are outside FinecoBank’s control, including those relating to developments in the macroeconomic and political environments in which it operates, developments in applicable laws and regulations and assumption related to the effects of specific actions or future events which FinecoBank can partially manage. Assumptions by their nature are inherently subjective and the assumptions underlying the Budget Objectives could turn out to be inaccurate, in whole or in part, which may mean that FinecoBank is not able to fulfil the Budget Objectives. If this were to occur, FinecoBank’s actual results may differ significantly from those set forth in the Budget Objectives, which could have a material adverse effect on FinecoBank’s business, results of operations, financial condition or capital position.

***The assumptions and valuation methods underlying FinecoBank’s financial statements are influenced by macro- economic and other factors that are not predictable and may be subject to change in the future.***

In accordance with IFRS, the assets, liabilities, costs and revenues reported in FinecoBank’s financial statements are based on valuations, estimates and projections, especially with regard to assets and liabilities, the market value of which is not easily obtainable from other sources. Making these estimates entails inherent uncertainty in calculating the values of some of its most significant balance sheet items. The quantification of these amounts can be significantly influenced by Italian and international economic conditions, the performance of financial markets, prevailing rate trends, price fluctuations, actuarial estimates and, more generally, its counterparties’ creditworthiness. The most significant balance sheet items that are subject to these estimates include: (i) fair value of financial instruments that are not quoted in active markets, (ii) loans and receivables and other financial assets and liabilities, (iii) severance payments and other benefits owed to employees and personal financial advisors, (iv) provisions for risks and charges, (v) goodwill and other intangible assets, and (vi) current tax liabilities and deferred taxes.

FinecoBank’s valuation process is particularly complex due to continued macroeconomic and market uncertainties, related levels of volatility in the financial markets and significant indicators of credit quality deterioration. The parameters and information employed in estimating the aforementioned values are thus subject to unforeseeable changes, which may affect the value of these items, and consequently, FinecoBank’s financial statements.

Furthermore, FinecoBank can provide no assurance that future changes in the fair value of financial instruments or their classification, including due to changes in market conditions or a reduction in trading volumes, will not adversely affect their trading prices, which could have a material adverse effect on its business, results of operations and financial condition.

***FinecoBank is subject to liquidity risk.***

FinecoBank is exposed to liquidity risk, namely the risk of being unable to meet its payment obligations as they come due or of properly managing cash inflows and outflows, which may consist of funding liquidity risk (arising from the inability to obtain funds without negatively affecting its business or its financial condition) or market liquidity risk (arising from the inability to sell financial assets in the market without incurring in losses caused by the illiquidity of the markets). To address its exposure to liquidity risk,

FinecoBank invests the portion of liquidity that according to its internal analyses is less stable in liquid assets or assets readily convertible into cash that can be used as a source of short-term financing with the central bank. Although FinecoBank's available liquidity (which consists of amounts deposited by its customers in current and demand accounts or term deposits) has historically been stable and it employs liquidity management policies and risk management policies that are specifically aimed at preventing cash imbalances, future extraordinary events may result in a mismanagement of its cash flows, and this could have a material adverse effect on FinecoBank's business, results of operations and financial condition.

***FinecoBank is exposed to credit and counterparty risk, particularly with UniCredit, the Republic of Italy and the Kingdom of Spain.***

FinecoBank is exposed to counterparty risk, or the risk that its contractual counterparties will not fulfill their obligations with it or settle their transactions in accordance with their contractual terms and conditions, or that their creditworthiness will decline. FinecoBank's counterparty risk is to some extent more limited than that of many banks insofar as it engages in relatively limited lending to its retail clients, with only €3 million in net exposure to impaired loans outstanding to its retail clients as of 31 March 2019 (and an NPE ratio of 0.74% as of such date). Choices concerning the investment of the FinecoBank's liquidity are governed by a prudential approach aimed at containing credit risk and mainly involve the subscription of bonds issued by UniCredit and Eurozone government bonds. FinecoBank has been progressively replacing UniCredit bonds as they mature with a diversified government bond portfolio, although FinecoBank's largest exposure is to UniCredit, the Republic of Italy and the Kingdom of Spain. In order to optimise its portfolio by diversifying counterparty risk, in 2018 FinecoBank increased its exposure (in terms of nominal value) to Italian government securities by €860 million, Spanish government securities by €1,179.5 million (of which ICO amounting to €14.5 million), Irish government securities by €188 million, French government securities by €285 million, German government securities by €125 million, Belgian government securities by €180 million, Austrian government securities by €205 million, Polish government securities by €29 million and Supranational securities by €436 million. FinecoBank is particularly exposed to counterparty risk posed by UniCredit, the Republic of Italy and the Kingdom of Spain. FinecoBank's credit and counterparty risk is inherently connected to the insolvency risk of these entities, and changes in the creditworthiness of any of these entities could have a material adverse effect on FinecoBank's business, results of operations and financial condition.

***FinecoBank is subject to market risk, also acting as systematic internalizer for its clients and as structurer of OTC derivative products (including CFDs and daily options).***

FinecoBank is exposed to market risk, namely the risk of loss arising from unfavorable market movements affecting the value of the securities held for trading or in its bank portfolio. It is subject to market risk also when acting as systematic internalizer on stocks, bonds, and foreign exchange markets, acting as a direct counterparty for its clients' orders (or by trading on our own behalf) without transmitting the orders through third-party exchanges and acting as structurer of OTC derivative products (including CFDs and daily options).

Market risk in FinecoBank is defined through two sets of limits:

- Overall measures of market risk (e.g. VaR): which are meant to establish a boundary to the economic capital absorption and to the economic loss accepted in trading activities; these limits must be consistent with assigned revenue targets and the defined risk taking capacity;
- Granular measures of market risk (Sensitivity limits, Stress scenario limits, Nominal limits): which exist independently of, but act in concert with the overall limits; in order to control more effectively and more specifically different risk types, desks and products, these limits are generally granular sensitivity or stress-related limits. The levels set for granular limits aim at limiting the concentration in individual risk factors and the excessive exposure in risk factors which are not sufficiently covered under VaR.

As at 31 December 2018, FinecoBank's daily TB VaR limit was €700 thousand and the average TB VaR was €142 thousand.

Although FinecoBank's exposure as direct counterparty to its clients is limited in accordance with applicable rules, significantly unfavorable market movements affecting the value of the securities held in its brokerage or banking portfolio could have a material adverse effect on its business, results of operations and financial condition.

***FinecoBank's risk management policies may be inadequate.***

FinecoBank has risk management policies in place that deploy internal procedures and qualified personnel for the purpose of monitoring, identifying and managing risks, including liquidity risk, credit and counterparty risk and market risk. These risk management policies and procedures provide for corrective measures to be applied when these risks may cause us to trip certain thresholds that are defined by regulatory and banking authorities or FinecoBank's board of directors. Some of the methods FinecoBank uses to monitor and manage these risks involve incorporating observations of historical market trends into the development of statistical models for the identification, monitoring, control and management of risks. However, these methodologies and strategies may be inadequate; in particular, the monitoring of risks related to financial products that are not traded on regulated markets may be difficult to perform, and FinecoBank could experience losses that are unforeseen or that are in excess of the losses foreseen by its models. In the event that its risk management policies and procedures for the identification, monitoring and management of risks are found to be inadequate, the assessments and assumptions underlying those policies and procedures are found to be inaccurate, or if it is exposed to risks that it did not foresee or accurately quantify, FinecoBank may suffer losses, including material losses, that could have a material adverse effect on its business, results of operations and financial condition.

***The destruction, loss, theft or unauthorized disclosure of FinecoBank's customers' personal data could expose it to reputational harm, lawsuits or administrative fines or sanctions.***

In carrying out its business, FinecoBank collects, stores and processes its customers' personal data. FinecoBank has defined internal procedures and technical measures to ensure compliance with all applicable rules and regulations concerning the processing of personal data (for further information please refer to the section "*Description of the Issuer – Information Technology*").

These measures notwithstanding, FinecoBank remains exposed to the risk that this data may be corrupted, lost, stolen, disclosed or used for purposes other than those that have been authorized by its customers, whether by its employees or third parties. Any destruction, damage, loss, theft or unauthorized disclosure of its customers' data could have a material adverse impact on its business, whether in reputational terms or through exposure to lawsuits or administrative sanctions and fines by regulatory authorities, including the Italian Authority for the Protection of Personal Data, which could, in turn, have a material adverse effect on FinecoBank's business, results of operations and financial condition.

***FinecoBank is exposed to risks arising from the legal proceedings and litigation it is involved in.***

FinecoBank is involved in a number of legal disputes, the most significant of which are proceedings related to: (i) claims by its customers alleging unlawful conduct by its financial advisors, for which it may be held jointly and severally liable; (ii) claims by its customers alleging breaches by it of applicable banking and financial rules of conduct or other contractual breaches; and (iii) claims by former financial advisors for severance pay. See "*Description of the Issuer – Litigation and Other Proceedings*". FinecoBank has taken out specific insurance policies to protect against the risk associated with claims by its customers alleging unlawful conduct by its financial advisors, for which it may be held jointly and severally liable, and has made provisions for expected liabilities that are not covered by such insurance policies. See "*Improper acts committed by FinecoBank's financial advisors in the course of their professional activities could give rise to liability for FinecoBank and/or damage its reputation*". FinecoBank is also involved in certain tax disputes.

FinecoBank is involved in individually insignificant legal proceedings over which there is considerable uncertainty regarding the outcome and the amount of possible charges, which FinecoBank could be forced to incur. Specifically, as a precaution against these obligations and customer claims that have not yet resulted in legal proceedings, as at 31 December 2018, FinecoBank had a provision in place for legal and tax disputes of €32,290 thousand. This provision includes the costs of proceedings borne by FinecoBank in the event of an adverse conclusion of the dispute plus the estimated expenses to be paid to lawyers, any technical advisers and/or experts who assist FinecoBank, to the extent that it is believed that they will not be reimbursed by the relevant counterparties. This estimate was determined by FinecoBank, in relation to current disputes, mainly based on the analysis of the historical trend of legal expenses incurred, by type of litigation and degree of judgment.

Although FinecoBank believes that the amounts of these provisions and coverage are adequate, in many of these cases, there is considerable uncertainty concerning the outcome, including the amount of any losses that it may suffer. The losses that it may eventually suffer as a result of these claims may materially exceed the amounts that it has set aside as provisions for these claims. Moreover, there is the risk that the competent supervisory authorities may initiate regulatory proceedings in relation to any of the foregoing that may lead to sanctions against FinecoBank in the event that it is found to have breached the rules and regulations applicable to its business. Any such proceedings may also have a negative impact on FinecoBank's reputation. The occurrence of any of these events could have a material adverse effect on FinecoBank's business, results of operations and financial condition.

***FinecoBank may not be able to adequately protect its intellectual property rights in foreign markets.***

FinecoBank has registered the domain names "FinecoBank.it" and "mobile.FinecoBank.it" for the purpose of providing services to its customers through browsers and mobile devices. However, other investment service providers outside of Italy have registered domain names including the word "Fineco" using other top-level domain names (such as ".com," ".fr" and ".es"). The use of these domain names by other service providers may make it difficult for FinecoBank to expand into other markets. FinecoBank also faces the risk that actions by these foreign investment service providers may be confused with actions undertaken by it, which could have a negative impact on its reputation, its business, results of operations and financial condition.

***Information in these Listing Particulars about FinecoBank's industry, market share and relative competitive position are based on assumptions and estimates which it cannot assure are accurate or correctly reflect its market position.***

These Listing Particulars contain statements regarding FinecoBank's industry and its relative competitive position in the industry that are based on its knowledge of the market in which it operates, on available data and on its own experience. Although FinecoBank believes that these assumptions and estimates are reasonable, it cannot assure that any of these assumptions are accurate or correctly reflect its position in the industry.

## **Risk Factors Related to FinecoBank's Industry**

***The markets where FinecoBank operates are highly competitive.***

FinecoBank operates in highly competitive markets in the banking industry, particularly in the market for the provision of banking and investing services through online and mobile channels, as well as competition for services provided through financial advisors. The adoption of the MiFID II directive and the MiFIR regulation has impacted FinecoBank's business by imposing increased transparency obligations in FinecoBank's brokerage and investing services businesses. Competition in FinecoBank's industry is increasing and may further intensify in the future, as a result of possible changes in the applicable legal framework, consumer trends, rapid changes in technology, actions of its competitors and the possible consolidation in the financial industry or the entry of new competitors. Moreover, deterioration in the macroeconomic environment may further increase competitive pressure, imposing greater pressure on prices and reducing the volume of financial activity. There is particular competition in the online and mobile

banking and investment sectors, stemming from demand by customers for new and increasingly sophisticated services as well as marketing policies implemented by certain of FinecoBank's competitors that try to entice new clients through the offer of services and products at below cost or by paying interest rates on deposits that are in excess of their cost of funding. In recent years, a number of direct banks with a focus on online distribution have entered the Italian market and a number of more traditional banks have placed increase focus on expanding their online and mobile banking options.

Any failure by FinecoBank to effectively respond to increasing competitive pressures could lead to a loss of business and/or a failure to win new business, which could decrease its revenues and have a material adverse effect on its business, results of operations and financial condition.

### ***Basel III and the CRD IV Package.***

In the wake of the global financial crisis that began in 2008, the Basel Committee on Banking Supervision (the **BCBS**) approved, in the fourth quarter of 2010, revised global regulatory standards (**Basel III**) on bank capital adequacy and liquidity, which impose requirements for, *inter alia*, higher and better-quality capital, better risk coverage, measures to promote the build-up of capital that can be drawn down in periods of stress and the introduction of a leverage ratio as a backstop to the risk-based requirement as well as two global liquidity standards. The Basel III framework adopts a gradual approach, with the requirements to be implemented over time, with full enforcement in 2019.

In January 2013, the BCBS revised its original proposal in respect of the liquidity requirements in light of concerns raised by the banking industry, providing for a gradual phasing-in of the Liquidity Coverage Ratio with a full implementation in 2019 as well as expanding the definition of high-quality liquid assets to include lower quality corporate securities, equities and residential mortgage backed securities. Regarding the other liquidity requirement, the net stable funding ratio, the BCBS published the final rules in October 2014 which took effect from 1 January 2018.

The Basel III framework has been implemented in the EU through new banking requirements: Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the **CRD IV Directive**) and Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended or replaced from time to time (the **CRD IV Regulation** and together with the CRD IV Directive, the **CRD IV Package**). Full implementation began on 1 January 2014, with particular elements being phased in over a period of time (the requirements are now largely fully effective as of 1 January 2019 and some minor transitional provisions provide for phase-in until 2024) but it is possible that in practice implementation under national laws could be delayed. National options and discretions that were so far exercised by national competent authorities will be exercised by the Single Supervisory Mechanism (**SSM**) in a largely harmonised manner throughout the Banking Union. In this respect, on 14 March 2016, the European Central Bank (the **ECB**) adopted Regulation (EU) No. 2016/445 on the exercise of options and discretions. Depending on the manner in which these options/discretions were so far exercised by the national competent authorities and on the manner in which the SSM will exercise them in the future, additional/lower capital requirements may result.

In Italy, the Government approved a Legislative Decree on 12 May 2015 (**Decree 72/2015**) implementing the CRD IV Directive. Decree 72/2015 entered into force on 27 June 2015. Decree 72/2015 impacts, *inter alia*, on:

- proposed acquirers of holdings in credit institutions, requirements for shareholders and members of the management body (Articles 23 and 91 of the CRD IV Directive);
- competent authorities' powers to intervene in cases of crisis management (Articles 64, 65, 102 and 104 of the CRD IV Directive);

- reporting of potential or actual breaches of national provisions (so called whistleblowing, Article 71 of the CRD IV Directive); and
- administrative penalties and measures (Article 65 of the CRD IV Directive).

The Bank of Italy published new supervisory regulations on banks in December 2013 (Circular of the Bank of Italy No. 285 of 17 December 2013 as subsequently amended from time to time by the Bank of Italy (the **Circular No. 285**)) which came into force on 1 January 2014, implementing the CRD IV Package, and setting out additional local prudential rules. According to Article 92 of the CRD IV Regulation, institutions shall at all times satisfy the following own funds requirements: (i) a CET1 Capital ratio of 4.5 per cent.; (ii) a Tier 1 Capital ratio of 6 per cent.; and (iii) a Total Capital ratio of 8 per cent. These minimum ratios are complemented by the following capital buffers to be met with CET1 Capital:

- *Capital conservation buffer*: The capital conservation buffer has applied to the Issuer since 1 January 2014 pursuant to Article 129 of the CRD IV Directive and Part I, Title II, Chapter I, Section II of Circular No. 285. According to the 18th update<sup>1</sup> to Circular No. 285 published on 4 October 2016, from 1 January 2019 the capital conservation buffer is set at 2.5 per cent.;
- *Counter-cyclical capital buffer*: The countercyclical capital buffer applied starting from 1 January 2016. The Bank of Italy decided on 22 March 2019 to maintain the counter-cyclical capital buffer applicable to credit exposures in Italy at 0 per cent. for the first quarter of 2019 (percentages are revised each quarter). As of 31 March 2019:
  - the specific countercyclical capital rate of the FinecoBank Group amounted to 0.006 per cent.;
  - have generally been set at 0 per cent., except for the following countries: United Kingdom (1.00 per cent.); Czech Republic (1.25 per cent.); Hong Kong (2.50 per cent.); Iceland (1.75 per cent.); Norway (2.00 per cent.); Sweden (2.00 per cent.); Slovakia (1.25 per cent.); Lithuania (0.5 per cent.); Denmark (0.50 per cent.)
  - with reference to the exposures towards Italian counterparties, the Bank of Italy has set the rate equal to 0 per cent.;
- *Capital buffers for globally systemically important institutions (G-SIIs)*: The G-SII buffer represents an additional loss absorbency buffer (ranging from 1.0 per cent. to 3.5 per cent. in terms of required level of additional common equity loss absorbency as a percentage of risk-weighted assets) and became fully effective on 1 January 2019. The G-SII buffer does not apply to the FinecoBank Group; and
- *Capital buffers for other systemically important institutions (O-SIIs)*: the FinecoBank Group has not been identified as an O-SII.

In addition to the above-listed capital buffers, under Article 133 of the CRD IV Directive, each Member State may introduce a Systemic Risk Buffer of Common Equity Tier 1 capital for the financial sector or one or more subsets of that sector in order to prevent and mitigate long-term non-cyclical systemic or macroprudential risks not otherwise covered by the CRD IV Package, in the sense of a risk of disruption in the financial system with the potential of having serious negative consequences on the financial system and the real economy in a specific Member State. As at the date of these Listing Particulars, no provision is taken on the systemic risk buffer in Italy.

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<sup>1</sup> On 6 October 2016, the Bank of Italy published the 18th update of Circular No. 285 that modifies the capital conservation buffer requirement. In publishing this update, the Bank of Italy reviewed the decision, made at the time the CRD IV Package was transposed into Italian law in January 2014, where the fully loaded Capital Conservation Buffer at 2.50 per cent. was requested, by aligning national regulation the transitional regime allowed by the CRD IV Package.

Failure to comply with such combined buffer requirements triggers restrictions on distributions and the need for the bank to adopt a capital conservation plan on necessary remedial actions (Articles 140 and 141 of the CRD IV Directive).

Within the decision of the Governing Council of the ECB on the Pillar 2 prudential requirements that UniCredit and its subsidiaries must meet, no specific Pillar 2 buffer has been required of FinecoBank. The decision is based on the Supervisory Review and Evaluation Process (**SREP**) performed by the ECB, in application of Article 16(2) of the SSM Regulation. Consequently, the Total SREP Capital Requirement (**TSCR**) applicable for FinecoBank corresponds to the minimum requirement of Pillar 1. However, FinecoBank expects that future SREP exercises carried out by the ECB may result in Pillar 2 prudential requirements being required of FinecoBank and/or the FinecoBank Group.

The 2018 transitional capital requirements and buffers for FinecoBank are as follows:

<b>REQUIREMENTS</b>	<b>CET1</b>	<b>T1</b>	<b>TOTAL CAPITAL</b>
A) Pillar 1 requirements	4.50%	6.00%	8.00%
B) Pillar 2 requirements	0.00%	0.00%	0.00%
<b>C) TSCR (A+B)</b>	<b>4.50%</b>	<b>6.00%</b>	<b>8.00%</b>
D) Combined Buffer requirement, of which:	1.881%	1.881%	1.881%
1. Capital Conservation Buffer (CCB)	1.875%	1.875%	1.875%
2. Institution-specific Countercyclical Capital Buffer (CCyB)	0.006%	0.006%	0.006%
<b>E) Overall Capital Requirement (C+D)</b>	<b>6.381%</b>	<b>7.881%</b>	<b>9.881%</b>

See further “*Risk relating to the Notes - If the Issuer breaches the combined buffer requirement a Maximum Distributable Amount will apply which may restrict the Issuer from making interest payments on the Notes in certain circumstances; Noteholders may not be able to anticipate whether or when the Issuer will cancel such interest payments - Interaction of Pillar 1 and Pillar 2 requirements and MREL with the combined buffer requirement.*” (which includes information in respect of the capital requirements and buffers for FinecoBank which apply from 1 January 2019).

The CRD IV Package introduces a new leverage ratio with the aim of restricting the level of leverage that an institution can take on, to ensure that an institution’s assets are in line with its capital. The Leverage Ratio Delegated Regulation (EU) No. 2015/62 was adopted on 10 October 2014 and was published in the Official Journal of the European Union in January 2015 amending the calculation of the leverage ratio compared to the current text of the CRD IV Regulation. Institutions have been required to disclose their leverage ratio from 1 January 2015. The CRD IV Package contains specific mandates for the EBA to develop draft regulatory or implementing technical standards as well as guidelines and reports related to liquidity coverage ratio and leverage ratio in order to enhance regulatory harmonisation in Europe through the Single Rule Book.

The compliance on the part of the FinecoBank Group with minimum levels of capital ratios applicable on the basis of prudential rules in force and/or those imposed by the supervisory authorities (for example in the context of the SREP) and the achievement of the forecasts of a regulatory nature indicated therein depends, *inter alia*, on the implementation of strategic actions, which may have a positive impact on the capital ratios. Therefore, if such strategic actions are not carried out in whole or in part, or if the same should result in benefits other than and/or lower than those envisaged by the FinecoBank Group, which could result in deviations, even significant, with respect to its objectives, as well as producing negative impacts on the ability of the FinecoBank Group to meet the constraints provided by the prudential rules applicable and/or identified by the supervisory authorities and the economic situation, the financial assets of the FinecoBank Group itself.



Should the Issuer not be able to implement the approach to capital requirements it considers optimal in order to meet the capital requirements imposed by the CRD IV Package, it may be required to maintain levels of capital which could potentially impact its credit ratings and funding conditions, and which could limit the Issuer's growth opportunities.

### ***Forthcoming regulatory changes.***

In addition to the substantial changes in capital and liquidity requirements introduced by Basel III and the CRD IV Package, there are several other initiatives, in various stages of finalisation, which represent additional regulatory pressure over the medium term and will impact the EU's future regulatory direction. On 23 November 2016, the European Commission released a package of proposals to amend the CRD IV Directive and the CRD IV Regulation (such proposals in their final forms, the **CRD Reform Package**) and also the BRRD and the SRM Regulation (such proposals to the BRRD and the SRM in their final form, together with the CRD Reform Package, the **Risk Reduction Measures Package** or **RRM**), which proposals were subsequently amended during the approval process prior to formal approval of the final text by the European Council in May 2019. The final text was published in the Official Journal of the European Union on 7 June 2019 and entered into force on 27 June 2019. Among other things, these proposals aim to implement a number of new Basel standards (such as the leverage ratio, the net stable funding ratio, market risk rules and requirements for own funds and eligible liabilities) and to transpose the FSB's TLAC termsheet into European law. Changes to the CRD IV Regulation will become directly applicable to the FinecoBank Group. On the other hand, the CRD IV Directive amendments and the amendments to the BRRD will need to be transposed into Italian law within 18 months before taking effect. See *"The bank recovery and resolution directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of the Notes and/or the rights of Noteholders"* below.

The Impact Assessment accompanying the CRD Reform Package, carried out by the European Commission, highlights that implementing the proposed amendments would ensure that EU institutions would (i) be better capitalized (ii) have more stable sources of funding (iii) not have excessively leveraged balance sheets and (iv) be resolved more effectively. It cannot be excluded that under the envisaged new requirements, credit institutions shall be required to raise additional funds to raise additional stable funding or change the maturity structure of their assets. Changes in the requirements could also lead to one-off costs due to changes to reporting systems.

Moreover, it is worth mentioning that the BCBS has embarked on a very significant RWA variability agenda. This includes the Fundamental Review of the Trading Book, revised standardised approaches (credit, counterparty credit, market, operational risk), constraints to the use of internal models as well as the introduction of a capital floor. The regulator's primary aim is to eliminate unwarranted levels of RWA variance, to improve consistency and comparability across banks. The finalisation of the new framework was completed in respect of market risk in 2016, and in respect of credit risk and operational risk, in December 2017, but a number of elements of the market risk framework or so-called "Fundamental Review of the Trading Book" were revised in January 2019. It is designed to enhance the robustness and risk sensitivity of the standardised approach, constrain the use of internally modelled approaches and complement the risk-weighted capital ratio with a finalised leverage ratio (including an additional G-SIB buffer requirement) and a revised and robust capital floor. The EU is expected to implement these standards by way of new changes to the CRD IV Regulation which are expected to be proposed not before the summer of 2020.

In 2016, the ECB began a review of the internal rating models authorised for calculating capital (the Targeted Review of Internal Models, referred to as **TRIM**), with the objective of ensuring the adequacy and comparability of the models given the highly fragmented nature of Internal Ratings-Based systems used by banks, and the resulting diversity in measurement of capital requirements. The review covers credit, counterparty and market risks. The TRIM is structured in two stages, with an institution-specific review commenced in 2016 and a model specific review in 2017 and 2018/2019.

In March 2015, the EBA undertook the revision of some specific aspects of the RWA internal models, encouraging a major convergence between European banking supervision practices. The EBA has finalised the regulatory standards for the Internal Rating Based methodology and the Guidelines on the new Definition of Default, while final Guidelines on Probability of Default and the Loss Given Default estimation and treatment of defaulted assets were published in November 2017 and updated in 2019. Based on the EBA's proposal, the rules for internally estimating the LGD would become significantly tighter. The implementation of all the proposed changes is expected by January 2021. In November 2018, the EBA also published regulatory standards for the nature, severity and duration of an economic downturn for estimating the LGD and conversion factors in the IRB approach. Finally, in March 2019 the EBA issued the Guidelines for the quantification of the LGD in an economic downturn. These Guidelines conclude the EBA's review of the IRB approach.

Due to the wide undergoing revision by global and European regulators and supervisors, internal models are expected to be subject to either changes or withdrawal in favour of a new standardised approach, which is also under revision. The regulatory changes will impact the entire banking system and could lead to changes in the measurement of capital (although they are expected to become effective from 2022).

There can be no assurance that the implementation of the new capital requirements, standards and recommendations described above will not require FinecoBank to issue additional securities that qualify as regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on FinecoBank's business, financial condition and results of operations. Furthermore, increased capital requirements may negatively affect FinecoBank's return on equity and other financial performance indicators.

***The bank recovery and resolution directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of the Notes and/or the rights of Noteholders.***

On 2 July 2014, the BRRD entered into force and Member States were expected to implement the majority of its provisions. On 23 November 2016, the European Commission published a proposal to amend certain provisions of the BRRD (such proposal in its final form, the **BRRD Reforms**) as part of the Risk Reduction Measures Package, which proposal was subsequently amended during the approval process prior to formal approval of the final text by the European Council in May 2019. The final text was published in the Official Journal of the European Union on 7 June 2019 and entered into force on 27 June 2019. The proposal included an amendment to Article 108 of the BRRD aimed at further harmonising the creditor hierarchy as regards the priority ranking of holders of bank senior unsecured debt in resolution and insolvency. A new class of so called "senior non-preferred debt" was proposed to be added that would have been eligible to meet TLAC and MREL requirements. These changes to Article 108 were taken out of the general revision of the BRRD pursuant to the BRRD Reforms and were separately enacted on 12 December 2017 by (EU) Directive 2017/2399, requiring Member States to implement them in the national legislation by 29 December, 2018.

The BRRD provides resolution authorities with comprehensive arrangements to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures.

The BRRD sets out the rules for the resolution of banks and large investment firms in all EU Member States. Banks are required to prepare recovery plans to overcome financial distress. Competent authorities are also granted a set of powers to intervene in the operations of banks to avoid them failing. If banks do face failure, resolution authorities are equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders and creditors following a specified hierarchy. Resolution authorities have the powers to implement plans to resolve failing banks in a way that preserves their most critical functions and avoids taxpayer bail outs.

The BRRD contains four resolution tools and powers which may be used alone (except for the asset separation tool) or in combination with other resolution tools where the relevant resolution authority

considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe and (c) a resolution action is in the public interest: (i) sale of business – which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims (including subordinated notes such as the Notes) into shares or other instruments of ownership (i.e. other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the **general bail-in tool**). Such shares or other instruments of ownership could also be subject to any future application of the BRRD. For more details on the implementation in Italy please refer to the paragraphs below.

An SRF (as defined below) was set up under the control of the SRB (as defined below). It will ensure the availability of funding support while the bank is resolved. It is funded by contributions from the banking sector. The SRF can only contribute to resolution if at least 8 per cent. of the total liabilities, including own funds, of the bank have been bailed-in.

The BRRD requires all Member States to create a national, prefunded resolution fund, reaching a level of at least 1 per cent. of covered deposits by 31 December 2024. The National Resolution Fund for Italy was created in November 2015 and required both ordinary and extraordinary contributions to be made by Italian banks and investment firms. In the Banking Union, the National Resolution Funds set up under the BRRD were superseded by the Single Resolution Fund as of 1 January 2016 and those funds will be pooled together gradually. Therefore, as of 2016, the Single Resolution Board calculates, in line with a Council implementing act, the annual contributions of all institutions authorised in the Member States participating in the SSM and the SRM (as defined below). The SRF is financed by the European banking sector. The total target size of the Fund is equal to at least 1 per cent. of the covered deposits of all banks in the Member States participating in the Banking Union. The SRF is to be built up over eight years, beginning in 2016, to the target level of EUR 55 billion (the basis being 1 per cent. of the covered deposits in the financial institutions of the Banking Union). Once this target level is reached, in principle, the banks will have to contribute only if the resources of the SRF are actually used in order to deal with resolutions of other institutions.

Under the BRRD, the target level of the National Resolution Funds is set at national level and calculated on the basis of deposits covered by deposit guarantee schemes. Under the SRM, the target level of the SRF is European and is the sum of the covered deposits of all institutions established in the participating Member States. This results in significant variations in the contributions by the banks under the SRM as compared to the BRRD. As a consequence of this difference, when contributions would have been paid based on a joint target level starting as of 2016, contributions of banks established in Member States with a high level of covered deposits could abruptly have decreased, while contributions of those banks established in Member States with fewer covered deposits could abruptly have increased. In order to prevent such abrupt changes, the Council Implementing Act provides for an adjustment mechanism to remedy these distortions during the transitional period by way of a gradual phasing in of the SRM methodology.

The BRRD also provides for a Member State as a last resort, after having assessed and applied the above resolution tools (including the general bail-in tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirements of the EU state aid framework and the BRRD.

As an exemption from these principles, the BRRD allows for three kinds of extraordinary public support to be provided to a solvent institution without triggering resolution: 1) a State guarantee to back liquidity facilities provided by central banks according to the central banks' conditions; 2) a State guarantee of newly issued liabilities; or 3) an injection of own funds in the form of precautionary recapitalisation. In the case of precautionary recapitalization EU state aid rules require that shareholders and junior bond holders (such as holders of the Notes) contribute to the costs of restructuring.

In addition to the general bail-in tool and other resolutions tools, the BRRD provides for resolution authorities to have the further power to write-down permanently/convert into equity capital instruments such as the Notes at the point of non-viability and before any other resolution action is taken with losses taken in accordance with the priority of claims under normal insolvency proceedings (**Non-Viability Loss Absorption**). Any shares issued to holders of the Notes upon any such conversion into equity capital instruments may also be subject to any future application of the BRRD.

For the purposes of the application of any Non-Viability Loss Absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution or, in certain circumstances, its group, will no longer be viable unless the relevant capital instruments (such as the Notes) are written-down/converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution and/or, as appropriate, its group, would no longer be viable.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of certain debt instruments (including subordinated notes such as the Notes) issued by an institution under resolution or amend the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of the Notes may be subject to write-down or conversion into equity capital instruments on any application of the general bail-in tool and Non-Viability Loss Absorption, which may result in such holders losing some or all of their investment. The exercise of these, or any other power under the BRRD or any suggestion or perceived suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

### ***Implementation of the BRRD in Italy.***

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely Legislative Decrees No. 180/2015 and 181/2015 (together, the **BRRD Decrees**), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the general bail-in tool applies from 1 January 2016; and (ii) a “depositor preference” granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs is effective from 1 January 2019.

It is important to note that, pursuant to article 49 of Legislative Decree No. 180/2015, resolution authorities may not exercise the write down/conversion powers in relation to secured liabilities, including covered bonds or their related hedging instruments, save to the extent that these powers may be exercised in relation to any part of a secured liability (including covered bonds and their related hedging instruments) that exceeds the value of the assets, pledge, lien or collateral against which it is secured.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail-in tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may, in specified exceptional circumstances, partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, holders of the Notes may be subject to write-down/conversion upon an application of the general bail-in tool while other Notes ranking *pari passu* with such Notes (or, in each case, other *pari passu* ranking liabilities) are partially or fully excluded from such application of the general bail-in tool. Further, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the relevant tool than they would have incurred in a winding up under normal insolvency proceedings. It is therefore possible not only that the claims of other holders of junior or *pari passu* liabilities may have been excluded from the application of the general bail-in tool and therefore the holders of such claims receive a treatment which is more favourable than that received by holders of the Notes, but also that the safeguard referred to above does not apply to ensure equal (or better) treatment compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) than they would have received in a winding up under normal insolvency proceedings.

Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. Since each holder of the Notes will have expressly waived any rights of set-off, netting, counterclaim, abatement or other similar remedy which they might otherwise have, under the laws of any jurisdiction or otherwise, in respect of such Notes, it is clear that the statutory right of set-off available under Italian insolvency laws will likewise not apply.

As the BRRD has only recently been implemented in Italy and other Member States, there is uncertainty as to the effects of its application in practice.

In particular, there remains uncertainty as to how or when the general bail-in tool or the Non-Viability Loss Absorption may be used and how they would affect the Issuer, the FincoBank Group and the Notes. The determination that all or part of the principal amount of any Notes will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Issuer's and the FincoBank Group's control. Although there are proposed pre-conditions for the exercise of the general bail-in tool or for the exercise of the Non-Viability Loss Absorption, there remains uncertainty regarding the specific factors which the relevant resolution authority would consider in deciding whether to exercise the general bail-in tool or to exercise the Non-Viability Loss Absorption with respect to a financial institution and/or securities issued by that institution. In particular, in determining whether an institution is failing or likely to fail, the relevant resolution authority shall consider a number of factors, including, but not limited to, an institution's capital and liquidity position, governance arrangements and any other elements affecting the institution's continuing authorisation. Moreover, as the final criteria that the relevant resolution authority would consider in exercising any general bail-in tool or the criteria it would consider for the Non-Viability Loss Absorption are likely to provide it with discretion, Noteholders may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such powers. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any bail-in tool or to exercise the Non-Viability Loss Absorption by the relevant resolution authority may occur which would result in a principal write-off or conversion to equity. The uncertainty may adversely affect the value of any investment in the Notes.

Also, certain provisions of the BRRD remain subject to regulatory technical standards and implementing technical standards to be prepared by the European Banking Authority. In addition to the BRRD, it is possible that the application of other relevant laws, the CRD IV Package and any amendments thereto or other similar regulatory proposals, including proposals by the FSB on cross-border recognition of resolution actions, could be used in such a way as to result in the Notes absorbing losses in the manner described above. Any actions by the relevant resolution authority pursuant to the powers granted to it as a result of the

transposition of the BRRD, or other measures or proposals relating to the resolution of financial institutions, may adversely affect the rights of holders of the Notes, the price or value of an investment in the Notes and/or the Issuer's ability to satisfy its obligations under the Notes.

***FinecoBank's business may be negatively affected by taxes applicable to transactions or investments in securities.***

The decision by FinecoBank's existing and prospective clients to invest in securities is affected, among other things, by taxes that may be applied to any transactions or investments in securities. For example, a 0.2 per cent. proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for securities deposited in Italy, including the Notes (see "*Taxation-Taxation in the Republic of Italy-Stamp duty*"). The imposition of new taxes, or an increase in existing taxes on financial transactions or investments in securities in the markets in which FinecoBank operates, particularly in the Italian, European or U.S. markets, could have a negative impact on its business, and on its brokerage business in particular. For instance, the imposition in February 2013 of a financial transaction tax, or "Tobin tax" on certain transactions in equity securities of publicly-listed Italian issuers caused a decline in brokerage transactions for Italian equity securities and a shift toward other markets. The imposition of similar taxes elsewhere, or an increase in existing financial transaction taxes may have a material adverse effect on FinecoBank's business, results of operations and financial condition.

***Risks associated with the impact of current macroeconomic uncertainties, in particular in Italy.***

The FinecoBank Group's performance is affected by the financial markets and the macroeconomic and political environment of the countries in which it operates. Expectations regarding the performance of the global economy remain uncertain in both the short term and medium term. The FinecoBank Group's primary market is Italy. Therefore, its business is particularly sensitive to changes in the Italian economy and adverse macroeconomic conditions in Italy. In particular, there are considerable uncertainties around the future growth of the Italian economy.

The uncertainty which has characterized the global economy since the 2007 to 2008 crisis has caused significant problems for commercial banks, investment banks and insurance companies, with a number of them having become insolvent or being obligated to merge with other financial institutions or request assistance from governmental authorities, central banks or the International Monetary Fund (the **IMF**), which have intervened by injecting liquidity and capital into the system and by participating in the recapitalization of certain financial institutions. Added to this are other negative factors, such as increased unemployment levels and a general decline in demand for financial services.

The current macroeconomic situation is characterized by high levels of uncertainty, due in part to: (i) the U.S.-driven trend toward protectionism; (ii) the rapid growth of credit in the Chinese economy; (iii) the developments associated with Brexit; (iv) future developments in the European Central Bank (the **ECB**) and Federal Reserve (**FED**) monetary policies and the policies implemented by various countries, including those aimed at promoting competitive devaluations of their currencies; (v) constant change in the global and European banking sector, which has led to a progressive reduction in the spread between lending and borrowing rates; and (vi) the sustainability of the sovereign debt of certain countries, including Italy, and the related, repeated shocks to the financial markets. European political uncertainties remain a source of potential setback for the recovery.

The political uncertainty and persistence of adverse economic conditions in Italy, or a slower recovery in Italy compared to other OECD nations could have an adverse effect on the FinecoBank Group's business, cost of borrowing, results of operations or financial condition, as well as on the value of its assets, and could result in further costs related to write-downs and impairment losses. In addition, any downgrade of the Italian sovereign credit rating or the perception that such a downgrade may occur, may destabilise the markets and have an adverse effect on the FinecoBank Group's operating results, capital and liquidity position, financial condition and prospects as well as on the marketability of the Notes. If sentiment towards the banks and/or other financial institutions operating in Italy were to deteriorate materially, or if FinecoBank's ratings and/or the ratings of the sector were to be further adversely affected, this may have an adverse impact on the

FinecoBank Group. In addition, such change in sentiment or reduction in ratings could result in an increase in the costs and a reduction in the availability of wholesale market funding across the financial sector which could have an adverse effect on the liquidity funding and value of the assets of all Italian financial services institutions, including FinecoBank.

The FinecoBank Group's performance is affected by factors such as investor confidence, financial market liquidity, the availability and cost of borrowing on the capital markets, all of which are by their very nature, connected to the general macroeconomic situation. Adverse changes in these factors, particularly at times of economic-financial crisis, could increase the FinecoBank Group's cost of funding, with a material adverse impact on the business, financial condition and results of operations of FinecoBank and/or the FinecoBank Group.

This situation could be further affected by provisions regarding the currencies adopted in the countries in which the FinecoBank Group operates as well as by political instability and difficulties for governments to implement suitable measures to deal with the crisis, as well as acts of terrorism and/or, in general, political instability at a global level or in the countries in which the FinecoBank Group operates. All this could, in turn, result in decreased profitability, with material adverse effects on the business, results of operations and financial condition of FinecoBank and/or the FinecoBank Group.

In addition, there is the risk that pursuant to the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the **Bank Recovery and Resolution Directive** or **BRRD**), one or more credit institutions could be subject to the measures pursuant to this Directive and to the related implementing regulations, including the bail-in tool. This tool gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims into shares or other instruments of ownership to absorb the losses and recapitalize the bank in difficulty or a new entity that continues the essential functions. These circumstances could aggravate the macroeconomic situation and, specifically, have adverse effects on the business segments and on the markets in which the FinecoBank Group operates, with possible adverse consequences on the operating results and on the capital and/or financial position of the Issuer and/or the FinecoBank Group.

#### ***Risks associated with the FinecoBank Group's exposure to sovereign debt.***

Sovereign exposures are bonds issued by and loans given to central and local governments and governmental bodies. With reference to FinecoBank's sovereign exposures in debt, the book value of sovereign debts securities as at 31 March 2019 amounted to €9,064,831 thousand: Italy with €3,932,938 thousand; Spain with €3,400,121 thousand; Germany with €127,229 thousand; Poland with €118,520 thousand; France with €422,730 thousand; USA with €69,388 thousand; Austria with €305,494 thousand; Ireland with €381,235 thousand; and Belgium with €307,176 thousand. FinecoBank is exposed to debt securities issued by sovereign entities which are classified as other financial assets mandatorily at fair value for €32 thousand.

As at 31 March 2019, investments in debt securities issued by sovereign states accounted for 34.36% of FinecoBank's total assets. There were no structured debt securities among the sovereign debt securities held by FinecoBank. FinecoBank is therefore exposed to fluctuations in the price of the public debt securities. Tensions or volatility in the government bond market could negatively impact on FinecoBank's financial position and performance.

#### ***Risks connected with exchange rates.***

The effects of exchange rate trends could have a significant influence on the assets and the operations, balance sheet and/or income statement of the Issuer and/or the FinecoBank Group. This exposes FinecoBank to the risks connected with converting foreign currencies and carrying out transactions in foreign currencies. Any negative change in exchange rates and/or a hedging policy that turns out to be insufficient to hedge the related risk could have major negative effects on the activity, operating results and capital and financial position of the Issuer and/or the FinecoBank Group.

FinecoBank's exchange rate risk mainly derives from a mismatching of assets and liabilities in USD. The exchange rate risk is hedged through the matching of assets and liabilities denominated in currency or through spot transactions in foreign currencies.

As part of its treasury activities, FinecoBank collects funds in foreign currencies, mainly US dollars, through customer current accounts, subsequently investing these funds with primary credit institutions and in US dollar denominated securities (in particular US Treasuries).

The financial statements and interim reports of the FinecoBank Group are prepared in Euro and reflect the currency conversions necessary to comply with the International Financial Reporting Standards (**IFRS**).

#### ***Voluntary Scheme.***

FinecoBank joined the voluntary scheme (the **Voluntary Scheme**), introduced by the Italian Interbank Deposit Guarantee Fund (**IDGF**) in November 2015 through a change to its by-laws.

The Voluntary Scheme constitutes an instrument for solving banking crises through arrangements supporting the banks belonging to the scheme, through recourse to the specific conditions set out by the regulations. The Voluntary Scheme has an independent financial endowment and the member banks are obligated to provide the resources when requested to implement the interventions.

From 2016 to 2018 the Voluntary Scheme intervened in favour of some banks, in particular Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini, Cassa di Risparmio di San Miniato and Banca Carige.

With regard to the above mentioned interventions, FinecoBank contributed monetary payments which have led to the recognition of equity instruments (classified as "*available for sale*" based on IAS 39 until the end of 2017 and "*Financial assets at fair value through profit and loss: c) other financial assets mandatorily at fair value*" according to the current accounting standard IFRS 9).

As at 31 December 2018, the fair value of FinecoBank's residual equity exposure to the Voluntary Scheme relating to the interventions in favour of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato amounted to €0.5 million, as resulting from an analysis conducted by the advisors in charge for the underlying credits evaluation, conducted according to a discounted cash flow model based on recovery plans elaborated by SPV's special servicer. As at 31 December 2018, the fair value of FinecoBank's residual equity exposure to the Voluntary Scheme relating to the intervention in favour of Banca Carige amounted to €6.7 million, as resulting from using internal models (based on "Discounted Cash Flow" and "Market Multiples" methods applied in a multi-scenario analysis) also referring to the valuation carried out by the advisor appointed by IDGF in the context of the formalities related to training from the 2018 Report of the Voluntary Scheme and sent by the IDGF to the participating banks and taking into consideration the significant current and future uncertainties regarding the issuing credit institution.

As at 31 March 2019, FinecoBank's residual equity exposure to the Voluntary Scheme relating to the interventions in favour of Cassa di Risparmio di Cesena, Cassa di Risparmio di Rimini and Cassa di Risparmio di San Miniato remained unchanged compared to 31 December 2018 (namely, €0.5 million). As at 31 March 2019, the fair value of FinecoBank's residual equity exposure to the Voluntary Scheme relating to the intervention in favour of Banca Carige was reduced to €6.2 million. The fair value of the instrument was updated using the same internal models (based on "Discounted Cash Flow" and "Market Multiples" methods applied in a multi-scenario analysis) used to determine the fair value of the instrument in the financial statements for the year ended 31 December 2018.

#### ***Deposit Guarantee Scheme and Single Resolution Fund.***

As a result of: (i) Directive 2014/49/EU (Deposit Guarantee Schemes Directive (the **DGSD**)) of 16 April 2014; (ii) the BRRD; and (iii) the SRM Regulation establishing the predecessor of the current Single Resolution Fund (the **Single Resolution Fund** or **SRF**), which as of 1 January 2016, includes national compartments to which contributions raised at the national level by each participating Member State through



its National Resolution Fund (**National Resolution Fund** or **NRF**) are allocated, FinecoBank is obligated to provide the financial resources necessary for funding the deposit guarantee scheme and the SRF. These contribution obligations could have a significant impact on FinecoBank's financial and capital position. FinecoBank cannot currently predict the multi-year costs of the extraordinary contribution components which may be necessary for the management of any future banking crises.

The contribution for the year 2018 was paid and accounted for by FinecoBank under the item 160. Administrative Expenses of FinecoBank's income statement, amounting to €14.3 million as follows:

- €13.8 million relating to the DGS ordinary contribution;
- €0.03 million relating to the DGS additional contribution; and
- €0.4 million relating to the contribution to the Solidarity Fund.

No contribution was requested from FinecoBank by the Single Resolution Board for 2018, with regard to contribution obligations pursuant to Directive 2014/59/EU (Single Resolution Fund).

With regard to the contributions for the year 2019, contribution referred to the Deposit Guarantee Schemes Directive 2014/49/EU will be due and recognised in the third quarter of the year, in application of IFRIC 21; no contribution had been requested from FinecoBank by the Single Resolution Board with regard to contribution obligations pursuant to Directive 2014/59/EU (Single Resolution Fund).

***Risks connected with the political and economic decisions of EU and Eurozone countries and the United Kingdom leaving the European Union (Brexit).***

The relationship of the United Kingdom with the European Union may affect the business of the Issuer.

On 29 March 2017, the United Kingdom (**UK**) invoked Article 50 of the Treaty on the European Union and officially notified the European Union (**EU**) of its decision to withdraw from the EU. This commenced the formal two-year process (although this has subsequently been extended twice) of negotiations regarding the terms of the withdrawal and the framework of the future relationship between the UK and the EU (the **article 50 withdrawal agreement**). As part of those negotiations, a transitional period has been agreed in principle which would extend the application of EU law, and provide for continuing access to the EU single market, until the end of 2020 and possibly longer.

The article 50 withdrawal agreement has not yet been ratified by the UK or the EU. The parties have agreed to an extended time line which allows for ratification to take place any time prior to 31 October 2019. To the extent ratification does take place ahead of 31 October 2019, the UK would leave on the first day of the month following ratification. However, it remains uncertain whether the article 50 withdrawal agreement, or any alternative agreement, will be finalised and ratified by the UK and EU ahead of the deadline. If that deadline of 31 October 2019 is not met, unless the negotiation period is further extended or the Article 50 notification revoked, the Treaty on the European Union and the Treaty on the Functioning of the EU will cease to apply to the UK and the UK will lose access to the EU single market. Whilst continuing to discuss the article 50 withdrawal agreement and political declaration, the UK Government has commenced preparations for a 'hard' Brexit (or a 'no-deal' Brexit) to minimise the risks for firms and businesses associated with an exit with no transitional period. This has included publishing draft secondary legislation under powers provided in the EU (Withdrawal) Act 2018 to ensure that there is a functioning statute book after any exit without a transitional period.

Due to the on-going political uncertainty as regards the terms of the UK's withdrawal from the EU and the structure of the future relationship, the precise impact on the business of the Issuer, also in light of the fact that since 2017 FinecoBank is present in the UK pursuant to the freedom to provide services in the EU, is difficult to determine. As such, no assurance can be given that such matters would not adversely affect the ability of the Issuer to satisfy its obligations under the Notes and/or the market value and/or the liquidity of the Notes in the secondary market.

### ***The European proposed financial transactions tax (the FTT).***

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No. 1287/2006 are exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

### ***Ratings.***

FinecoBank is rated by S&P, which is established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies as amended from time to time (the **CRA Regulation**) as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation (for more information, please visit the ESMA webpage).

In determining the rating assigned to FinecoBank, the rating agency considers and will continue to review various indicators of FinecoBank's creditworthiness, including (but not limited to) the FinecoBank Group's performance, profitability and its ability to maintain its consolidated capital ratios within certain target levels. If FinecoBank fails to achieve or maintain any or a combination of more than one of the indicators, this may result in a downgrade of FinecoBank's rating by S&P.

Any rating downgrade of FinecoBank or other entities of the FinecoBank Group would be expected to increase the re-financing costs of the FinecoBank Group and may limit its access to the financial markets and other sources of liquidity, all of which could have a material adverse effect on its business, financial condition and results of operations.

### ***Risks connected with the entry into force of new accounting principles and changes to applicable accounting principles.***

The FinecoBank Group is exposed, like other parties operating in the banking sector, to the effects of the entry into force and subsequent application of new accounting principles or standards and regulations and/or changes to them (including those resulting from IFRS as endorsed and adopted into European law). Specifically, in the future, the FinecoBank Group may need to revise the accounting and regulatory treatment of some existing assets and liabilities and transactions (and related income and expense), with possible negative effects, including significant ones, on the estimates in financial plans for future years and this could lead the FinecoBank Group to having to restate financial data published previously.

In this regard, IFRS16, has been endorsed by the European Union with Regulation EU 2017/1986 of 31 October 2017 (published on 9 November 2017) and modifies the current set of international accounting principles and interpretations on leases and, in particular, IAS17.

IFRS16, applicable from January 1, 2019, provides a new definition of leasing and introduces a criterion based on the control ("right of use") of an asset to distinguish leasing agreements from service agreements, identifying which discriminant: the identification of the asset, the right to replace it, the right to obtain substantially all the economic benefits deriving from the use of the asset and the right to direct (i.e. control) the use of the asset.

The standard confirms the distinction between operating leases and finance leases with reference to the accounting model to be applied by the lessor: a lease is classified as financial if it transfers, substantially, all the risks and benefits connected to the ownership of an underlying asset; a lease is classified as operating if, substantially, it does not transfer all the risks and benefits deriving from the ownership of an underlying asset. With regard to the accounting model to be applied by the lessee, the new principle provides that, for all type of leases including operating leasing, an asset representing the right to use the leased asset shall be recognised, together with - at the same time - the financial liability for the fees set out in the agreement.

Upon initial recognition, the aforementioned asset is valued based on the cash flows associated with the leasing contract. Subsequent to initial recognition, this asset will be valued on the basis of the provisions for tangible and intangible assets from IAS 38, IAS 16 or IAS 40 and, therefore, at the cost net of amortization and any reduction in value, at "recalculated value" or at fair value as applicable.

Based on regulatory and/or technological developments and/or the business context, it is also possible that the FinecoBank Group could, in the future, further revise the operating methods for applying the IFRS, with possible negative impacts, including significant ones, on the operating results and capital and financial position of the FinecoBank Group.

## **RISKS RELATING TO THE NOTES**

*The following does not describe all the risks of an investment in the Notes. Prospective investors should consult their own financial and legal advisers about risks associated with investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances.*

***The Notes are complex instruments that may not be suitable for certain investors.***

The Notes are novel and complex financial instruments and may not be a suitable investment for certain investors. Each potential investor in the Notes should determine the suitability of such investment in light of its own circumstances and, in particular:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in these Listing Particulars or in any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear the risks of an investment in the Notes, including the possibility that the entire principal amount of the Notes could be lost, including following the exercise by the relevant resolution authority of any bail-in power or through the application of Non-Viability Loss Absorption, as further described below;
- (d) understand thoroughly the terms of the Notes and be familiar with the behaviour of the financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the knowledge and expertise (either alone or with a financial advisor) to evaluate how the Notes will perform under changing conditions, the resulting effects on the likelihood of cancellation of Interest Amounts or a Write-Down and the market value of the Notes, and the impact of this investment on the potential investor's overall investment portfolio.

***The manner in which the CRD IV Package will be implemented remain uncertain; the CRD Reform Package has recently been approved.***

The CRD IV Package is a recently adopted set of rules and regulations that imposes a series of new requirements, many of which will be phased in over a number of years. Although the CRD IV Regulation is directly applicable in each Member State, it has left a number of important interpretational issues to be resolved through binding technical standards that will be adopted in the future, and the CRD IV Directive has left certain other matters to the discretion of the relevant regulator.

In addition, on 23 November 2016, the European Commission released the CRD Reform Package which was approved at first reading by the European Parliament and adopted by the Council on 14 May 2019. The relevant instruments amending the CRD IV Directive and the CRD IV Regulation were published in the Official Journal of the European Union on 7 June 2019 and entered into force on 27 June 2019. Most new rules will start applying in mid-2021. Among other things, these amendments aim to implement a number of new Basel standards (such as the leverage ratio, the net stable funding ratio and market risk rules) and to introduce the FSB's TLAC recommendations. Amendments to the CRD IV Regulation will become directly applicable to the FinecoBank Group. However, the CRD IV Directive amendments will need to be transposed into Italian law before taking effect.

Such matters (including those which may result from the publication of technical standards which interpret the CRD IV Regulation) could impact the calculation of the Common Equity Tier 1 Capital ratios or the Common Equity Tier 1 Capital of the Issuer or the FinecoBank Group or the Risk Weighted Assets of the Issuer or the FinecoBank Group. Furthermore, because the occurrence of a Contingency Event and restrictions on discretionary payments where subject to a Maximum Distributable Amount depend, in part, on the calculation of these ratios and capital measures, any change in Italian laws or their official interpretation by regulatory authorities that could affect the calculation of such ratios and measures could also affect the determination of whether a Contingency Event has actually occurred and/or whether interest payments on the Notes are subject to restrictions.

Such calculations may also be affected by changes in applicable accounting rules, the FinecoBank Group's accounting policies and the application by the FinecoBank Group of these policies. Any such changes, including changes over which the Fineco Group has a discretion, may have a material adverse impact on the FinecoBank Group's reported financial position and accordingly may give rise to the occurrence of a Contingency Event in circumstances where such Contingency Event may not otherwise have occurred, notwithstanding the adverse impact this will have for Noteholders.

Furthermore, any change in the laws or regulations of Italy, the Relevant Regulations or the application thereof may in certain circumstances result in the Issuer having the option to redeem the Notes in whole and in certain circumstances in part (see "*The Notes are subject to early redemption, including upon the occurrence of a Special Event at the Prevailing Principal Amount*"). In any such case, the Notes (or part thereof) would cease to be outstanding, which could materially and adversely affect investors and frustrate investment strategies and goals.

Such legislative and regulatory uncertainty could affect an investor's ability to value the Notes accurately and therefore affect the market price of the Notes given the extent and impact on the Notes of one or more regulatory or legislative changes.

***The Notes are subordinated obligations of the Issuer.***

The Issuer's obligations under the Notes are unsecured and subordinated and will rank subordinate and junior to all indebtedness of the Issuer, including unsubordinated indebtedness of the Issuer, the Issuer's

obligations in respect of any dated subordinated instruments and any Tier 2 Capital or guarantee in respect of any such instruments (other than any instrument or contractual right expressed to rank *pari passu* with the Notes), as more fully described in the “*Terms and Conditions of the Notes*”.

If any judgment is rendered by any competent court declaring the judicial liquidation of the Issuer or if the Issuer is liquidated for any other reason, the rights of payment of the Noteholders shall rank senior to any payments to holders of the Issuer’s shares, including its *azioni privilegiate*, ordinary shares and *azioni di risparmio* (or certain securities or guarantees expressed to rank *pari passu* with the Issuer’s shares or otherwise junior to the Notes, as further described in Condition 4 (*Status of the Notes*)). In the event of incomplete payment of unsubordinated creditors on liquidation, the obligations of the Issuer in connection with the Notes will be terminated (save as otherwise provided under applicable law from time to time). Noteholders shall be responsible for taking all steps necessary for the orderly accomplishment of any collective proceedings or voluntary liquidation in relation to any claims they may have against the Issuer.

Although the Notes may pay a higher rate of interest than notes which are not subordinated, there is a substantial risk that investors in subordinated notes such as the Notes will lose all or some of their investment should the Issuer become insolvent.

***Waiver of set-off.***

In Condition 4 (*Status of the Notes*), each holder of a Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction or otherwise, in respect of such Note.

***The Issuer is not prohibited from issuing further debt which may rank pari passu with or senior to the Notes.***

The Terms and Conditions of the Notes place no restriction on the amount of debt that the Issuer may issue that ranks senior to the Notes or on the amount of securities that it may issue that rank *pari passu* with the Notes. The issue of any such debt or securities may reduce the amount recoverable by investors upon the Issuer’s bankruptcy. If the Issuer’s financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including cancellation of interest and reduction of principal and, if the Issuer were liquidated (whether voluntarily or involuntarily), the Noteholders could suffer loss of their entire investment.

***There are no events of default under the Notes.***

The Terms and Conditions of the Notes do not provide for events of default allowing acceleration of the Notes if certain events occur. Accordingly, if the Issuer fails to meet any obligations under the Notes, including the payment of any interest, investors will not have the right of acceleration of principal. Upon a payment default, the sole remedy available to Noteholders for recovery of amounts owing in respect of any payment of principal or interest on the Notes will be the institution of proceedings to enforce such payment. Notwithstanding the foregoing, the Issuer will not, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it.

***The Issuer may elect in its full discretion to cancel interest on the Notes and may, in certain circumstances, be required to cancel such interest.***

The Issuer may elect at any time in its full discretion to cancel (in whole or in part) for an unlimited period and on a no-cumulative basis Interest Amounts otherwise scheduled to be paid on any Interest Payment Date.

Further, the Issuer will be required to cancel payment of Interest Amounts (in whole or, as the case may be, in part) if and to the extent that such Interest Amounts, when aggregated together with distributions on all other Own Funds instruments of the Issuer (excluding Tier 2 Capital instruments) paid or scheduled for payment in the then current financial year, exceed the amount of Distributable Items, excluding any payments already accounted for in determining the Distributable Items. See also “– *The level of the Issuer’s*

*Distributable Items is affected by a number of factors and insufficient Distributable Items will restrict the ability of the Issuer to make interest payments on the Notes” below.*

The Issuer will also be required to cancel payment of Interest Amounts (in whole or, as the case may be, in part) if and to the extent that such payment, when aggregated together with other distributions of the Issuer or the FinecoBank Group, as applicable, of the kind referred to in Article 141(2) of the CRD IV Directive (or, if different, any provisions of Italian law implementing Article 141(2) of the CRD IV Directive), would cause the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the FinecoBank Group to be exceeded, or where such Interest Amounts are required to be cancelled (in whole or in part) by an order to the Issuer from the Competent Authority. The Maximum Distributable Amount restriction will apply when the combined capital buffer requirement is not met, and its determination is subject to considerable uncertainty, as further described below under *“If the Issuer breaches the combined buffer requirement a Maximum Distributable Amount will apply which may restrict the Issuer from making interest payments on the Notes in certain circumstances; Noteholders may not be able to anticipate whether or when the Issuer will cancel such interest payments.”*

Additionally, the Competent Authority has the power under Article 104 of the CRD IV Directive to restrict or prohibit payments of interest by the Issuer to holders of Additional Tier 1 instruments such as the Notes. The risk of any such intervention by the Competent Authority is most likely to materialise if at any time the Issuer or the FinecoBank Group is failing, or is expected to fail, to meet its capital requirements – see *“If the Issuer breaches the combined buffer requirement a Maximum Distributable Amount will apply which may restrict the Issuer from making interest payments on the Notes in certain circumstances; Noteholders may not be able to anticipate whether or when the Issuer will cancel such interest payments.”* below.

Also, in accordance with Article 63(j) of the BRRD (as implemented in Italy by Article 60(1)(i) of Legislative Decree No. 180/2015), the Competent Authority has the power to alter the amount of interest payable under debt instruments issued by banks subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period). The Competent Authority also has the power under Articles 53-*bis* and 67-*ter* of the Italian Banking Act to impose requirements on the Issuer, the effect of which will be to restrict or prohibit payments of interest by the Issuer to Noteholders, which is most likely to materialise if at any time the Issuer is failing, or is expected to fail, to meet its capital or liquidity requirements. If the Competent Authority exercises its discretion, the Issuer will exercise its discretion to cancel (in whole or in part, as required by the Competent Authority) interest payments in respect of the Notes.

Furthermore, upon the occurrence of a Contingency Event (as defined in Condition 6.1 (*Loss absorption*)), the Issuer will not make payment of accrued and unpaid interest in respect of the Notes up to the Write-Down Effective Date and any such accrued and unpaid interest shall be cancelled.

The cancellation of any Interest Amounts shall not constitute a default for any purpose on the part of the Issuer. Interest on the Notes is not cumulative and any Interest Amounts that the Issuer elects not to pay or is prohibited from paying will not accumulate or compound and all rights and claims in respect of such amounts shall be fully and irrevocably forfeited and no payments shall be made nor shall any Noteholder be entitled to any payment or indemnity in respect thereof. See Condition 5 of the Notes (*Interest and Interest Cancellation*).

Because the Issuer is entitled to cancel Interest Amounts in its full discretion, it may do so even if it could make such payments without exceeding the limits described above. Interest Amounts on the Notes may be cancelled even if holders of the Issuer’s shares continue to receive dividends and/or the Issuer continues to make payments of interest or other amounts on other Additional Tier 1 instruments.

Any actual or anticipated cancellation of interest on the Notes will likely have an adverse effect on the market price of the Notes. In addition, as a result of the interest cancellation provisions of the Notes, the market price of the Notes may be more volatile than the market prices of other debt securities on which interest accrues that are not subject to such cancellation and may be more sensitive generally to adverse changes in the Issuer’s financial condition. Any indication that, for example, the Issuer may not have

sufficient Distributable Items and/or distributions may be limited by a Maximum Distributable Amount may have an adverse effect on the market price of the Notes.

***The level of the Issuer's Distributable Items is affected by a number of factors and insufficient Distributable Items will restrict the ability of the Issuer to make interest payments on the Notes.***

As noted above, the Issuer will be required to cancel any Interest Amounts (in whole or, as the case may be, in part) if and to the extent that such Interest Amounts, when aggregated together with distributions on all other Own Funds instruments of the Issuer (excluding Tier 2 Capital instruments) paid or scheduled for payment in the then current financial year, exceed the amount of Distributable Items, excluding any payments already accounted for in determining the Distributable Items.

The Issuer had approximately €269.5 million of Distributable Items as at 31 December 2018.

The level of the Issuer's Distributable Items is affected by a number of factors. The Issuer's future Distributable Items, and therefore the ability of the Issuer to make interest payments under the Notes, are a function of the Issuer's existing Distributable Items and its future profitability. In addition, the Issuer's Distributable Items may also be adversely affected by the servicing of more senior instruments, parity ranking instruments or more junior ranking instruments, including dividends on the Issuer's shares.

The level of the Issuer's Distributable Items may be affected by changes to accounting rules, regulation or the requirements and expectations of applicable regulatory authorities. Any such potential changes could adversely affect the Issuer's Distributable Items in the future.

Further, the Issuer's Distributable Items, and therefore the Issuer's ability to make interest payments under the Notes, may be adversely affected by the performance of the business of the FinecoBank Group in general, factors affecting its financial position (including capital and leverage), the economic environment in which the FinecoBank Group operates and other factors outside of the Issuer's control. See generally "*Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Listing Particulars*" above. In addition, adjustments to earnings, as determined by FinecoBank's Board of Directors, may fluctuate significantly and may materially adversely affect Distributable Items.

***If the Issuer breaches the combined buffer requirement a Maximum Distributable Amount will apply which may restrict the Issuer from making interest payments on the Notes in certain circumstances; Noteholders may not be able to anticipate whether or when the Issuer will cancel such interest payments.***

Under Article 141 (Restrictions on distributions) of the CRD IV Directive, EU Member States must require that institutions that fail to meet the combined buffer requirement (as described below) will be subject to restricted "discretionary payments" (which are defined broadly by CRD IV Package as payments relating to Common Equity Tier 1 and Additional Tier 1 instruments and variable remuneration to staff). The restrictions will be scaled according to the extent of the breach of the combined buffer requirement and calculated as a percentage of the profits of the institution since the last distribution of profits or "discretionary payment". Such calculation will result in a "Maximum Distributable Amount" in each relevant period. As an example, if the available CET1 capital is within the bottom quartile of the combined buffer requirement, no "discretionary distributions" will be permitted to be paid.

As a consequence, in the event of breach of the combined buffer requirement it may be necessary to reduce discretionary payments, including potentially exercising the discretion to cancel (in whole or in part) interest payments in respect of the Notes.

In addition, the Issuer will have the discretion to determine how to allocate the Maximum Distributable Amount among the different types of payments contemplated in Article 141(2) of the CRD IV Directive and it may (at least prior to the amendments to the CRD IV Directive introduced by the CRD Reform Package being implemented) elect to allocate such amounts to discretionary payments other than in respect of the Notes. Moreover, payments made earlier in the relevant period will reduce the remaining Maximum Distributable Amount available for payments later in the relevant period, and the Issuer will have no

obligation to preserve any portion of the Maximum Distributable Amount for payments scheduled to be made later in a given period. Even if the Issuer attempts to do so, there can be no assurance that it will be successful, because the Maximum Distributable Amount will depend on the amount of Net Income earned during the course of the relevant period, which will necessarily be difficult to predict.

#### *Interaction of Pillar 1 and Pillar 2 requirements and MREL with the combined buffer requirement*

Under the CRD IV Package, the Issuer is required to hold a minimum amount of regulatory capital equal to 8 per cent. of risk weighted assets (the **Pillar 1 requirement**). In addition to these so called “own funds” requirements under the CRD IV Package, supervisory authorities may add extra capital requirements to cover risks they believe are not covered, or are insufficiently covered, by the minimum capital requirements under the CRD IV Package (**Pillar 2 requirements**). See also “*Factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Listing Particulars – Basel III and the CRD IV Package*” above. FinecoBank does not currently have a Pillar 2 requirement applicable to it or the FinecoBank Group.

The EBA published its SREP Guidelines on 19 December 2014. Included in these guidelines were the EBA’s proposed guidelines for a common approach to determining the amount and composition of additional Pillar 2 own funds requirements to be implemented from 1 January 2016. Under these guidelines, national supervisors should set a composition requirement for the Pillar 2 requirements to cover certain specified risks of at least 56 per cent. CET1 and at least 75 per cent. Tier 1 capital. The guidelines also contemplate that national supervisors should not set additional own funds requirements in respect of risks which are already covered by the combined buffer requirement (as described below) and/or additional macro-prudential requirements. Accordingly, any additional Pillar 2 own funds requirement that may be imposed on the Issuer and/or the FinecoBank Group pursuant to the SREP in the future will require the Issuer and/or the FinecoBank Group to hold capital levels above the minimum Pillar 1 capital requirements. As noted above, the CRD IV Package also introduces a capital buffer requirement that is in addition to the minimum “own funds” requirement and required to be met with Common Equity Tier 1 capital. It introduces five new capital buffers. See further “*Factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Listing Particulars – Basel III and the CRD IV Package*” above.

The quantum of any Pillar 2 requirement imposed on a bank (including any Pillar 2 requirement which may apply to FinecoBank or the FinecoBank Group in the future), the type of capital which it must apply to meeting such capital requirements, and whether the Pillar 2 requirement is “stacked” below the capital buffers (i.e. the bank’s capital resources must first be applied to meeting the Pillar 2 requirements in full before capital can be applied to meeting the capital buffers) or “stacked” above the capital buffers (i.e. the bank’s capital resources can be applied to meeting the capital buffers in priority to the Pillar 2 requirement) may all impact a bank’s ability to make discretionary payments on its tier 1 capital, including interest payments on additional tier 1 instruments. The interaction between Pillar 2 requirements and the Maximum Distributable Amount restriction has been the subject of much debate.

As set out in the “Opinion of the European Banking Authority on the interaction of Pillar 1, Pillar 2 and combined buffer requirements and restrictions on distributions” published on 16 December 2015, in the EBA’s opinion competent authorities should ensure that the Common Equity Tier 1 Capital to be taken into account in determining the Common Equity Tier 1 Capital available to meet the combined buffer requirement for the purposes of the Maximum Distributable Amount calculation is limited to the amount not used to meet the Pillar 1 and Pillar 2 own funds requirements of the institution. In effect, this would mean that Pillar 2 capital requirements would be “stacked” below the capital buffers, and thus a firm’s CET1 resources would only be applied to meeting capital buffer requirements after Pillar 1 and Pillar 2 capital requirements have been met in full.

However, the above has been more clearly regulated in the EBA Guidelines on SREP published in July 2018. The EBA guidelines define a distinction between the “Pillar 2 Requirement” (stacked below the capital buffers and thus directly affecting the application of a Maximum Distributable Amount) and “Pillar 2 Guidance” (stacked above the capital buffers). In cases where a “Pillar 2 Guidance” is provided, that guidance will not be included in the calculation of the Maximum Distributable Amount, but competent authorities would expect banks to meet that guidance.



Moreover, the CRD Reform Package further clarifies the distinction between the “Pillar 2 Requirement” and “Pillar 2 Guidance”. In particular, “Pillar 2 Guidance” refers to the possibility for competent authorities to communicate to an institution their expectations for such institution to hold capital in excess of its capital requirements (Pillar 1 and Pillar 2) and combined buffer requirement in order to address forward-looking and remote situations. Under the CRD Reform Package (and as described above), only the “Pillar 2 Requirement”, and not “Pillar 2 Guidance”, will be relevant in determining whether an institution meets its combined buffer requirement for the purposes of the Maximum Distributable Amount restrictions.

In addition to the above, the Maximum Distributable Amount restrictions are being extended in order to encompass also the minimum Leverage Ratio requirement and the MREL requirement. Within the CRD Reform Package a new Article 141b is included in the CRD IV Directive which introduces restrictions on distributions in the case of failure to meet the Leverage Ratio requirement (including any applicable buffer), thus introducing a new Leverage Ratio Maximum Distributable Amount (**L-MDA**). The BRRD Reforms also contains a new Article 16a that clarifies the stacking order between the combined buffer requirement and the MREL requirement. Pursuant to this new provision the resolution authority shall have the power to prohibit an entity from distributing more than the Maximum Distributable Amount for the Minimum Requirement of own funds and Eligible Liabilities “MREL” (calculated in accordance with the proposed Article 16a(4) of the BRRD, the **M-MDA**) where the combined buffer requirement and the MREL requirement are not met and which may apply to FinecoBank or the FinecoBank Group in the future. Article 16a envisages a potential nine month grace period whereby the resolution authority assesses on a monthly basis whether to exercise its powers under the provision, before such resolution authority is compelled to exercise its power under the provisions (subject to certain limited exceptions, to be verified on a monthly basis).

The following tables reflect the fact that the Pillar 2 requirement is currently zero such that there is currently no Pillar 2 capital impact on the required minimum CET1 Capital ratio, Tier 1 Capital ratio and Total Capital ratio, in each case on a consolidated basis, as from the dates indicated, on the level at which the Maximum Distributable Amount restrictions will take effect:

<b>Required minimum CET1 Capital ratio</b>	
	<b>From 1 January 2019 (fully loaded)</b>
Pillar 1 CET1	4.50%
Pillar 2 CET1 requirement	0.00%
Combined capital buffer requirement	2.506% <sup>1</sup>
<b>MDA level</b>	<b>7.006%</b>

<sup>1</sup> Including 0.006% of countercyclical capital buffer estimated as at 31 December 2018.

<b>Required Minimum Tier 1 ratio</b>	
	<b>From 1 January 2019 (fully loaded)</b>
Pillar 1 CET1	4.50%
Pillar 1 Additional Tier 1 <sup>1</sup>	1.50%
Pillar 2 CET1 requirement	0.00%

Combined capital buffer requirement	2.506% <sup>2</sup>
<b>MDA level</b>	<b>8.506%</b>

<sup>1</sup> May be comprised of Additional Tier 1 or CET1.

<sup>2</sup> Including 0.006% of countercyclical capital buffer estimated as at 31 December 2018.

<b>Required Minimum Total Capital ratio</b>	
	<b>From 1 March 2019 (fully loaded)</b>
Pillar 1 CET1	4.5%
Pillar 1 Additional Tier 1 <sup>1</sup>	1.50%
Pillar 1 Tier 2 <sup>2</sup>	2.00%
Pillar 2 CET1 requirement	0.00%
Combined capital buffer requirement	2.506% <sup>3</sup>
<b>MDA level</b>	<b>10.506%</b>

<sup>1</sup> May be comprised of Additional Tier 1 or CET1.

<sup>2</sup> May be comprised of Tier 2, Additional Tier 1 or CET1.

<sup>3</sup> Including 0.006% of countercyclical capital buffer estimated as at 31 December 2018.

As at 31 December 2018 and 31 March 2019, the transitional capital ratios (CET1 Capital, Tier 1 and Total Capital ratios), are set out in the table below:

<b>Capital ratios</b>	<b>31 December 2018</b>	<b>31 March 2019<sup>2</sup></b>
CET1 Capital ratio	21.16%	20.98%
Tier 1 ratio	29.58%	29.14%
Total Capital ratio	29.58%	29.14%

Such ratios exceed the applicable regulatory requirements described above, but there can be no assurance that the total capital requirements (Pillar 1 plus Pillar 2 (currently zero) plus combined buffer requirement) imposed on the Issuer and/or the FinecoBank Group from time to time may not be higher than the levels of capital available at such point in time. Also, there can be no assurance as to the result of any future SREP

<sup>2</sup> Following the Exit on 10 May 2019, the FinecoBank Group expects to adopt, initially, a basic approach to operational risk measurement, as opposed to the advanced measurement approach which was applied while FinecoBank was included in the UniCredit banking group. FinecoBank management expects such change to result in higher capital charges compared to the previous approach and therefore greater absorption of capital which will in turn, all other factors being equal, result in lower CET1 capital, Tier 1 capital and total capital ratios compared to those set out under the column entitled "31 March 2019". Management estimates that the CET1 Capital ratio would have been approximately 17.5% at such date had a basic approach to operational risk measurement been applied.

carried out by the relevant regulator but FinecoBank expects this may impose Pillar 2 additional own funds requirements on the Issuer and/or the FinecoBank Group. If at any time the Issuer is unable to maintain its total CET1 at the level necessary to meet its combined capital buffer requirement, a Maximum Distributable Amount restriction would be applicable and the Issuer may be required to cancel interest payments on the Notes.

In addition, as at 31 March 2019, FinecoBank (prior to the Exit) calculated its regulatory capital ratios only on a solo basis, in line with regulatory requirements because it was part of the UniCredit banking group. Following the Exit (after which FinecoBank is no longer included in the UniCredit banking group), FinecoBank, as head of the FinecoBank banking group, will be required to calculate such ratios on a solo and consolidated basis. The FinecoBank banking group currently consists of FinecoBank and its wholly-owned subsidiary, Fineco AM. Although FinecoBank did not calculate its regulatory capital ratios as at 31 March 2019 on a consolidated basis, FinecoBank estimates that such ratios, on a consolidated basis, would not differ materially from the solo regulatory capital ratios described in the table above.

In addition, FinecoBank's leverage ratio as at 31 March 2019 was 5.11% calculated in accordance with EU Delegated Regulation 2015/62 of 10 October 2014. As required by Part Two, Chapter 12 Section 3 of the Bank of Italy Circular 285, Exercise of national discretion, the UniCredit Group's exposures to companies based in Italy weighted at 0% in accordance with Article 113 (6) CRR were excluded from the calculation of overall exposure in accordance with Article 429(7) of the CRR as amended by Delegated Regulation (EU) 2015/62. If the UniCredit Group's exposures had been included to the calculation of such ratio, management estimates that the leverage ratio would have been approximately 2.7% at such date.

#### *MREL*

In addition to the capital requirements under the CRD IV Package, the BRRD introduces requirements for banks to maintain at all times a sufficient aggregate amount of MREL. The aim is that the minimum amount should be proportionate and adapted for each category of bank on the basis of their risk or the composition of their sources of funding. The final draft regulatory technical standards published by the EBA in July 2015 set out the assessment criteria that resolution authorities should use to determine the minimum requirement for own funds and eligible liabilities for individual firms. See also "*Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Listing Particulars – The bank recovery and resolution directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of the Notes and/or the rights of Noteholders*".

In order to ensure compliance with MREL requirements, the BRRD Reforms provide that in case a bank does not have sufficient eligible liabilities to comply with its MREL, the resultant shortfall is automatically filled up with CET1 that would otherwise be counted towards meeting the combined capital buffer requirement. However, the BRRD Reforms envisage a six-month grace period before restrictions to discretionary payments to the holders of regulatory capital instruments and employees take effect due to a resulting breach of the combined capital buffer requirement.

Under the BRRD Reforms, a breach of the Issuer's MREL requirement would result in a breach of its combined capital buffer and result in the application of the Maximum Distributable Amount restrictions and potentially the cancellation of interest payments on the Notes.

As at the date of these Listing Particulars, FinecoBank expects that it may become subject to MREL requirements in the future but it has not yet received any request from the relevant regulators.

#### *General*

The Issuer's capital requirements, including Pillar 1 and Pillar 2 requirements, MREL and the combined buffer requirement, are, by their nature, calculated by reference to a number of factors any one of which or combination of which may not be easily observable or capable of calculation by investors. Investors in the

Notes may not be able to assess or predict accurately the proximity of the risk of discretionary payments on the Notes being prohibited from time to time as a result of the operation of Article 141 of the CRD IV Directive. There can be no assurance that any of the capital requirements or the combined capital buffer requirements applicable to the Issuer will not be amended in the future to include new and more onerous capital requirements, which in turn may affect the Issuer's capacity to make payments of interest on the Notes.

These issues and other possible issues of interpretation make it difficult to determine how the Maximum Distributable Amount will apply as a practical matter to limit interest payments on the Notes, the reinstatement of the Prevailing Principal Amount of the Notes following a Write-Down, and the ability of the Issuer to redeem and purchase Notes. This uncertainty and the resulting complexity may adversely impact the trading price and the liquidity of the Notes.

***The Notes may be traded with accrued interest, but under certain circumstances described above, such interest may be cancelled and not paid on the relevant Interest Payment Date.***

The Notes may trade, and/or the prices for the Notes may appear, on the Official List of Euronext Dublin and in other trading systems with accrued interest. If this occurs, purchasers of Notes in the secondary market will pay a price that reflects such accrued interest upon purchase of the Notes. However, if a payment of interest on any Interest Payment Date is cancelled (in whole or in part) as described herein and thus is not due and payable, purchasers of such Notes will not be entitled to that interest payment (or, if the Issuer elects to make a payment of a portion, but not all, of such interest payment, the portion of such interest payment not paid) on the relevant Interest Payment Date. This may affect the value of any investment in the Notes.

***The Issuer may be required to reduce the principal amount of the Notes to absorb losses, which would also impact the Interest Amounts payable on any Interest Payment Date while the Notes are written down.***

The Notes are being issued for capital adequacy regulatory purposes with the intention and purpose of being eligible as Additional Tier 1 Capital under the CRD IV Package both at the level of the Issuer and at the level of the FinecoBank Group. Such eligibility depends upon a number of conditions being satisfied. One of these relates to the ability of the Notes and the proceeds of their issue to be available to absorb any losses of the Issuer. Accordingly, under the Terms and Conditions of the Notes, if at any time the Issuer's or the FinecoBank Group's Common Equity Tier 1 Capital Ratio falls below 5.125 per cent. (each or both a **Contingency Event**), the Issuer shall reduce the then Prevailing Principal Amount of the Notes by the Write-Down Amount, on a *pro rata* basis with the other Notes and taking into account the at least *pro rata* write-down (or write-off) or conversion into Ordinary Shares of any other Equal Loss Absorbing Instruments (and taking into account the write-down (or write-off) or conversion of any Prior Loss Absorbing Instruments). See Condition 6 (*Loss Absorption and Reinstatement of Principal Amount*).

Although Condition 6.3 (*Reinstatement of principal amount*) permits the Issuer in its full discretion to reinstate Written-Down principal amounts up to a maximum of the Initial Principal Amount if certain conditions (further described therein) are met, the Issuer is under no obligation to do so. Moreover, the Issuer will only have the option to Write-Up the principal amount of the Notes if, at a time when the Prevailing Principal Amount of the Notes is less than their Initial Principal Amount, both a positive Net Income and a positive Consolidated Net Income are recorded, and if the Maximum Distributable Amount (if any) (when the amount of the Write-Up is aggregated together with other distributions of the Issuer or the FinecoBank Group, as applicable, of the kind referred to in Article 141(2) of the CRD IV Directive and, if relevant, in any other similar payment restriction provision(s) under the Relevant Regulations (or, if different, any provision of Italian law transposing or implementing Article 141(2) of the CRD IV Directive or, if relevant, such other provision(s), as amended or replaced)) would not be exceeded as a result of the Write-Up.

No assurance can be given that these conditions will ever be met, or that the Issuer will ever Write-Up the principal amount of the Notes following a Write-Down. Furthermore, any Write-Up must be undertaken on a *pro rata* basis with the other Notes and any Written-Down Additional Tier 1 Instruments of the Issuer that have terms permitting a principal write-up to occur on a basis similar to that set out in Condition 6.3 (*Reinstatement of principal amount*) in the circumstances then existing.

During the period of any Write-Down pursuant to Condition 6 (*Loss Absorption and Reinstatement of Principal Amount*), interest will accrue (subject in certain circumstances to the Maximum Distributable Amount, as further set out below) on the Prevailing Principal Amount of the Notes, which shall be lower than the Initial Principal Amount unless and until the Notes are subsequently Written-Up in full. Furthermore, in the event that a Write-Down occurs during an Interest Period, any interest accrued but not yet paid up to the occurrence of such Write-Down will be cancelled. See generally Condition 5.8 (*Calculation of Interest Amount in case of Write Down*).

Noteholders may lose all or some of their investment as a result of a Write Down. If any judgment is rendered by any competent court declaring the judicial liquidation of the Issuer, or if the Issuer is liquidated for any other reason prior to the Notes being written-up in full pursuant to Condition 6 (*Loss Absorption and Reinstatement of Principal Amount*), Noteholders' claims for principal and interest will be based on the reduced Prevailing Principal Amount of the Notes.

In addition, in certain circumstances the Maximum Distributable Amount will impose a cap on the Issuer's ability to pay interest on the Notes, on the Issuer's ability to reinstate the Prevailing Principal Amount of the Notes following a Write-Down and on its ability to redeem or repurchase Notes. See generally "*If the Issuer breaches the combined buffer requirement a Maximum Distributable Amount will apply which may restrict the Issuer from making interest payments on the Notes in certain circumstances; Noteholders may not be able to anticipate whether or when the Issuer will cancel such interest payments*".

The market price of the Notes is expected to be affected by fluctuations in the Issuer's and the FinecoBank Group's Common Equity Tier 1 Capital Ratio. Any indication that the Issuer's or the FinecoBank Group's Common Equity Tier 1 Capital Ratio is approaching the level that would trigger a Contingency Event may have an adverse effect on the market price of the Notes.

In the event that the relevant resolution authority utilises the general bail-in tool, this could materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under the Notes. In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments such as the Notes at the point of non-viability and before any other resolution action is taken. Any shares issued to holders of subordinated notes (such as the Notes) upon any such conversion into equity may also be subject to any application of the general bail-in tool. See generally "*The Notes may be subject to write-down, cancellation or conversion upon the occurrence of the exercise by the relevant resolution authority of the general bail-in tool or capital instruments write-down and conversion powers, which powers are in addition to the terms of the Notes which provide for Write-Down on the occurrence of a Contingency Event*".

***The calculation of the Common Equity Tier 1 Capital Ratios will be affected by a number of factors, many of which may be outside the Issuer's control.***

The occurrence of a Contingency Event, which would result in a Write-Down of the Prevailing Principal Amount of the Notes (and the cancellation of interest accrued not yet paid up to the occurrence of the Write-Down) or the application of a Maximum Distributable Amount, is inherently unpredictable and depends on a number of factors, many of which may be outside the Issuer's control. Also, whether a Contingency Event has occurred at any time shall be determined by the Issuer and the Competent Authority. Because the Competent Authority may require Common Equity Tier 1 Capital Ratios to be calculated as of any date (which calculation shall be binding on the Noteholders), a Contingency Event could occur at any time. The calculation of the Common Equity Tier 1 Capital Ratios of the Issuer or of the FinecoBank Group could be affected by a wide range of factors, including, among other things, factors affecting the level of the Issuer's earnings or dividend payments, the mix of its businesses, its ability to effectively manage the risk-weighted assets in its ongoing businesses, losses in the context of its banking activities or other businesses, changes in the FinecoBank Group's structure or organisation. The calculation of the ratios also may be affected by changes in the applicable laws and regulations or applicable accounting rules and the manner in which accounting policies are applied, including the manner in which permitted discretion is under the applicable accounting rules is exercised.

Accordingly, the trading behaviour of the Notes may not necessarily follow the trading behaviour of other types of subordinated securities. Any indication that the Common Equity Tier 1 Capital Ratio of the Issuer or of the FinecoBank Group is approaching the level that would trigger a Contingency Event or a breach of the combined buffer requirement may have an adverse effect on the market price and liquidity of the Notes. Under such circumstances, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to more conventional investments.

***Changes to the calculation of Common Equity Tier 1 Capital and/or Risk Weighted Assets may negatively affect the Issuer or the FinecoBank Group's Common Equity Tier 1 Capital Ratio.***

In addition, regulatory initiatives may impact the calculation of the Issuer's or the FinecoBank Group's Risk Weighted Assets, being the denominator of the Issuer's and the FinecoBank Group's Common Equity Tier 1 Capital Ratio, respectively. On 7 December 2017, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS), has endorsed the outstanding Basel III post-crisis regulatory reforms. The revisions seek to restore credibility in the calculation of RWAs and improve the comparability of banks' capital ratios by enhancing the robustness and risk sensitivity of the standardised approaches for credit risk, credit valuation adjustment (CVA) risk and operational risk; constraining the use of the internal model approaches, by placing limits on certain inputs used to calculate capital requirements under the IRB approach for credit risk and by removing the use of the internal model approaches for CVA risk and for operational risk; introducing a leverage ratio buffer to further limit the leverage of G-SIBs; and replacing the existing Basel II output floor with a more robust risk-sensitive floor based on the Committee's revised Basel III standardised approaches. The implementation of this new risk assessment framework, which should occur from 1 January 2022 (with transitional arrangement for phasing in the aggregate output floor), will impact the calculation of the Issuer's or the FinecoBank Group's Risk Weighted Assets and, consequently, the Issuer or the FinecoBank Group's Common Equity Tier 1 Capital Ratio.

Any changes that may occur in the application to the Issuer and/or the FinecoBank Group of the CRD IV Package rules or the loss absorbency requirements under the BRRD (including MREL) subsequent to the date of these Listing Particulars and/or any subsequent changes to such rules and other variables may individually and/or in the aggregate negatively affect the Issuer or the FinecoBank Group's Common Equity Tier 1 Capital Ratio and thus increase the risk of a Contingency Event, which will lead to Write-Down, and a breach of the combined buffer requirement, as a result of which Noteholders could lose all or part of the value of their investment in the Notes.

***The Notes may be subject to write-down, cancellation or conversion upon the occurrence of the exercise by the relevant resolution authority of the general bail-in tool or capital instruments write-down and conversion powers, which powers are in addition to the terms of the Notes which provide for Write-Down on the occurrence of a Contingency Event.***

Noteholders should understand that the powers to convert, write-down or cancel the Notes given to national regulators pursuant to the rules and regulations described below are in addition to the terms of the Notes which provide for Write-Down upon the occurrence of a Contingency Event.

The Notes are subject to bail-in powers under legislative measures implementing the BRRD in Italy.

The BRRD has been implemented in Italy through the BRRD Decrees which entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the general bail-in tool applied from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SMEs applies from 1 January 2019.

The stated aim of the BRRD is to provide a harmonised legal framework governing the tools and powers available to national supervisory authorities to address banking crises pre-emptively in order to safeguard financial stability and minimise taxpayers' contributions to bank bail-outs and/or exposure to losses. Among other things, the BRRD introduces a general bail-in tool which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims (including the Notes) into shares or other instruments of ownership (i.e. other instruments that confer

ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership).

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to write-down permanently/convert into equity capital instruments such as the Notes at the point of non-viability and before any other resolution action is taken, with losses absorbed in accordance with the priority of claims under normal insolvency proceedings (**Non-Viability Loss Absorption**). Any shares issued to holders of Notes upon any such conversion into equity capital instruments may also be subject to any future application of the BRRD.

As a result, the Notes may be subject to a partial or full write-down or conversion to common equity Tier 1 instruments of the Issuer or another institution. Accordingly, and as described above, where there exists a threat that a Contingency Event may occur, trading behaviour may also be affected by the threat that the relevant resolution authority may exercise the general bail-in tool and, as a result, the Notes are not necessarily expected to follow the trading behaviour associated with other types of securities. Noteholders should consider the risk that they may lose all of their investment, including the principal amount plus any accrued interest if the bail-in tool is used or that such Notes may be converted into ordinary shares which ordinary shares may be of little value at the time of conversion.

***The circumstances under which the relevant resolution authority would use the general bail-in tool are currently uncertain.***

There remains uncertainty as to how or when the general bail-in tool may be used and how it would affect the Issuer, the FinecoBank Group and the Notes. The determination that all or part of the principal amount of the Notes will be subject to loss absorption is likely to be inherently unpredictable and may depend on a number of factors which may be outside of the Issuer's and the FinecoBank Group's control. Although there are proposed pre-conditions for the exercise of the general bail-in tool, there remains uncertainty regarding the specific factors which the relevant resolution authority would consider in deciding whether to exercise the general bail-in tool with respect to a financial institution and/or securities, such as the Notes, issued by that institution. In particular, in determining whether an institution is failing or likely to fail, the relevant resolution authority shall consider a number of factors, including, but not limited to, an institution's capital and liquidity position, governance arrangements and any other elements affecting the institution's continuing authorisation. Moreover, as the final criteria that the relevant resolution authority would consider in exercising any general bail-in tool is likely to provide it with discretion, Noteholders may not be able to refer to publicly available criteria in order to anticipate a potential exercise of any such general bail-in tool. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any bail-in tool by the relevant resolution authority may occur which would result in a principal write-off or conversion to equity. The uncertainty may adversely affect the value of any investment in the Notes.

Also, certain provisions of the BRRD remain subject to regulatory technical standards and implementing technical standards to be prepared by the European Banking Authority. In addition to the BRRD, it is possible that the application of other relevant laws, the CRD IV Package and any amendments thereto or other similar regulatory proposals, including proposals by the FSB on cross-border recognition of resolution actions, could be used in such a way as to result in the Notes absorbing losses in the manner described above. Any actions by the relevant resolution authority pursuant to the powers granted to it as a result of the transposition of the BRRD, or other measures or proposals relating to the resolution of financial institutions, may adversely affect the rights of holders of the Notes, the price or value of an investment in the Notes and/or the Issuer's ability to satisfy its obligations under the Notes.

***The Issuer's interests may not be aligned with those of investors in the Notes.***

The Common Equity Tier 1 Capital Ratio, Distributable Items and any Maximum Distributable Amount will depend in part on decisions made by the Issuer relating to its businesses and operations and that of the FinecoBank Group, as well as the management of their capital position. The Issuer will have no obligation to consider the interests of Noteholders in connection with its strategic decisions, including in respect of capital management. The Issuer may decide not to raise capital at a time when it is feasible to do so, even if that

would result in the occurrence of a Contingency Event. Moreover, in order to avoid the use of public resources, the Competent Authority may decide that the Issuer should allow a Contingency Event to occur at a time when it is feasible to avoid it. Noteholders will not have any claim against the Issuer or any other entity in the FinecoBank Group relating to decisions that affect the capital position of the FinecoBank Group, regardless of whether they result in the occurrence of a Contingency Event. Such decisions could cause Noteholders to lose all or part of their investment in the Notes.

***No scheduled redemption.***

The Issuer is under no obligation to redeem the Notes at any time before the date on which voluntary or involuntary winding up proceedings are instituted in respect of the Issuer, and the Noteholders have no right to call for their redemption.

The Issuer may, at its sole discretion (but subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*)), redeem the Notes in whole, but not in part, on any Optional Redemption Date (Call) at their Prevailing Principal Amount, plus any accrued interest and any additional amounts due pursuant to Condition 9 of the Notes (*Taxation*), as described in Condition 7.2 (*General redemption option*).

In addition, the Issuer may also, at its sole discretion (but subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*)), redeem the Notes in whole, but not in part, following the occurrence of a Capital Event and in whole, or in part, following the occurrence of a Tax Event (each as defined herein) at their Prevailing Principal Amount, plus, in each case, if relevant, any accrued interest and any additional amounts due pursuant to Condition 9 (*Taxation*) as described in Condition 7.3 (*Redemption upon the occurrence of a Capital Event*) and Condition 7.4 (*Redemption upon the occurrence of a Tax Event*).

Any such redemption will be subject to the prior written approval of the Competent Authority (and otherwise in compliance with all applicable laws and regulations, including the Relevant Regulations). Under the CRD IV Regulation, the Competent Authority will give its consent to a redemption or repurchase of the Notes if either of the following conditions is met:

- (a) on or before such redemption or repurchase of the Notes, the Issuer replaces the Notes with Own Funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the Issuer; or
- (b) the Issuer has demonstrated to the satisfaction of the Competent Authority that its Own Funds would, following such redemption or repurchase, exceed the CRD IV Package combined buffer requirements by a margin that the Competent Authority may consider necessary on the basis set out in the CRD IV Package.

The Issuer may elect not to exercise its option of redeeming the Notes early in the above circumstances or at any time.

***The Notes are subject to early redemption, including upon the occurrence of a Special Event at the Prevailing Principal Amount.***

If the Issuer redeems the Notes pursuant to Condition 7.3 (*Redemption upon the occurrence of a Capital Event*) or Condition 7.4 (*Redemption upon the occurrence of a Tax Event*), such Notes will be redeemed at their Prevailing Principal Amount, together with any accrued interest and any additional amounts due pursuant to Condition 9 (*Taxation*), even if the principal amount of the Notes has been Written Down and not yet reinstated in full.

Noteholders will not receive a make-whole amount or any other compensation in the event of any early redemption of Notes.



The optional redemption feature is likely to limit the market value of the Notes, as during any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

If the Issuer redeems the Notes in any of the circumstances mentioned above, there is a risk that the Notes may be redeemed at times when the redemption proceeds are less than the current market value of the Notes or when prevailing interest rates may be relatively low, in which latter case Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield. Potential investors should consider reinvestment risk in light of other investments available at that time.

Any such redemption will be subject to prior written approval of the Competent Authority (if so required by the Relevant Regulations).

The Notes may also be redeemed on each Optional Redemption Date (Call) at the option of the Issuer, with the prior written approval of the Competent Authority (if so required by the Relevant Regulations), pursuant to Condition 7.2 (*General redemption option*).

***The Rate of Interest applicable to the Notes will be reset on every Reset Date.***

In particular, the Rate of Interest applicable to the Notes will be reset on the First Call Date and on every Reset Date thereafter. Such Rate of Interest will be determined two TARGET2 Settlement Days before the relevant Reset Date and as such is not pre-defined at the date of issue of the Notes. A Reset Rate of Interest may be less than the Rate of Interest applicable immediately prior to the Reset Date and may adversely affect the yield and so the market value of the Notes.

***Meetings of Noteholders and modification.***

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders and Couponholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

***Change of law.***

The Terms and Conditions of the Notes will be governed by the laws of Italy. No assurance can be given as to the impact of any possible judicial decision or change to the laws of Italy or administrative practice after the date of these Listing Particulars and any such change could materially adversely impact the value of the Notes.

***Risk relating to the governing law of the Notes.***

The Terms and Conditions of the Notes will be governed by the laws of Italy and Condition 17.1 (*Governing Law*) of the Terms and Conditions of the Notes provides that contractual and non-contractual obligations arising out or in connection with them shall be governed by, and construed in accordance with, Italian Law. The Global Notes representing the Notes provide that all contractual and non-contractual obligations arising out of or in connection with the Global Notes are governed by Italian law, save for the form and transferability of the Global Notes which are governed by English law. Furthermore, the Temporary Global Note and the Permanent Global Note will be signed by the Issuer in the United Kingdom and, thereafter, delivered to Citibank N.A., London Branch as initial fiscal agent and principal paying agent, being the entity in charge for, *inter alia*, completing, authenticating and delivering the Temporary Global Note and Permanent Global Note and (if required) authenticating and delivering Definitive Notes, hence the Notes would be deemed to be issued in England. As article 59 of Law No. 218 of 31 May 1995 (regarding Italian international private law rules) provides that “other debt securities (*titoli di credito*) are governed by the law of the State in which the security was issued”, the Issuer cannot foresee the effect of any potential misalignment between the laws applicable to the Terms and Conditions of the Notes and the Global Notes and the

laws applicable to their transfer and circulation for any prospective investors in the Notes and any disputes which may arise in relation to, inter alia, the transfer of ownership in the Notes.

***Notes where denominations involve integral multiples: Definitive Notes.***

The Notes have denominations consisting of a minimum denomination of €200,000 plus one or more higher integral multiples of €1,000. It is possible that the Notes may be traded in amounts that are not integral multiples of €200,000. In such a case a Noteholder who, as a result of trading such amounts, holds an amount which is less than €200,000 in its account with the relevant clearing system at the relevant time may not receive a Definitive Note in respect of such holding (should Definitive Notes be printed) and would need to purchase a principal amount of the Notes such that its holding amounts to a €200,000 denomination.

If Definitive Notes are issued, Noteholders should be aware that Definitive Notes which have a denomination that is not an integral multiple of €200,000 may be illiquid and difficult to trade.

***Because the Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on the clearing system procedures for transfer, payment and communication with the Issuer.***

The Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Notes, investors will not be entitled to receive Definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are in global form, investors will be able to trade their beneficial interests only through Euroclear or Clearstream, Luxembourg, as the case may be.

While the Notes are in global form, the Issuer will discharge its payment obligations under the Notes by making payments to, or to the order of, the common depository. A holder of a beneficial interest in a Note must rely on the procedures of Euroclear and/or Clearstream, Luxembourg, as the case may be, to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in such a Global Note.

***While the Notes are in global form, there may be a delay in reflecting any Write-Down or Write-Up of the Notes in the clearing systems.***

For as long as the Notes are in global form and in the event that any Write-Down or Write-Up is required pursuant to the Conditions, the records of Euroclear and Clearstream, Luxembourg or any other clearing system of their respective participants' position held in the Notes may not be immediately updated to reflect the amount of Write-Down or Write-Up and may continue to reflect the Prevailing Principal Amount of the Notes prior to such Write-Down or Write-Up, for a period of time. The update process of the relevant clearing system may only be completed after the date on which the Write-Down or Write-Up will occur. No assurance can be given as to the period of time required by the relevant clearing system to complete the update of their records. Further, the conveyance of notices and other communications by the relevant clearing system to their respective participants, by those participants to their respective indirect participants, and by the participants and indirect participants to beneficial owners of interests in the Notes in global form will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

***Taxation.***

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available in relation to the tax treatment of financial instruments such as the Notes. Potential investors are advised not to rely upon the tax summary contained in these Listing Particulars but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only such adviser is in a position to duly consider the specific situation of

the potential investor. This investment consideration has to be read in connection with the taxation sections of these Listing Particulars.

***Limitation on gross-up obligation under the Notes.***

The Issuer's obligation to pay additional amounts in respect of any withholding or deduction in respect of taxes under the terms of the Notes applies only to payments of interest under the Notes and not to payments of principal. As such, the Issuer would not be required to pay any additional amounts under the terms of the Notes to the extent any withholding or deduction applied to payments of principal. Accordingly, if any such withholding or deduction were to apply to any payments of principal under the Notes, Noteholders may receive less than the full amount of principal due under the Notes upon redemption, and the market value of the Notes may be adversely affected.

***A Noteholder's actual yield on the Notes may be reduced from the stated yield by transaction costs.***

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the Notes. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or pro-rata commissions depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including, but not limited to, domestic dealers or brokers in foreign markets, Noteholders must take into account that they may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), Noteholders must also take into account any follow-up costs (such as custody fees). Prospective investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

***Reform of EURIBOR and other interest rate "benchmarks".***

The Euro Interbank Offered Rate (**EURIBOR**) and other interest rates or other types of rates and indices such as the annual mid-swap rate for euro swap transactions which are deemed "benchmarks", to which the distributions on the Notes will, from and including the First Call Date, be linked, are the subject of recent national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective while others are still to be implemented. These reforms may cause such "benchmarks" to perform differently than in the past, or to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the Notes.

Key international reforms of "benchmarks" include IOSCO's proposed Principles for Financial Market Benchmarks (July 2013) (the **IOSCO Benchmark Principles**) and the EU's Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014 (the **Benchmarks Regulation**).

The IOSCO Benchmark Principles aim to create an overarching framework of principles for benchmarks to be used in financial markets, specifically covering governance and accountability, as well as the quality and transparency of benchmark design and methodologies. A review published in February 2015 on the status of the voluntary market adoption of the IOSCO Benchmark Principles noted that, as the benchmarks industry is in a state of change, further steps may need to be taken by IOSCO in the future, but that it is too early to determine what those steps should be. The review noted that there has been a significant market reaction to the publication of the IOSCO Benchmark Principles, and widespread efforts being made to implement the IOSCO Benchmark Principles by the majority of administrators surveyed.

On 17 May 2016, the Council of the European Union adopted the Benchmarks Regulation. The Benchmarks Regulation was published in the Official Journal on 29 June 2016 and entered into force on 30 June 2016.

Subject to various transitional provisions, the Benchmarks Regulation applies from 1 January 2018, except that the regime for 'critical' benchmarks has applied from 30 June 2016 and certain amendments to Regulation (EU) No 596/2014 (the **Market Abuse Regulation**) have applied from 3 July 2016. The Benchmarks Regulation applies to the provision of "benchmarks", the contribution of input data to a "benchmark" and the use of a "benchmark" within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities (such as the Issuer) of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). The scope of the Benchmarks Regulation is wide and, in addition to so-called "critical benchmark" indices such as EURIBOR, could also potentially apply to many other interest rate indices, as well as equity, commodity and foreign exchange rate indices and other indices (including "proprietary" indices or strategies) which are referenced in listed financial instruments (including listed Notes), financial contracts and investment funds.

The Benchmarks Regulation could also have a material impact on the Notes in any of the following circumstances:

- (i) any "benchmark" for determining the relevant 5-year Mid-Swap Rate could not be used as such if its administrator does not obtain appropriate EU authorisations or is based in a non-EU jurisdiction which (subject to any applicable transitional provisions) does not have equivalent regulation. In such event the Notes could be impacted;
- (ii) the methodology or other terms of any "benchmark" related to the Notes could be changed in order to comply with the terms of the Benchmarks Regulation, and such changes could have the effect of reducing, increasing or affecting the volatility of the published rate or level of the relevant "benchmark", and could lead to adjustments to the 5-year Mid-Swap Rate, including Issuer and/or Independent Adviser determination of the rate or level of such benchmark in its discretion.

Pursuant to the Terms and Conditions of the Notes, if in relation to a Reset Interest Period, the 5-year Mid-Swap Rate cannot be determined because the annual mid-swap rate for euro swaps with a term of five years (the **Mid-Swap Rate**) does not appear on the Screen Page at the Relevant Time, a fallback mechanism provides that the Reset Rate of Interest applicable to such Reset Interest Period will be determined by the Fiscal Agent by averaging quotes obtained from reference banks, if available, or, if no such quotes are available, by reference to the Mid-Swap Rate determined in connection with a preceding Reset Interest Period or, in respect of the Reset Interest Period commencing on the First Call Date, 5.875 per cent, per annum. As a result, if the Fiscal Agent is unable to obtain such quotes and rates, the Notes will effectively become fixed rate notes for the relevant Reset Interest Period (the **Fallback Mechanism**).

Additionally, if the Issuer determines that the Mid-Swap Rate (the **Original Reference Rate**) or the 6-month EURIBOR rate has ceased to be published or has been subject to a material change or has been discontinued or is prohibited from being used or is subject to restrictions or adverse consequences if used or is no longer available in the circumstances described in the Terms and Conditions of the Notes (a **Rate Event**), then the Issuer shall use reasonable endeavours to determine, acting in good faith and in a commercially reasonable manner, a successor benchmark rate that has replaced the Original Reference Rate (a **Successor Reference Rate**) or if the Issuer cannot determine a Successor Reference Rate, the Issuer may appoint an Independent Adviser to determine an alternative rate that is considered to have replaced the Original Reference Rate in customary market usage or is otherwise reasonably determined to be the most comparable to the Original Reference Rate in accordance with the terms of Condition 5.6 (*Interest and Interest Calculation – Reference Rate Replacement*) (the **Alternative Reference Rate**). Any such determination may also result in changes to, *inter alia*, the day count convention, definition of business day and/or Reset Rate of Interest Determination Date and any method for obtaining the Original Reference Rate if such Alternative Reference Rate is unavailable on the relevant business day, in a manner that has broad market support for such Alternative Reference Rate. If the Issuer determines that a Rate Event has occurred, but the Issuer is unable to determine a Successor Reference Rate or the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser appointed by the Issuer is unable to determine an Alternative Reference Rate or the Issuer fails to

determine an Alternative Reference Rate, the Original Reference Rate for the affected Reset Interest Period will be determined in accordance with the Fallback Mechanism described above.

The use of a Successor Reference Rate or an Alternative Reference Rate may result in interest payments that are substantially lower than or that do not otherwise correlate over time with the payments that could have been made on the Notes if the Original Reference Rate remained available in its current form. Furthermore, the Issuer may have to exercise its discretion to determine (or to elect not to determine) a Successor Reference Rate or an Alternative Reference Rate, including if the Issuer is unable to appoint an Independent Adviser or if the Independent Adviser appointed by the Issuer fails to determine an Alternative Reference Rate, in a situation in which it is presented with a conflict of interest.

More generally, any of the above changes or any other consequential changes to any "benchmark" on which interest payments under the Notes are based as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Notes.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes referencing a "benchmark".

## **RISKS RELATED TO THE MARKET GENERALLY**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

### ***The secondary market generally.***

Although application has been made to admit the Notes to trading on the Global Exchange Market, the Notes will have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid and may not continue for the life of the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Moreover, although pursuant to Condition 7.5 (*Purchase*) the Issuer can purchase the Notes at any moment, this is not an obligation for the Issuer. Purchases made by the Issuer could affect the liquidity of the secondary market of the Notes and thus the price and the conditions under which investors can negotiate these Notes on the secondary market.

In addition, the market for debt securities issued by banks is influenced by economic and market conditions and, to varying degrees, interest rates, currency exchange rates and inflation rates in other Western and other industrialised countries. There can be no assurance that events in Italy, Europe, the United States or elsewhere will not cause market volatility or that such volatility will not adversely affect the price of Notes or that economic and market conditions will not have any other adverse effect.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of these Listing Particulars), whereby there is a general lack of liquidity in the secondary market which may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the Notes or the assets of the Issuer. The Issuer cannot predict whether these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

***Exchange rate risks and exchange controls.***

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency or euro may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal as measured in the Investor's Currency.

***Interest rate risks.***

An investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them. See also "*Risks relating to the Notes – The Rate of Interest applicable to the Notes will be reset on every Reset Date*" above.

***The Notes are not expected to be investment grade and are subject to the risks associated with non-investment grade securities.***

The Notes are not expected to be investment grade securities upon issue, and, as such, may be subject to a higher risk of price volatility than higher-rated securities. Furthermore, increases in leverage or deteriorating outlooks for the Issuer, or volatile markets, could lead to a significant deterioration in market prices of below-investment grade rated securities such as the Notes.

***Legal investment considerations may restrict certain investments.***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

***Credit ratings may not reflect all risks and may be lowered, suspended, withdrawn or not maintained.***

The Notes have been rated by S&P, which is established in the European Union and registered under the CRA Regulation as set out in the list of credit rating agencies registered in accordance with the CRA Regulation published on the website of the European Securities and Markets Authority pursuant to the CRA Regulation (for more information please visit the ESMA webpage). This rating may not reflect the potential impact of all risks related to structure, market, additional factor discussed above and other factors that may affect the value of the Notes or the standing of the Issuer.

A rating is not a recommendation to buy, sell or hold securities and any rating agency may revise, suspend or withdraw at any time the relevant rating assigned by it if, in the sole judgement of the relevant rating agency, among other things, the credit quality of the Notes or, as the case may be, the Issuer has declined or is in question. In addition, there is no guarantee that any ratings of the Notes and/or the Issuer will be maintained by the Issuer following the date of these Listing Particulars or that one or more rating agencies other than S&P will assign ratings to the Notes. If any rating assigned to the Notes and/or the Issuer, including any unsolicited credit rating, is assigned at a lower level than expected or subsequently is revised lower, suspended, withdrawn or not maintained by the Issuer, the market value of the Notes may be reduced.

In addition, rating agencies regularly reassess the methodologies used to measure the creditworthiness of companies and securities. Any adverse changes of such methodologies may materially and adversely affect the Issuer's operations or financial condition, the Issuer's willingness or ability to leave individual transactions outstanding and adversely affect the Issuer's capital market standing.

In particular, there might be changes in the rating methodologies for hybrid capital instruments such as the Notes. As a consequence of such reassessments in rating criteria, the Notes ratings may be modified. If the Notes are downgraded, they may be subject to a higher risk of price volatility than higher-rated securities and their market value may decline.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances while the registration application is pending). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

## OVERVIEW

*This overview section must be read as an introduction to these Listing Particulars and any decision to invest in the Notes should be based on a consideration of these Listing Particulars as a whole.*

Words and expressions in “*Terms and Conditions of the Notes*” shall have the same meanings in this section.

<b>Issuer:</b>	FinecoBank S.p.A.
<b>Notes:</b>	€300,000,000 Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resettable Notes
<b>Issue Price:</b>	100 per cent.
<b>Joint Lead Managers:</b>	BNP Paribas, UBS Europe SE and UniCredit Bank AG (together, the <b>Joint Lead Managers</b> )
<b>Fiscal Agent and Principal Paying Agent:</b>	Citibank, N.A., London Branch
<b>Form and Denomination:</b>	The Notes will be issued in bearer form in denominations of €200,000 and integral multiples of €1,000 in excess thereof, up to (and including) €399,000.
<b>Status of the Notes:</b>	<p>The Notes and any related Coupons will constitute direct, unsecured and subordinated obligations of the Issuer, intended to qualify for regulatory purposes as Additional Tier 1 Capital of the Issuer and the FinecoBank Group and ranking:</p> <ul style="list-style-type: none"><li>(i) subordinated and junior to all present or future indebtedness of the Issuer, including unsubordinated indebtedness of the Issuer, the Issuer’s obligations in respect of any dated subordinated instruments and any instruments issued as Tier 2 Capital or eligible liabilities (under the CRD V Regulation or any other relevant regulation) of the Issuer or guarantee in respect of any such instruments (other than any instrument or contractual right ranking or expressed to rank <i>pari passu</i> with the Notes);</li><li>(ii) <i>pari passu</i> among themselves and with the Issuer’s present or future obligations in respect of any Additional Tier 1 Capital instruments or any other instruments or obligations which rank or are expressed to rank <i>pari passu</i> with the Notes or, in each case, any guarantee in respect of such instruments; and</li><li>(iii) senior to:<ul style="list-style-type: none"><li>(A) the share capital of the Issuer, including if any, its <i>azioni privilegiate</i>, Ordinary Shares and <i>azioni di risparmio</i>; and</li><li>(B) (i) any present or future securities of the Issuer (including <i>strumenti finanziari</i> issued under Article 2346, paragraph 6 of the Italian Civil Code); and (ii) any guarantee or similar instrument from the Issuer in respect of any securities issued by a Subsidiary,</li></ul></li></ul>



which securities (in the case of (B)(i)) or guarantee or similar instrument (in the case of (B)(ii)) rank or are expressed to rank *pari passu* with the claims described under (A) above and/or otherwise junior to the Notes.

No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Noteholders. In the event of the voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer that occurs after the date on which a Contingency Event occurs but before the Write-Down Effective Date, the rights and claims (if any) of the Noteholders in respect of their Notes shall be limited to such amount, if any, as would have been payable to Noteholders on a return of assets in such voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer if the Write-Down Effective Date had occurred immediately before the occurrence of such liquidation, dissolution or winding up of the Issuer.

Each holder of a Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction or otherwise in respect of such Note.

It is the intention of the Issuer that the Notes shall, for regulatory purposes, be treated as Additional Tier 1 Capital, but the obligations of the Issuer and the rights of the Noteholders shall not be affected if the Notes no longer qualify as Additional Tier 1 Capital.

The Notes (including, for the avoidance of doubt, payments of principal and/or interest) shall be subject to the Loss Absorption Requirement, if so required under the BRRD and/or the SRM Regulation, in accordance with the powers of the Competent Authority and where the Competent Authority determines that the application of the Loss Absorption Requirement to the Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

**Loss Absorption Requirement** means the power of the Competent Authority to require that Own Funds instruments or other liabilities of the Issuer or entities of the FinecoBank Group (as the case may be) are subject to full or partial write-down of the principal or conversion into instruments treated as Common Equity Tier 1 Capital or other instruments of ownership.

**Maturity:**

Subject as set out herein, the Notes will become repayable on the date on which voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) proceedings are instituted in respect of the Issuer, in accordance with: (a) a resolution of the shareholders' meeting of the Issuer; (b) any provision of the articles of association of the Issuer (currently, the maturity of the Issuer is set in its articles of association at 31 December 2100); or (c) any applicable legal provision or any decision of any judicial or administrative authority. Thereupon, the Notes will become due and payable at an amount equal to their Prevaling Principal Amount, together with any accrued but unpaid interest (to the extent not cancelled in accordance with Condition 5.11 (*Cancellation of Interest*

*Amounts*)) up to, but excluding the date fixed for redemption, and any additional amounts due pursuant to Condition 9 (*Taxation*).

**Prevailing Principal Amount**, in respect of a Note on any date, means the Initial Principal Amount of such Note as reduced from time to time (on one or more occasions) pursuant to a Write-Down and/or reinstated from time to time (on one or more occasions) pursuant to a Write-Up in each case on or prior to such date.

**Interest and Interest  
Payment Dates:**

Interest will accrue on the Prevailing Principal Amount of the Notes at the relevant Rate of Interest and will be payable, subject as provided herein, semi-annually in arrear on 3 June and 3 December of each year (each, an **Interest Payment Date**), commencing on 3 December 2019.

The Rate of Interest in respect of the period from (and including) the Issue Date to (but excluding) the First Call Date (the **Initial Period**) will be equal to 5.875 per cent. per annum.

The Rate of Interest in respect of each Reset Interest Period will be equal to the aggregate of the Margin and the 5-Year Mid-Swap Rate (quoted on an annual basis) for such Reset Interest Period, first calculated on an annual basis and then converted to a semi-annual rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down), as determined on the relevant Reset Rate of Interest Determination Date.

**Reset Date** means the First Call Date and every date which falls 5, or a multiple of 5, years after the First Call Date.

See Condition 5 (*Interest and Interest Cancellation*).

**Cancellation of Interest:**

The Issuer may at any time elect in its full discretion to cancel (in whole or in part) for an unlimited period and on a non-cumulative basis the Interest Amounts otherwise scheduled to be paid on any Interest Payment Date. Without prejudice to (i) the full discretion of the Issuer to cancel the Interest Amounts and (ii) the prohibition on making payments on the Notes pursuant to any provisions of Italian law implementing Article 141(2) of the CRD IV Directive, as amended or replaced and, if relevant, in any other similar payment restriction provision(s) under the Relevant Regulations, before the Maximum Distributable Amount is calculated, payment of Interest Amounts on any Interest Payment Date must be cancelled (in whole or, as the case may be, in part) if and to the extent that such Interest Amounts:

- (a) when aggregated together with distributions on all other Own Funds instruments of the Issuer (excluding Tier 2 Capital instruments) paid or scheduled for payment in the then current financial year and any potential write-ups, exceeds the amount of Distributable Items, excluding any payments already accounted for in determining the Distributable Items; and/or
- (b) when aggregated together with other distributions of the Issuer or the FincoBank Group, as applicable, of the kind referred to in Article 141(2) of the CRD IV Directive and, if relevant, in any other similar payment restriction provision(s) under the Relevant Regulations (or, if different, any provisions of Italian law implementing Article 141(2) of the CRD IV Directive, as amended or replaced) and, if relevant, such other provision(s) and the amount of any write-ups (if applicable),

would, if paid, cause the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the FinecoBank Group to be exceeded; and/or

- (c) are required to be cancelled (in whole or in part) by an order to the Issuer from the Competent Authority.

Interest shall also be cancelled if a Contingency Event occurs, as set out in Condition 6.1 (*Loss absorption*).

See Condition 5.11 (*Cancellation of Interest Amounts*).

**Distributable Items** means, subject as otherwise defined in the Relevant Regulations from time to time, in relation to interest otherwise scheduled to be paid on an Interest Payment Date:

- (a) an amount equal to the Issuer's profits at the end of the financial year immediately preceding the financial year in which the relevant Interest Payment Date falls plus any profits brought forward and reserves available for that purpose before distributions to holders of Own Funds instruments (which, for the avoidance of doubt, excludes any such distributions paid or made on Tier 2 instruments or any such distributions which have already been provided for, by way of deduction, in calculating the amount of Distributable Items); less
- (b) an amount equal to any losses brought forward, any profits which are non-distributable pursuant to applicable European Union or Italian law or the by-laws of the Issuer from time to time and any sums placed to non-distributable reserves in accordance with applicable Italian law or the by-laws of the Issuer from time to time, in each case with respect to the specific category of Own Funds instruments to which European Union or Italian law or the by-laws of the Issuer or statutes relate,

those profits, losses and reserves being determined on the basis of the Issuer's non-consolidated accounts.

Notwithstanding the above, the determination of Distributable Items shall be based on the Relevant Regulations at the time of the determination and, accordingly, only those amounts shall be added or deducted that may be added or have to be deducted (as the case may be) for the purposes of determining the amounts distributable on Additional Tier 1 Capital under the Relevant Regulations.

**Maximum Distributable Amount** means any applicable maximum distributable amount relating to the Issuer and/or the FinecoBank Group, as the case may be, required to be calculated in accordance with the CRD IV Directive and/or any other Relevant Regulation(s) (or any provision of Italian law transposing or implementing the CRD IV Directive, as amended or replaced and/or, if relevant, any other Relevant Regulation(s)).

**Calculation of Interest Amounts in case of a Write-Down:**

Subject to Condition 5.11 (*Cancellation of Interest Amounts*), in the event that a Write-Down occurs during an Interest Period, any accrued and unpaid interest shall be cancelled pursuant to Condition 6.1(c) (*Loss absorption*) and the Interest Amount payable on the Interest Payment Date immediately following such Interest Period shall be calculated in accordance with Condition 5.8 (*Calculation of Interest Amount*), provided that the Day Count Fraction shall be

determined as if the Interest Period started on, and included, the Write-Down Effective Date.

**Calculation of Interest Amounts in case of a Write-Up:**

Subject to Condition 5.11 (*Cancellation of Interest Amounts*), in the event that a Write-Up occurs during an Interest Period, the Interest Amount payable on the Interest Payment Date immediately following such Interest Period shall be calculated as the sum (rounding the resulting figure to the nearest cent, with half a cent being rounded upwards) of the following:

- (a) the product of the applicable Rate of Interest, the Prevailing Principal Amount before such Write-Up, and the Day Count Fraction (determined as if the Interest Period ended on, but excluded, the date of such Write-Up); and
- (b) the product of the applicable Rate of Interest, the Prevailing Principal Amount after such Write-Up, and the Day Count Fraction (determined as if the Interest Period started on, and included, the date of such Write-Up).

**Non-cumulative interest:**

Interest on the Notes is not cumulative. Interest that the Issuer elects not to pay or is prohibited from paying will not accumulate or compound and all rights and claims in respect of such amounts shall be fully and irrevocably cancelled and forfeited, and no payments shall be made nor shall any Noteholders be entitled to any payment or indemnity in respect thereof.

**No restriction following non-payment of interest:**

In the event that the Issuer exercises its discretion not to pay interest or is prohibited from paying interest on any Interest Payment Date, it will not give rise to any contractual restriction on the Issuer making distributions or any other payments to the holders of any securities ranking *pari passu* with, or junior to, the Notes (or, for the avoidance of doubt, Tier 2 instruments).

**Loss Absorption:**

If, at any time, the Common Equity Tier 1 Capital Ratio of the Issuer or of the FinecoBank Group falls below 5.125 per cent. (each or both a **Contingency Event**), the Issuer shall:

- (a) immediately notify the Competent Authority of the occurrence of the relevant Contingency Event;
- (b) as soon as reasonably practicable, deliver a Loss Absorption Event Notice to Noteholders in accordance with Condition 16 (*Notices*), the Fiscal Agent and the Paying Agents (provided that failure or delay in delivering a Loss Absorption Event Notice shall not constitute a default for any purpose or in any way impact on the effectiveness of, or otherwise invalidate, any Write-Down);
- (c) cancel any accrued and unpaid interest up to (but excluding) the Write-Down Effective Date; and
- (d) without delay, and in any event within one month (or such shorter period as the Competent Authority may require) from the determination that the relevant Contingency Event has occurred, reduce the then Prevailing Principal Amount of each Note by the Write-Down Amount (such reduction being referred to as a **Write-Down** and **Written Down** being construed accordingly).

Whether a Contingency Event has occurred at any time shall be determined by

the Issuer, the Competent Authority or any agent appointed for such purpose by the Competent Authority.

For the avoidance of doubt, even if the cancellation of interest pursuant to Condition 6.1(c) would cure the relevant Contingency Event, the relevant Write-Down shall occur in any event and any increase in the Common Equity Tier 1 Capital Ratio as a result of such cancellation of interest shall be disregarded for the purpose of calculating the relevant Write-Down Amount in respect of such Contingency Event.

Any Write-Down of a Note will be effected, save as may otherwise be required by the Competent Authority and subject as otherwise provided in these Conditions, pro rata with the Write-Down of the other Notes and with the concurrent (or substantially concurrent) write-down (or write-off) or conversion into Ordinary Shares, as the case may be, of any Equal Loss Absorbing Instruments (based on the prevailing amount of the relevant Equal Loss Absorbing Instrument). To the extent possible, the write-down (or write-off) or conversion into Ordinary Shares of any Prior Loss Absorbing Instruments will be taken into account in the calculation of the Write Down Amount, and of the amount of write-down (or write-off) or conversion into Ordinary Shares of any Equal Loss Absorbing Instruments, required to cure the relevant Contingency Event.

A Write-Down may occur on more than one occasion and the Notes may be Written Down on more than one occasion.

Following the giving of a Loss Absorption Event Notice which specifies a Write-Down of the Notes, the Issuer shall procure that:

- (a) a similar notice is, or has been, given in respect of each Loss Absorbing Instrument (in accordance with, and to the extent required by, its terms); and
- (b) the prevailing principal amount of each Loss Absorbing Instrument outstanding (other than the Notes) (if any) is written down (or written-off) or converted, as appropriate, in accordance with its terms prior to or, as appropriate, as soon as reasonably practicable following the giving of such Loss Absorption Event Notice,

provided, however, that any failure by the Issuer either to give such a notice or to procure such a write down and/or conversion will not affect the effectiveness of, or otherwise invalidate, any Write Down of the Notes pursuant to Condition 6.1 or give Noteholders any rights as a result of either such failure (and, for the avoidance of doubt, the Write Down Amount may increase as a result thereof).

**Equal Loss Absorbing Instrument** means at any time, any instrument (irrespective of whether such instrument is included in the Tier 1 Capital or Tier 2 Capital of the Issuer or the FinecoBank Group and irrespective of whether such instrument ranks or is expressed to rank senior to, *pari passu* with, or junior to the Notes) issued directly or indirectly by the Issuer (other than the Notes) which contains provisions relating to a write-down (or write-off) (whether on a permanent or temporary basis) or conversion into Ordinary Shares of the principal amount of such instrument (in each case in accordance with its conditions or otherwise) on the occurrence, or as a result, of the Common Equity Tier 1 Capital Ratio of the Issuer and/or the FinecoBank Group falling below a level that is equal to 5.125%, in respect of which the

conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied.

**Loss Absorbing Instrument** means an Equal Loss Absorbing Instrument and/or a Prior Loss Absorbing Instrument, as applicable.

**Prior Loss Absorbing Instrument** means at any time, any instrument (irrespective of whether such instrument is included in the Tier 1 Capital or Tier 2 Capital of the Issuer or the FinecoBank Group and irrespective of whether such instrument ranks or is expressed to rank senior to, *pari passu* with, or junior to the Notes) issued directly or indirectly by the Issuer which contains provisions relating to a write-down (or write-off) (whether on a permanent or temporary basis) or conversion into Ordinary Shares of the principal amount of such instrument (in each case in accordance with its conditions or otherwise) on the occurrence, or as a result, of the Common Equity Tier 1 Capital Ratio of the Issuer and/or the FinecoBank Group falling below a level that is higher than 5.125%, in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied.

**Write-Down Amount** means the amount by which the then Prevailing Principal Amount of each outstanding Note is to be Written Down with effect as of the Write-Down Effective Date on a *pro rata* basis pursuant to a Write-Down, being:

- (i) the amount that (together with (a) the concurrent Write-Down of the other Notes and (b) the concurrent or substantially concurrent write-down (or write-off) or conversion to the extent possible of any Loss Absorbing Instruments) would be sufficient to cure the Contingency Event(s); or
- (ii) if that Write-Down (together with (a) the concurrent Write-Down of the other Notes and (b) the concurrent or substantially concurrent write-down (or write-off) or conversion of any Loss Absorbing Instruments) would be insufficient to cure the Contingency Event(s), or the Contingency Event(s) is not capable of being cured, the amount necessary to reduce the Prevailing Principal Amount to one cent.

In respect of any Write-Down, to the extent the write-down (or write-off) or conversion into Ordinary Shares of any Loss Absorbing Instrument is not, or within one month (or such shorter period as the Competent Authority may require) from the determination that the relevant Contingency Event has occurred will not be, effective for any reason (i) the ineffectiveness of any such write-down (or write-off) or conversion into Ordinary Shares of any Loss Absorbing Instrument shall not prejudice the requirement to effect the Write-Down of the Notes pursuant to Condition 6.1 (*Loss absorption*); and (ii) such write-down (or write-off) or conversion into Ordinary Shares shall not be taken into account in calculating the Write Down Amount in respect of such Write-Down. For the avoidance of doubt, the write-down (or write-off) or conversion into Ordinary Shares of any Loss Absorbing Instrument will only be taken into account in the calculation of the Write-Down Amount to the extent (and in the amount, if any) that such Loss Absorbing Instrument can actually be written-down (or written-off) or converted into Ordinary Shares in the relevant circumstances within one month (or such shorter period as the Competent

Authority may require) from the determination that the relevant Contingency Event has occurred.

If, in connection with a Write-Down or the calculation of a Write-Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written-down (or written-off) or converted into Ordinary Shares in full and not in part only (**Full Loss Absorbing Instruments**), then:

- (A) the requirement that a Write-Down of the Notes shall be effected pro rata with the write-down (or write-off) or conversion into Ordinary Shares, as the case may be, of any such Loss Absorbing Instruments shall not be construed as requiring the Notes to be Written-Down in full (or in full save for the one cent floor) simply by virtue of the fact that such Full Loss Absorbing Instruments will be written-down (or written-off) or converted in full; and
- (B) for the purposes of calculating the Write-Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write-down (or write-off) of principal or conversion into Ordinary Shares, as the case may be, among the Notes and such other Loss Absorbing Instruments on a pro rata basis) as if their terms permitted partial write-down (or write-off) or conversion into Ordinary Shares, such that the write-down (or write-off) or conversion into Ordinary Shares of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (a) first, the principal amount of such Full Loss Absorbing Instruments shall be written-down (or written-off) or converted into Ordinary Shares pro rata with the Notes and all other Loss Absorbing Instruments (in each case subject to and as provided in the preceding paragraph) to the extent necessary to cure the relevant Contingency Event; and (b) secondly, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (a) shall be written-down (or written-off) or converted into Ordinary Shares, as the case may be, with the effect of increasing the Issuer's and/or the FinecoBank Group's, as the case may be, Common Equity Tier 1 Capital Ratio above the minimum required level under (a) above.

See Condition 6.1 (*Loss absorption*).

**Reinstatement  
principal amount:**

of If both a positive Net Income and a positive Consolidated Net Income are recorded at any time while the Prevailing Principal Amount of the Notes is less than their Initial Principal Amount, the Issuer may, in its full discretion and subject to the Maximum Distributable Amount (if any) (when the amount of the Write-Up is aggregated together with other distributions of the Issuer or the FinecoBank Group, as applicable, of the kind referred to in Article 141(2) of the CRD IV Directive and, if relevant, in any other similar payment restriction provision(s) under the Relevant Regulations (or, if different, any provision of Italian law implementing Article 141(2) of the CRD IV Directive, as amended or replaced, or, if relevant, such other provision(s)) not being exceeded thereby, increase the Prevailing Principal Amount of each Note (a **Write-Up**) up to a maximum of the Initial Principal Amount, on a *pro rata* basis with the other Notes and with any Written-Down Additional Tier 1 Instruments that have terms permitting a principal write-up to occur on a basis similar to that set out in Condition 6.3 (*Reinstatement of principal amount*) in the circumstances existing on the date of the relevant Write-Up (based on their Initial Principal

Amounts), provided that the sum of:

- (a) the aggregate amount of the relevant Write-Up on all the Notes (aggregated with the aggregate amounts of any other Write-Ups out of the same Relevant Net Income);
- (b) the aggregate amount of any interest payments on the Notes that were paid on the basis of a Prevailing Principal Amount lower than the Initial Principal Amount at any time after the end of the previous financial year;
- (c) the aggregate amount of the increase in principal amount of each such Written-Down Additional Tier 1 Instrument at the time of the relevant Write-Up; and
- (d) the aggregate amount of any interest payments on each such Written-Down Additional Tier 1 Instrument that were calculated or paid on the basis of a prevailing principal amount that is lower than the principal amount it was issued with at any time after the end of the previous financial year,

does not exceed the Maximum Write-Up Amount.

- (a) **Maximum Write-Up Amount** means: if the Relevant Net Income for the relevant Write-Up is equal to the Consolidated Net Income, the Consolidated Net Income multiplied by the sum of the aggregate Initial Principal Amount of the Notes and the aggregate initial principal amount of all Written-Down Additional Tier 1 Instruments of the FinecoBank Group, and divided by the total Tier 1 Capital of the FinecoBank Group as at the date of the relevant Write-Up; or
- (b) if the Relevant Net Income for the relevant Write-Up is equal to the Net Income, the Net Income multiplied by the sum of the aggregate Initial Principal Amount of the Notes and the aggregate initial principal amount of all Written-Down Additional Tier 1 Instruments of the Issuer, and divided by the total Tier 1 Capital of the Issuer as at the date of the relevant Write-Up.

**Relevant Net Income** means the lower of the Net Income and the Consolidated Net Income.

**Written-Down Additional Tier 1 Instrument** means an instrument (other than the Notes) issued directly or indirectly by the Issuer and qualifying as Additional Tier 1 Capital of the Issuer and/or the FinecoBank Group, as the case may be, that, as at the time immediately prior to the relevant Write-Up, has a prevailing principal amount lower than the principal amount that it was issued with due to a write-down and that has terms permitting a principal write-up to occur on a basis similar to that set in Condition 6.3 (*Reinstatement of principal amount*) in the circumstances existing on the date of the relevant Write-Up.

A Write-Up may be made on one or more occasions until the Prevailing Principal Amount of the Notes has been reinstated to the Initial Principal Amount of the Notes. No Write-Up shall be operated (i) whilst a Contingency Event has occurred and is continuing or (ii) where any such Write-Up (together with the write-up of all other Written-Down Additional Tier 1 Instruments) would cause a Contingency Event to occur.



If the Issuer decides to Write-Up the Notes, notice (a **Write-Up Notice**) of the amount of any Write-Up (as a percentage of the Initial Principal Amount of a Note resulting in a *pro rata* increase in the Prevailing Principal Amount of each Note) and the date on which such Write-Up shall take effect shall be given to Noteholders and the Fiscal Agent at least ten Business Days prior to the date on which the relevant Write-Up becomes effective.

See Condition 6.3 (*Reinstatement of principal amount*).

**No right of Noteholders to redeem:**

The Notes may not be redeemed at the option of the Noteholders.

**General Redemption Option:**

The Issuer may, at its sole discretion (but subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*)), redeem the Notes in whole, but not in part, on any Optional Redemption Date (Call) at their Prevailing Principal Amount plus any accrued but unpaid interest (to the extent not cancelled in accordance with Condition 5.11 (*Cancellation of Interest Amounts*)) up to, but excluding the date fixed for redemption, and any additional amounts due pursuant to Condition 9 (*Taxation*).

**Redemption due to a Capital Event or a Tax Event:**

In addition, the Issuer may, at its sole discretion (but subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*)), redeem the Notes in whole, but not in part (in the event of redemption upon the occurrence of a Capital Event), or in part (to the extent permitted by the Relevant Regulations) (in the event of redemption upon the occurrence of a Tax Event), following the occurrence of a Capital Event or a Tax Event (each as defined herein) at their Prevailing Principal Amount, plus, in each case, any accrued but unpaid interest (to the extent not cancelled in accordance with Condition 5.11 (*Cancellation of Interest Amounts*)) up to, but excluding the date fixed for redemption, and any additional amounts due pursuant to Condition 9 (*Taxation*), as described in Condition 7.3 (*Redemption upon the occurrence of a Capital Event*) or, Condition 7.4 (*Redemption upon the occurrence of a Tax Event*).

For the purposes of this provision:

A **Capital Event** is deemed to have occurred if there is a change in the regulatory classification of the Notes under the Relevant Regulations that would be likely to result in their exclusion, in whole or in part, from Additional Tier 1 Capital of the FinecoBank Group or the Issuer (other than as of a consequence of write-down or conversion, where applicable) and, in the event of any redemption upon the occurrence of a Capital Event prior to the fifth anniversary of the Issue Date, if and to the extent then required by the Relevant Regulations both of the following conditions are met: (i) the Competent Authority considers such a change to be sufficiently certain; and (ii) the Issuer demonstrates to the satisfaction of the Competent Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date; and

**Tax Event** means the part of the interest payable by the Issuer under the Notes on the Issue Date that is tax-deductible by the Issuer for Italian tax purposes is reduced, or the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to the laws, regulations or rulings of, or applicable in, the Republic of Italy, or any political subdivision or any authority or agency thereof or therein having power to tax, or any change in the application or

official interpretation or administration of such laws, regulations or rulings:

- (A) which change or amendment:
  - (i) becomes effective after the Issue Date;
  - (ii) in the event of any redemption upon the occurrence of a Tax Event prior to the fifth anniversary of the Issue Date, if and to the extent required by the Relevant Regulations, the Issuer demonstrates to the satisfaction of the Competent Authority is material and was not reasonably foreseeable by the Issuer as at the Issue Date;
  - (iii) is evidenced by the delivery by the Issuer to the Fiscal Agent of a certificate signed by two Authorised Signatories of the Issuer stating that part of the interest payable by the Issuer in respect of the Notes that is on the Issue Date tax-deductible is no longer, or will no longer be, deductible for Italian income tax purposes or such deductibility is materially reduced, or that the Issuer has or will become obliged to pay such additional amounts, as the case may be, and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail; and
- (B) which obligation cannot be avoided by the Issuer taking reasonable measures available to it.

**Purchases:**

Subject as set out below, the Issuer or any of its Subsidiaries may (subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*)) purchase Notes in the open market or otherwise and at any price in accordance with applicable laws and regulations (including for the avoidance of doubt, the Relevant Regulations) from time to time, provided that all unmatured Coupons and unexchanged Talons appertaining to the Notes are purchased therewith. Such Notes may, subject to the approval of the Competent Authority (if so required by the Relevant Regulations), be held, reissued, resold or, at the option of the purchaser, surrendered to any Paying Agent for cancellation.

Subject to the Relevant Regulations, the Competent Authority may permit the Issuer to purchase the Notes for market making purposes, subject to either (a) before or at the same time the Issuer replacing the instruments or related share premium accounts with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Issuer; or (b) the Issuer having demonstrated to the satisfaction of the Competent Authority that the own funds and eligible liabilities of the Issuer would, following any such purchases.

**Conditions to Redemption and Purchase:**

The Notes may only be redeemed, purchased, cancelled or modified (as applicable) pursuant to the Conditions with the Competent Authority's prior written approval (if and to the extent required, including in relation to redemption and purchase if and to the extent required by the prevailing Relevant Regulations) as further described in Condition 7.8 (*Conditions to redemption and purchase*).

**Events of Default:**

None

<b>Negative Pledge:</b>	None
<b>Cross Default:</b>	None
<b>Meetings of Noteholders and Modifications:</b>	<p>The Agency Agreement contains provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.</p> <p>The Issuer may also, subject to the provisions of Condition 14 (<i>Meetings of Noteholders; Modification</i>), make any modification to the Notes that in its sole opinion is not prejudicial to the interests of the Noteholders (provided the proposed modification does not relate to a matter in respect of which an Extraordinary Resolution would be required if a meeting of Noteholders were held to consider such modification) without the consent of the Noteholders. Any such modification shall be binding on the Noteholders.</p> <p>In addition, no consent of the Noteholders shall be required in connection with effecting the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) as described in Condition 5.6 (<i>Reference Rate Replacement</i>) or such other relevant changes pursuant to Condition 5.6(iii)(c) including for the execution of any documents or the taking of other steps by the Issuer or any of the parties to the Agency Agreement.</p>
<b>Further Issues:</b>	The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the issue price thereof) so as to form a single series with the Notes.
<b>Taxation and Additional Amounts:</b>	Subject to certain conditions, all payments of interest in respect of the Notes will be made free and clear of withholding or deduction for or on account of any present or future taxes, duties, assessment or governmental charges of whatever nature, imposed or levied by or on behalf of any Tax Jurisdiction (subject to certain customary exceptions), unless such withholding or deduction is required by law. In that event, the Issuer will pay (subject as provided in Condition 9 ( <i>Taxation</i> )) such additional amounts in respect of interest as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required.
<b>Rating:</b>	<p>The Notes have been rated “BB-” by S&amp;P.</p> <p><b>A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. See “Risk Factors – Credit ratings may not reflect all risks and may be lowered, suspended, withdrawn or not maintained” at pages 54 to 55.</b></p>
<b>Listing and admission to trading:</b>	Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Global Exchange Market, which is the exchange regulated market of Euronext Dublin, with effect from the Issue Date. The Global Exchange Market is not a regulated market for the purposes of MiFID II.

<b>Listing Agent:</b>	Arthur Cox Listing Services Limited
<b>Clearing:</b>	Euroclear and Clearstream, Luxembourg
<b>ISIN:</b>	XS2029623191
<b>Common Code:</b>	202962319
<b>Use of Proceeds:</b>	The net proceeds from the issuance of the Notes will be used by the Issuer for general corporate purposes and to improve the regulatory capital structure of the Issuer and the FinecoBank Group.
<b>Selling Restrictions:</b>	<p>For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, the EEA, the Republic of Italy and Switzerland, see “<i>Subscription and Sale</i>” below.</p> <p>The Notes have not been registered under the Securities Act and are subject to restrictions on transfer as described under “<i>Subscription and Sale</i>”.</p>
<b>Governing Law:</b>	The Notes and any non-contractual obligations arising out of them will be governed by Italian law.
<b>Contractual Recognition of Statutory Bail-in Powers:</b>	<p>By the acquisition of the Notes, each Noteholder acknowledges and agrees to be bound by the exercise of any Bail-in Power by the Competent Authority that may result in the write-down or cancellation of all or a portion of the principal amount of, or distributions on, the Notes and/or the conversion of all or a portion of the principal amount of, or distributions on, the Notes into Ordinary Shares or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes to give effect to the exercise by the Competent Authority of such Bail-in Power. Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Bail-in Power by the Competent Authority. See further Condition 18 (<i>Contractual recognition of statutory bail-in powers</i>).</p> <p>For the avoidance of doubt, the potential write-down or cancellation of all or a portion of the principal amount of, or distributions on, the Notes or the conversion of the Notes into Ordinary Shares or other obligations in connection with the exercise of any Bail-in Power by the Competent Authority is separate and distinct from a Write-Down following a Contingency Event although these events may occur consecutively.</p> <p>For these purposes, a <b>Bail-in Power</b> means any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements, whether relating to the resolution or independent of any resolution action, of credit institutions or investment firms incorporated in the relevant Member State in effect and applicable in the relevant Member State to the Issuer, including (but not limited to) any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of any European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of a credit institution or investment firm can be reduced, cancelled and/or converted</p>

into shares or obligations of the obligor or any other person.

**Intended Regulatory  
Capital Treatment:**

It is the intention of the Issuer that the Notes shall be treated for regulatory purposes as Additional Tier 1 Capital under the CRD IV package both at the level of the Issuer and the level of the FinecoBank Group.

**Risk Factors:**

There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Notes. In addition, there are certain factors that are material for the purpose of assessing the market risks associated with the Notes. These are set out under "*Risk Factors*".

**Non-Viability risk  
factor:**

Notes may be subject to a write-down or conversion into common shares at the point of non-viability should the Competent Authority or other authority or authorities having oversight of the Issuer at the relevant time be given the power to do so, whether as a result of the implementation of the EU Bank Recovery and Resolution Directive or otherwise.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with these Listing Particulars and have been filed with Euronext Dublin shall be incorporated by reference into, and form part of, these Listing Particulars:

- (a) the audited consolidated and non-consolidated annual financial statements of the Issuer as at and for each of the financial years ended 31 December 2018 and 31 December 2017 and the audited non-consolidated annual financial statements of the Issuer as at and for each of the financial years ended 31 December 2016, 31 December 2015 and 31 December 2014 (the **FinecoBank Annual Financial Statements**);
- (b) the unaudited consolidated interim financial report of FinecoBank as at and for the three months ended 31 March 2019 – Press Release dated 7 May 2019 (the **1Q19 Press Release**),

each to the extent specified in the cross-reference list below and save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of these Listing Particulars to the extent that a statement contained herein or in any subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of these Listing Particulars.

With respect to the 1Q19 Press Release which is being incorporated by reference into these Listing Particulars under (b) above, it is noted that the Issuer, being the person responsible for its consolidated interim financial accounts as at 31 March 2019, approves such financial information.

Copies of documents incorporated by reference into these Listing Particulars can be obtained free of charge from the registered office of the Issuer and, during normal business hours, from the specified office of the Paying Agent in each case at the address given at the end of these Listing Particulars and will be available for viewing on the website of the Issuer (at [www.fineco.it](http://www.fineco.it)).

The information incorporated by reference that is not included in the cross-reference list below, is considered either not relevant or covered elsewhere in the Listing Particulars.

## CROSS-REFERENCE LIST FOR DOCUMENTS INCORPORATED BY REFERENCE

<b>Document</b>	<b>Information incorporated</b>	<b>Page numbers</b>
FinecoBank's Audited Consolidated and Non-Consolidated Annual Financial Statements as at and for the financial year ended 31 December 2018	Consolidated Balance Sheet	107
	Consolidated Income Statement	108
	Consolidated Statement of Comprehensive Income	109
	Statement of Changes in Consolidated Shareholders' Equity	110
	Consolidated Cash Flow Statement	111-112
	Notes to the Consolidated Accounts	114-256
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	Financial Statements of FinecoBank	276
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	Report of the External Auditors	486-494
FinecoBank's Audited Consolidated and Non-Consolidated Annual Financial Statements as at and for the financial year ended 31 December 2017	Consolidated Balance Sheet	96
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	Income Statement	275
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	Cash Flow statement	278-279
	Notes to the Accounts	281-439
	Annexes	441-443
	Certification	445-446
	Report of the External Auditors	449-455
FinecoBank's Audited Non-Consolidated Annual Financial Statements as at and for the financial year ended 31 December 2016	Balance Sheet	68
	Income Statement	69
	Statement of Comprehensive Income	69
	Statement of Changes in Shareholders' Equity	70-71
	Cash Flow statement	72-73
	Notes to the Accounts	75-229
	Reconciliation of condensed accounts to mandatory reporting schedule	232-233
	Certification	243-244



<b>Document</b>	<b>Information incorporated</b>	<b>Page numbers</b>
	Report of the External Auditors	247-249
FinecoBank's Audited Non-Consolidated Annual Financial Statements as at and for the financial year ended 31 December 2015	Balance Sheet	66
	Income Statement	67
	Statement of Comprehensive Income	67
	Statement of Changes in Shareholders' Equity	68-69
	Cash Flow statement	70-71
	Notes to the Accounts	73-225
	Reconciliation of condensed accounts to mandatory reporting schedule	227-229
	Certification	231-232
	Report of the External Auditors	235-237
FinecoBank's Audited Non-Consolidated Annual Financial Statements as at and for the financial year ended 31 December 2014	Balance Sheet	66
	Income Statement	67
	Statement of Comprehensive Income	67
	Statement of Changes in Shareholders' Equity	68
	Cash Flow statement	69
	Notes to the Accounts	71-225
	Reconciliation of condensed accounts to mandatory reporting schedule	227-229
	Certification	231-232
	Report of the External Auditors	235-237
1Q19 Press Release	Entire Document	All

## TERMS AND CONDITIONS OF THE NOTES

### 1. INTRODUCTION

The €300,000,000 Non-Cumulative Temporary Write-Down Deeply Subordinated Fixed Rate Resetable Notes (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes) are issued by FinecoBank S.p.A. (the **Issuer**) subject to and with the benefit of an Agency Agreement dated 18 July 2019 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between Citibank, N.A., London Branch as fiscal agent and principal paying agent (the **Fiscal Agent**) and any other agents appointed pursuant to the Agency Agreement (together with the Fiscal Agent, the **Paying Agents**).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the holders of the Notes (the **Noteholders**) and the holders of the interest coupons and the talons (**Talons**) for further interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons**, which expressions shall in these Conditions, unless the context otherwise requires, include the holders of the Talons and the Talons, respectively) at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Fiscal Agent and the Paying Agents shall include any successor appointed under the Agency Agreement.

### 2. DEFINITIONS AND INTERPRETATION

#### 2.1 Definitions

In these Conditions the following expressions have the following meanings:

**5-year Mid-Swap Rate** means, in relation to a Reset Interest Period and the Reset Rate of Interest Determination Date in relation to such Reset Interest Period:

- (i) the annual mid-swap rate for euro swaps with a term of five years which appears on the Screen Page as of 11:00 a.m. (Central European time) on such Reset Rate of Interest Determination Date; or
- (ii) if the 5-year Mid-Swap Rate does not appear on the Screen Page at such time on such Reset Rate of Interest Determination Date, the Reset Reference Bank Rate on such Reset Rate of Interest Determination Date;

**5-year Mid-Swap Rate Quotations** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap which:

- (i) has a term of five years commencing on the relevant Reset Date;
- (ii) is in an amount that is representative of a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market; and
- (iii) has a floating leg based on 6-month EURIBOR rate (calculated on an Actual/360 day count basis);

**Actual/360** means the actual number of days in the relevant period divided by 360;

**Additional Tier 1 Capital** has the meaning given to such term (or any other equivalent or successor term) in the Relevant Regulations;

**Adjustment Spread** means a spread (which may be positive or negative or zero) or formula or methodology for calculating a spread, which the relevant Independent Adviser or the Issuer (as applicable) determines is required to be applied to a Successor Reference Rate or an Alternative Reference Rate (as applicable) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to the Noteholders as a result of the replacement of the Original Reference Rate with such Successor Reference Rate or Alternative Reference Rate (as applicable) and is the spread, formula or methodology which: (i) in the case of a Successor Reference Rate, is formally recommended in relation to the replacement of the Original Reference Rate with such Successor Reference Rate by any Relevant Nominating Body; or (ii) in the case of a Successor Reference Rate for which no such recommendation has been made or in the case of an Alternative Reference Rate, the relevant Independent Adviser or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by such Successor Reference Rate or Alternative Reference Rate (as applicable); or (iii) if no such customary market usage is recognised or acknowledged, the relevant Independent Adviser or the Issuer (as applicable) determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by such Successor Reference Rate or Alternative Reference Rate (as applicable) or (iii) if no such industry standard is recognised or acknowledged, the relevant Independent Adviser or the Issuer (as applicable) in its discretion determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

**Alternative Reference Rate** means the rate that the relevant Independent Adviser or the Issuer (as applicable) determines has replaced the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in respect of notes denominated in euro and of a comparable duration to the Reset Interest Period or, if such Independent Adviser or the Issuer (as applicable) determines that there is no such rate, such other rate as such Independent Adviser or the Issuer (as applicable) determines in its discretion is most comparable to the Original Reference Rate;

**Authorised Signatory** has the meaning given to such term in the Agency Agreement and Authorised Signatories shall be construed accordingly;

**BRRD** means Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time (including by the BRRD II);

**BRRD II** means Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC;

**Business Day** means (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and (ii) a TARGET2 Settlement Day;

**Capital Event** is deemed to have occurred if there is a change in the regulatory classification of the Notes under the Relevant Regulations that would be likely to result in their exclusion, in whole or in part, from Additional Tier 1 Capital of the Issuer or the FinecoBank Group (other than as of a consequence of write-down or conversion, where applicable) and, in the event of any redemption upon the occurrence of a Capital Event prior to the fifth anniversary of the Issue Date, if and to the extent then required by the Relevant Regulations, both of the following conditions are met: (i) the Competent Authority considers such a change to be sufficiently certain and (ii) the Issuer

demonstrates to the satisfaction of the Competent Authority that the change in regulatory classification of the Notes was not reasonably foreseeable as at the Issue Date;

**Common Equity Tier 1 Capital**, at any time, has the meaning given to such term (or any other equivalent or successor term) in the Relevant Regulations;

**Common Equity Tier 1 Capital Ratio** means, at any time, the ratio of the Common Equity Tier 1 Capital of the Issuer or the FinecoBank Group, as the case may be, divided by the Risk Weighted Assets of the Issuer or the FinecoBank Group (as applicable) at such time, calculated by the Issuer or the Competent Authority in accordance with the Relevant Regulations (on a non-consolidated basis in the case of the Issuer and on a consolidated basis in the case of the FinecoBank Group);

**Competent Authority** means the European Central Bank, the Bank of Italy or any successor entity of, or replacement entity to, either such entity, and/or any other authority having primary responsibility for the prudential oversight and supervision of the Issuer or the FinecoBank Group, and/or, as the context may require, the "resolution authority" or the "competent authority" as defined under BRRD and/or SRM Regulation;

**Consolidated Net Income** means the consolidated net income of the FinecoBank Group, as calculated and set out in the most recent published audited annual consolidated accounts of the FinecoBank Group, as approved by the Issuer;

**Contingency Event** has the meaning given to such term in Condition 6.1 (*Loss absorption*);

**Coupon** has the meaning given to such term in Condition 1 (*Introduction*);

**Couponholders** has the meaning given to such term in Condition 1 (*Introduction*);

**Coupon Sheet** means, in relation to a Note, the coupon sheet relating to that Note;

**CRD IV Package** means, taken together (i) the CRD IV Directive, (ii) the CRD IV Regulation and (iii) the Future Capital Instruments Regulations;

**CRD IV Directive** means the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended or replaced from time to time (including by CRD V Directive);

**CRD V Directive** means the Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, as amended or replaced from time to time.

**CRD IV Regulation** means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended or replaced from time to time (including by CRD V Regulation);

**CRD V Regulation** means Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012, as amended or replaced from time to time.

**Day Count Fraction** means, in respect of the calculation of an amount for any period of time (the **Calculation Period**), Actual/Actual (ICMA) which means:

- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in such Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) two; and
- (ii) where the Calculation Period is longer than one Regular Period, the sum of:
  - (a) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) two; and
  - (b) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) two;

**Distributable Items** means, subject as otherwise defined in the Relevant Regulations from time to time, in relation to interest otherwise scheduled to be paid on an Interest Payment Date:

- (a) an amount equal to the Issuer's profits at the end of the financial year immediately preceding the financial year in which the relevant Interest Payment Date falls plus any profits brought forward and reserves available for that purpose before distributions to holders of Own Funds instruments (which, for the avoidance of doubt, excludes any such distributions paid or made on Tier 2 instruments or any such distributions which have already been provided for, by way of deduction, in calculating the amount of Distributable Items); less
- (b) an amount equal to any losses brought forward, any profits which are non-distributable pursuant to applicable European Union or Italian law or the by-laws of the Issuer from time to time and any sums placed to non-distributable reserves in accordance with applicable Italian law or the by-laws of the Issuer from time to time, in each case with respect to the specific category of Own Funds instruments to which European Union or Italian law or the by-laws of the Issuer or statutes relate,

those profits, losses and reserves being determined on the basis of the Issuer's non-consolidated accounts.

Notwithstanding the above, the determination of Distributable Items shall be based on the Relevant Regulations at the time of the determination and, accordingly, only those amounts shall be added or deducted that may be added or have to be deducted (as the case may be) for the purposes of determining the amounts distributable on Additional Tier 1 Capital under the Relevant Regulations;

**Equal Loss Absorbing Instrument** means at any time, any instrument (irrespective of whether such instrument is included in the Tier 1 Capital or Tier 2 Capital of the Issuer or the FinecoBank Group and irrespective of whether such instrument ranks or is expressed to rank senior to, *pari passu* with, or junior to the Notes) issued directly or indirectly by the Issuer (other than the Notes) which contains provisions relating to a write-down (or write-off) (whether on a permanent or temporary basis) or conversion into Ordinary Shares of the principal amount of such instrument (in each case in accordance with its conditions or otherwise) on the occurrence, or as a result, of the Common Equity Tier 1 Capital Ratio of the Issuer and/or the FinecoBank Group falling below a level that is equal to 5.125%, in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied;

**Extraordinary Resolution** has the meaning given to such term in the Agency Agreement;

**First Call Date** means 3 December 2024;

**Future Capital Instruments Regulations** means any regulatory capital rules or regulations introduced after the Issue Date by the Competent Authority or which are otherwise applicable to the Issuer (on a solo or consolidated basis), which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the Own Funds of the Issuer (on a solo or consolidated basis) to the extent required by (i) the CRD IV Regulation or (ii) the CRD IV Directive;

**Group or FinecoBank Group** means the Issuer and each entity within the prudential consolidation of the Issuer pursuant to Section 3, Chapter 2 of Title II of Part One of CRD IV Regulation;

**Independent Adviser** means an independent financial institution of international repute or other independent financial adviser experienced in the international debt capital markets, in each case appointed by the Issuer at its own expense;

**Initial Period** means the period from (and including) the Issue Date to (but excluding) the First Call Date;

**Initial Principal Amount** means, in respect of a Note, or as the case may be, a Written-Down Additional Tier 1 Instrument, the principal amount of such Note or Written-Down Additional Tier 1 Instrument, as at the Issue Date or the issue date of the Written-Down Additional Tier 1 Instrument, as applicable;

**Initial Rate of Interest** has the meaning given to such term in Condition 5.3 (*Interest to (but excluding) the First Call Date*);

**Interest Amount** means the amount of interest payable on each Note for any Interest Period and **Interest Amounts** means, at any time, the aggregate of all Interest Amounts payable at such time;

**Interest Payment Date** means 3 June and 3 December in each year from (and including) 3 December 2019;

**Interest Period** means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and each successive period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date;

**Issue Date** means 18 July 2019;

**Loss Absorbing Instrument** means an Equal Loss Absorbing Instrument and/or a Prior Loss Absorbing Instrument, as applicable;

**Loss Absorption Event Notice** has the meaning given to such term in Condition 6.1 (*Loss absorption*);

**Loss Absorption Requirement** means the power of the Competent Authority to require that Own Funds instruments or other liabilities of the Issuer or entities of the FinecoBank Group (as the case may be) are subject to full or partial write-down of the principal or conversion into instruments treated as Common Equity Tier 1 Capital or other instruments of ownership.

**Margin** means 6.144%, being equal to the margin used to calculate the Initial Rate of Interest;

**Maximum Distributable Amount** means any applicable maximum distributable amount relating to the Issuer and/or the FinecoBank Group, as the case may be, required to be calculated in accordance with the CRD IV Directive and/or any other Relevant Regulation(s) (or any provision of Italian law

transposing or implementing the CRD IV Directive, as amended or replaced and/or, if relevant, any other Relevant Regulation(s));

**Maximum Write-Up Amount** has the meaning given to it in Condition 6.3 (*Reinstatement of principal amount*);

**Net Income** means the non-consolidated net income of the Issuer as calculated and set out in the last audited annual accounts of the Issuer, as approved by the Issuer;

**Noteholders** has the meaning given to such term in Condition 1 (*Introduction*);

**Optional Redemption Date (Call)** means each of the First Call Date and any Interest Payment Date thereafter;

**Ordinary Shares** means the ordinary shares of the Issuer;

**Own Funds** has the meaning given to such term (or any equivalent or successor term) in the Relevant Regulations;

**Payment Business Day** means (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation and (ii) a TARGET2 Settlement Day;

**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**Prevailing Principal Amount** in respect of a Note on any date, means the Initial Principal Amount of such Note as reduced from time to time (on one or more occasions) pursuant to a Write-Down and/or reinstated from time to time (on one or more occasions) pursuant to a Write-Up in each case on or prior to such date;

**Prior Loss Absorbing Instrument** means at any time, any instrument (irrespective of whether such instrument is included in the Tier 1 Capital or Tier 2 Capital of the Issuer or the FinecoBank Group and irrespective of whether such instrument ranks or is expressed to rank senior to, *pari passu* with, or junior to the Notes) issued directly or indirectly by the Issuer which contains provisions relating to a write-down (or write-off) (whether on a permanent or temporary basis) or conversion into Ordinary Shares of the principal amount of such instrument (in each case in accordance with its conditions or otherwise) on the occurrence, or as a result, of the Common Equity Tier 1 Capital Ratio of the Issuer and/or the FinecoBank Group falling below a level that is higher than 5.125%, in respect of which the conditions (if any) to the operation of such provisions are (or with the giving of any certificate or notice which is capable of being given by the Issuer, would be) satisfied;

**Rate Event** means, in respect of the rate referred to in paragraph (i) of the definition of 5-year Mid-Swap Rate (the **Original Reference Rate**):

- (a) the Original Reference Rate or the 6-month EURIBOR rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist or being subject to a material change; or
- (b) a public statement by the administrator of the Original Reference Rate or the 6-month EURIBOR rate that it will, by a specified date on or prior to the next Reset Rate of Interest Determination Date, cease publishing the Original Reference Rate or the 6-month EURIBOR rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate or the 6-month EURIBOR rate); or

- (c) a public statement by the supervisor of the administrator of the Original Reference Rate or the 6-month EURIBOR rate, that the Original Reference Rate or the 6-month EURIBOR rate has been or will, by a specified date on or prior to the next Reset Rate of Interest Determination Date, be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the Original Reference Rate or the 6-month EURIBOR rate as a consequence of which the Original Reference Rate or the 6-month EURIBOR rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences either generally, or in respect of the Notes, in each case by a specific date on or prior to the next Reset Rate of Interest Determination Date; or
- (e) an official announcement by the supervisor of the administrator of the Original Reference Rate or the 6-month EURIBOR rate, with effect from a date after 31 December 2021, that the Original Reference Rate is no longer representative of its relevant underlying market; or
- (f) it has become unlawful for the Fiscal Agent, any Paying Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate or the 6-month EURIBOR rate;

**Rate of Interest** means:

- (a) in the case of each Interest Period falling in the Initial Period, the Initial Rate of Interest; or
- (b) in the case of each Interest Period thereafter, the Reset Rate of Interest in respect of the Reset Interest Period,

all as determined by the Fiscal Agent in accordance with Condition 5 (*Interest and Interest Cancellation*);

**Regular Period** means each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **Regular Date** means 3 June and 3 December;

**Relevant Date** has the meaning given to such term in Condition 9 (*Taxation*);

**Relevant Net Income** means the lower of the Net Income and the Consolidated Net Income;

**Relevant Nominating Body** means, in respect of a reference rate: (i) the central bank for the currency to which such reference rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of such reference rate; or (ii) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which such reference rate relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of such reference rate, (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof;

**Relevant Regulations** means any requirements contained in the laws, regulations, rules, guidelines and policies of the Competent Authority, or of the European Parliament and Council then in effect in the Republic of Italy, relating to capital adequacy and applicable to the Issuer from time to time (including but not limited to the rules contained in, or implementing, CRD IV Package and the BRRD, delegated or implementing acts adopted by the European Commission and guidelines issued by the EBA), in each case as amended or replaced from time to time;

**Reset Date** means the First Call Date and every date which falls 5, or a multiple of 5, years after the First Call Date;



**Reset Interest Period** means each period from (and including) any Reset Date and ending on (but excluding) the next Reset Date;

**Reset Rate of Interest** means, in relation to a Reset Interest Period, a rate per annum equal to the aggregate of the Margin and the 5-year Mid-Swap Rate (quoted on an annual basis) for such Reset Interest Period, first calculated on an annual basis and then converted to a semi-annual rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down), as determined on the relevant Reset Rate of Interest Determination Date;

**Reset Rate of Interest Determination Date** means, in relation to a Reset Interest Period, the day falling two TARGET2 Settlement Days prior to the Reset Date on which such Reset Interest Period commences;

**Reset Reference Bank Rate** means, in relation to a Reset Interest Period and the Reset Rate of Interest Determination Date in relation to such Reset Interest Period, the percentage rate determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reset Reference Banks to the Fiscal Agent at approximately 11:00 a.m. (Central European time) on such Reset Rate of Interest Determination Date. If at least three quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, the Reset Reference Bank Rate will be the arithmetic mean of the quotations provided. If only one quotation is provided, the Reset Reference Bank Rate will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the relevant Reset Interest Period will be (i) in the case of each Reset Interest Period other than the Reset Interest Period commencing on the First Call Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Interest Period or (ii) in the case of the Reset Interest Period commencing on the First Call Date, the Reset Rate of Interest will be 5.875% per annum;

**Reset Reference Banks** means six leading swap dealers in the interbank market selected by the Issuer or any of its affiliates;

**Risk Weighted Assets** means, at any time, the aggregate amount of the risk weighted assets of the Issuer or the FinecoBank Group, as the case may be, at such time calculated by the Issuer in accordance with the Relevant Regulations;

**Screen Page** means Bloomberg screen “EUAMDB05 Index” or such other page as may replace it on Bloomberg or, as the case may be, on such other information service that may replace Bloomberg, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates comparable to the 5-year Mid-Swap Rate, or the screen page on or source from which a rate appears or is obtained, as applicable;

**Special Event** means a Capital Event and/or a Tax Event, as applicable;

**Specified Office** has the meaning given to such term in the Agency Agreement;

**SRM Regulation** means Regulation (EU) No 806/2014 of the European Parliament and Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, as amended or replaced from time to time (including by SRM II Regulation);

**SRM II Regulation** means Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms;

**Subsidiary** means any person or entity which is required to be consolidated with the Issuer for financial reporting purposes under applicable Italian banking laws and regulations;

**Successor Reference Rate** means the rate: (i) that the Issuer determines is a successor to or replacement of the Original Reference Rate and (ii) that is formally recommended by any Relevant Nominating Body;

**Talon** has the meaning given to such term in Condition 1 (*Introduction*);

**TARGET2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (**TARGET2**) System, which was launched on 19 November 2007 or any successor thereto is open for the settlement of payments in euro;

**Tax Event** means the part of the interest payable by the Issuer under the Notes that on the Issue Date is tax-deductible by the Issuer for Italian tax purposes is reduced, or the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 9 (*Taxation*) as a result of any change in, or amendment to the laws, regulations or rulings of, or applicable in, the Republic of Italy, or any political subdivision or any authority or agency thereof or therein having power to tax, or any change in the application or official interpretation or administration of such laws, regulations or rulings:

(A) which change or amendment:

- (i) becomes effective after the Issue Date;
- (ii) in the event of any redemption upon the occurrence of a Tax Event prior to the fifth anniversary of the Issue Date, if and to the extent required by the Relevant Regulations, the Issuer demonstrates to the satisfaction of the Competent Authority is material and was not reasonably foreseeable by the Issuer as at the Issue Date;
- (iii) is evidenced by the delivery by the Issuer to the Fiscal Agent of a certificate signed by two Authorised Signatories of the Issuer stating that part of the interest payable by the Issuer in respect of the Notes that is on the Issue Date tax-deductible is no longer, or will no longer be, deductible for Italian income tax purposes or such deductibility is materially reduced, or that the Issuer has or will become obliged to pay such additional amounts, as the case may be, and describing the facts leading thereto and an opinion of independent legal advisers of recognised standing to the effect that such circumstances prevail; and

(B) which obligation cannot be avoided by the Issuer taking reasonable measures available to it;

The Fiscal Agent is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications required by this provision are provided, nor shall it be required to review, check or analyse any certifications produced nor shall it be responsible for the contents of any such certifications or incur any liability in the event the content of such certifications are inaccurate or incorrect.

**Tax Jurisdiction** has the meaning given to such term in Condition 9 (*Taxation*);

**Tier 1 Capital** has the meaning given to such term (or any other equivalent or successor term) in the Relevant Regulations;

**Tier 2 Capital** has the meaning given to such term (or any other equivalent or successor term) in the Relevant Regulations;

**Write-Down** has the meaning given to such term in Condition 6.1 (*Loss absorption*);

**Write-Down Amount** has the meaning given to such term in Condition 6.1 (*Loss absorption*);

**Write-Down Effective Date** has the meaning given to such term in Condition 6.1 (*Loss absorption*);

**Write-Up** has the meaning given to such term in Conditions 6.3 (*Reinstatement of principal amount*);

**Write-Up Notice** has the meaning given to such term in Conditions 6.3 (*Reinstatement of principal amount*); and

**Written-Down Additional Tier 1 Instrument** means an instrument (other than the Notes) issued directly or indirectly by the Issuer and qualifying as Additional Tier 1 Capital of the Issuer and/or the FinecoBank Group, as the case may be, that, as at the time immediately prior to the relevant Write-Up, has a prevailing principal amount lower than the principal amount that it was issued with due to a write-down and that has terms permitting a principal write-up to occur on a basis similar to that set in Condition 6.3 (*Reinstatement of principal amount*) in the circumstances existing on the date of the relevant Write-Up.

## 2.2 Interpretation

In these Conditions:

- (a) Notes and Noteholders shall respectively be deemed to include references to Coupons and Couponholders, if relevant;
- (b) any reference to principal shall be deemed to include the Prevailing Principal Amount, any additional amounts in respect of principal which may be payable under Condition 9 (*Taxation*) and any other amount in the nature of principal payable pursuant to these Conditions;
- (c) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 9 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (d) references to Notes being “outstanding” shall be construed in accordance with the Agency Agreement; and
- (e) any reference to a numbered “Condition” shall be to the relevant Condition in these Conditions.

## 3. FORM, DENOMINATION AND TITLE

### 3.1 Form and denomination

The Notes are in bearer form, serially numbered, in denominations of €200,000 and integral multiples of €1,000 in excess thereof up to (and including) €399,000, each with Coupons and, if necessary, a Talon attached on issue. Notes of one denomination will not be exchangeable for Notes of another denomination.

### 3.2 Title

Title to Notes and Coupons will pass by delivery. The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder.

## 4. STATUS OF THE NOTES

The Notes and any related Coupons will constitute direct, unsecured and subordinated obligations of the Issuer, intended to qualify for regulatory purposes as Additional Tier 1 Capital of the Issuer and the FinecoBank Group and ranking:

- (i) subordinated and junior to all present or future indebtedness of the Issuer, including unsubordinated indebtedness of the Issuer, the Issuer's obligations in respect of any dated subordinated instruments and any instruments issued as Tier 2 Capital or eligible liabilities (under the CRD V Regulation or any other relevant regulation) of the Issuer or guarantee in respect of any such instruments (other than any instrument or contractual right ranking, or expressed to rank, *pari passu* with the Notes);
- (ii) *pari passu* among themselves and with the Issuer's present or future obligations in respect of any Additional Tier 1 Capital instruments or any other instruments or obligations which rank or are expressed to rank *pari passu* with the Notes or, in each case, any guarantee in respect of such instruments; and
- (iii) senior to:
  - (A) the share capital of the Issuer, including, if any, its *azioni privilegiate*, Ordinary Shares and *azioni di risparmio*;
  - (B) (i) any present or future securities of the Issuer (including *strumenti finanziari* issued under Article 2346, paragraph 6 of the Italian Civil Code); and (ii) any guarantee or similar instrument from the Issuer in respect of any securities issued by a Subsidiary,

which securities (in the case of (B)(i)) or guarantee or similar instrument (in the case of (B)(ii)) rank or are expressed to rank *pari passu* with the claims described under (A) above and/or otherwise junior to the Notes.

No security or guarantee of whatever kind is, or shall at any time be, provided by the Issuer or any other person securing rights of the Noteholders. In the event of the voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer that occurs after the date on which a Contingency Event occurs but before the Write-Down Effective Date, the rights and claims (if any) of the Noteholders in respect of their Notes shall be limited to such amount, if any, as would have been payable to Noteholders on a return of assets in such voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) of the Issuer if the Write-Down Effective Date had occurred immediately before the occurrence of such liquidation, dissolution or winding up of the Issuer.

Each holder of a Note unconditionally and irrevocably waives any right of set-off, netting, counterclaim, abatement or other similar remedy which it might otherwise have under the laws of any jurisdiction in respect of such Note.

It is the intention of the Issuer that the Notes shall, for regulatory purposes, be treated as Additional Tier 1 Capital, but the obligations of the Issuer and the rights of the Noteholders shall not be affected if the Notes no longer qualify as Additional Tier 1 Capital.

The Notes (including, for the avoidance of doubt, payments of principal and/or interest) shall be subject to the Loss Absorption Requirement, if so required under the BRRD and/or the SRM Regulation, in accordance with the powers of the Competent Authority and where the Competent Authority determines that the application of the Loss Absorption Requirement to the Notes is necessary pursuant to applicable law and/or regulation in force from time to time.

## **5. INTEREST AND INTEREST CANCELLATION**

### **5.1 Rate of Interest**

The Notes bear interest on their outstanding Prevailing Principal Amount at the relevant Rate of Interest from (and including) the Issue Date. Interest shall be payable semi-annually in arrear on each Interest Payment Date commencing on 3 December 2019, subject in any case as provided in Condition 5.11 (*Cancellation of Interest Amounts*) and Condition 8 (*Payments and Exchange of Talons*), save that the interest payable (subject to cancellation as aforesaid) on 3 December 2019 shall be in respect of the shorter period from (and including) the Issue Date to (but excluding) 3 December 2019.

### **5.2 Accrual of Interest**

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of the Prevailing Principal Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition until whichever is the earlier of:

- (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder; and
- (b) the day on which the Fiscal Agent has notified the Noteholders in accordance with Condition 16 (*Notices*) that it has received all sums due in respect of the Notes up to such day.

### **5.3 Interest to (but excluding) the First Call Date**

The Rate of Interest for each Interest Period falling in the Initial Period will be 5.875% per annum (the **Initial Rate of Interest**).

### **5.4 Interest from (and including) the First Call Date**

The Rate of Interest for each Interest Period from (and including) the First Call Date will be the relevant Reset Rate of Interest in respect of the Reset Interest Period in which such Interest Period falls.

### **5.5 Determination of Reset Rate of Interest in relation to a Reset Interest Period**

The Fiscal Agent will, as soon as reasonably practicable after 11:00 a.m. (Central European time) on each Reset Rate of Interest Determination Date in relation to a Reset Interest Period, determine the Reset Rate of Interest for such Reset Interest Period.

### **5.6 Reference Rate Replacement**

Notwithstanding the fallback provisions in the definition of 5-year Mid-Swap Rate above, if the Issuer determines that a Rate Event has occurred when any Reset Rate of Interest (or component part

thereof) remains to be determined by reference to the Original Reference Rate, then the following provisions shall apply to the Notes:

- (i) the Issuer shall use reasonable endeavours: (A) to determine a Successor Reference Rate and an Adjustment Spread (if any); or (B) if the Issuer cannot determine a Successor Reference Rate and an Adjustment Spread (if any), appoint an Independent Adviser to determine an Alternative Reference Rate, and an Adjustment Spread (if any) (in any such case, acting in good faith and in a commercially reasonable manner) no later than five Business Days prior to the Reset Rate of Interest Determination Date relating to the next Interest Period (the **IA Determination Cut-off Date**), for the purposes of determining the Reset Rate of Interest applicable to the Notes for such next Reset Interest Period and for all other future Reset Interest Periods (subject to the subsequent operation of this Condition 5.6 during any other future Reset Interest Period(s));
- (ii) if the Issuer is unable to determine a Successor Reference Rate and the Independent Adviser is unable to determine an Alternative Reference Rate (as applicable) prior to the relevant IA Determination Cut-off Date, the Issuer (acting in good faith and in a commercially reasonable manner) may determine an Alternative Reference Rate and an Adjustment Spread (if any) no later than three Business Days prior to the Reset Rate of Interest Determination Date relating to the next Reset Interest Period (the **Issuer Determination Cut-off Date**), for the purposes of determining the Reset Rate of Interest applicable to the Notes for such next Reset Interest Period and for all other future Reset Interest Periods (subject to the subsequent operation of this Condition 5.6 during any other future Reset Interest Period(s)). Without prejudice to the definitions thereof, for the purposes of determining any Alternative Reference Rate and/or any Adjustment Spread, the Issuer will take into account any relevant and applicable market precedents as well as any published guidance from relevant associations involved in the establishment of market standards and/or protocols in the international debt capital markets;
- (iii) if a Successor Reference Rate or, failing which, an Alternative Reference Rate (as applicable) is determined by the relevant Independent Adviser or the Issuer (as applicable) in accordance with this Condition 5.6:
  - (A) such Successor Reference Rate or Alternative Reference Rate (as applicable) shall be the Original Reference Rate for all future Reset Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 5.6);
  - (B) if the relevant Independent Adviser or the Issuer (as applicable):
    - (I) determines that an Adjustment Spread is required to be applied to such Successor Reference Rate or Alternative Reference Rate (as applicable) and determines the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to such Successor Reference Rate or Alternative Reference Rate (as applicable) for all future Reset Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 5.6); or
    - (II) is unable to determine the quantum of, or a formula or methodology for determining, an Adjustment Spread, then such Successor Reference Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread for all future Reset Interest Periods (subject to the subsequent operation of, and adjustment as provided in, this Condition 5.6); and
  - (C) the relevant Independent Adviser or the Issuer (as applicable) (acting in good faith and in a commercially reasonable manner) may in its discretion specify:

- (I) changes to these Conditions in order to follow market practice in relation to such Successor Reference Rate or Alternative Reference Rate (as applicable), including, but not limited to (1) any Business Day, day count basis, Reset Rate of Interest Determination Date, Reset Reference Banks and/or Screen Page applicable to the Notes and (2) the method for determining the fallback to the Reset Rate of Interest in relation to the Notes if such Successor Reference Rate or Alternative Reference Rate (as applicable) is not available; and
  - (II) any other changes which the relevant Independent Adviser or the Issuer (as applicable) determines are reasonably necessary to ensure the proper operation and comparability to the Original Reference Rate of such Successor Reference Rate or Alternative Reference Rate (as applicable), which changes shall apply to the Notes for all future Reset Interest Periods (subject to the subsequent operation of this Condition 5.6); and
- (iv) promptly following the determination of (i) any Successor Reference Rate or Alternative Reference Rate (as applicable) and (ii) if applicable, any Adjustment Spread, the Issuer shall give notice thereof and of any changes (and the effective date thereof) pursuant to Condition 5.6(iii)(C) to the Fiscal Agent, the Noteholders and the Couponholders in accordance with Condition 16 (*Notices*).

No consent of the Noteholders and/or the Couponholders shall be required in connection with effecting the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) as described in this Condition 5.6 or such other relevant changes pursuant to Condition 5.6 (iii)(C), including for the execution of any documents or the taking of other steps by the Issuer or any of the parties to the Agency Agreement.

For the avoidance of doubt, if a Successor Reference Rate or an Alternative Reference Rate is not determined pursuant to the operation of this Condition 5.6 prior to the relevant Issuer Determination Cut-off Date, then the Reset Rate of Interest for the next Reset Interest Period shall be determined by reference to the fallback provisions in the definition of 5-year Mid-Swap Rate above.

Notwithstanding any other provision of this Condition 5.6, no Successor Reference Rate or Alternative Reference Rate (as applicable) will be adopted, and no other amendments to the terms of the Notes will be made pursuant to this Condition 5.6, if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to prejudice the qualification of the Notes as Additional Tier 1 Capital for regulatory capital purposes of the Issuer and the FincoBank Group; and/or if and to the extent that, in the determination of the Issuer, the same could reasonably be expected to result in the Competent Authority treating an Interest Payment Date as the effective maturity of the Notes.

## **5.7 Publication of Reset Rate of Interest**

With respect to each Reset Interest Period, the Fiscal Agent will cause the relevant Reset Rate of Interest to be notified to the Issuer, the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and to be published in accordance with Condition 16 (*Notices*) as soon as reasonably practicable after such determination.

## **5.8 Calculation of Interest Amount**

Subject to Condition 5.11 (*Cancellation of Interest Amounts*) and Condition 8 (*Payments and Exchange of Talons*), the amount of interest payable in respect of a Note for any period shall be calculated by the Fiscal Agent by:

- (a) applying the applicable Rate of Interest to the Prevailing Principal Amount of such Note;
- (b) multiplying the product thereof by the Day Count Fraction; and
- (c) rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

### **5.9 Calculation of Interest Amount in case of Write-Down**

Subject to Condition 5.11 (*Cancellation of Interest Amounts*), in the event that a Write-Down occurs during an Interest Period, any accrued and unpaid interest shall be cancelled pursuant to Condition 6.1(c) (*Loss absorption*) and the Interest Amount payable on the Interest Payment Date immediately following such Interest Period shall be calculated in accordance with Condition 5.8 (*Calculation of Interest Amount*), provided that the Day Count Fraction shall be determined as if the Interest Period started on, and included, the Write-Down Effective Date.

### **5.10 Calculation of Interest Amount in case of Write-Up**

Subject to Condition 5.11 (*Cancellation of Interest Amounts*), in the event that a Write-Up occurs during an Interest Period, the Interest Amount payable on the Interest Payment Date immediately following such Interest Period shall be calculated as the sum (rounding the resulting figure to the nearest cent, with half a cent being rounded upwards) of the following:

- (a) the product of the applicable Rate of Interest, the Prevailing Principal Amount before such Write-Up, and the Day Count Fraction (determined as if the Interest Period ended on, but excluded, the date of such Write-Up); and
- (b) the product of the applicable Rate of Interest, the Prevailing Principal Amount after such Write-Up, and the Day Count Fraction (determined as if the Interest Period started on, and included, the date of such Write-Up).

### **5.11 Cancellation of Interest Amounts**

The Issuer may at any time elect at its full discretion to cancel (in whole or in part) for an unlimited period and on a non-cumulative basis the Interest Amounts otherwise scheduled to be paid on an Interest Payment Date.

Without prejudice to (i) the full discretion of the Issuer to cancel the Interest Amounts and (ii) the prohibition on making payments on the Notes pursuant to any provisions of Italian law implementing Article 141(2) of the CRD IV Directive, as amended or replaced and, if relevant, in any other similar payment restriction provision(s) under the Relevant Regulations, before the Maximum Distributable Amount is calculated, payment of Interest Amounts on any Interest Payment Date must be cancelled (in whole or, as the case may be, in part) if and to the extent that such Interest Amounts:

- (a) when aggregated together with distributions on all other Own Funds instruments of the Issuer (excluding Tier 2 Capital instruments) paid or scheduled for payment in the then current financial year and any potential write-ups exceed the amount of Distributable Items, excluding any payments already accounted for in determining the Distributable Items; and/or
- (b) when aggregated together with other distributions of the Issuer or the FinecoBank Group, as applicable of the kind referred to in Article 141(2) of the CRD IV Directive and, if relevant, in any other similar payment restriction provision(s) under the Relevant Regulations (or, if different, any provisions of Italian law implementing Article 141(2) of the CRD IV Directive, as amended or replaced) and, if relevant, such other provision(s) and the amount



of any write-up (if applicable), would, if paid, cause the Maximum Distributable Amount (if any) then applicable to the Issuer and/or the FinecoBank Group to be exceeded; and/or

- (c) are required to be cancelled (in whole or in part) by an order to the Issuer from the Competent Authority.

As set out in Condition 6.1 (*Loss absorption*), if a Contingency Event occurs, accrued and unpaid interest to (but excluding) the Write-Down Effective Date shall be cancelled.

Notice of any cancellation of payment of a scheduled Interest Amount must be given to the Noteholders (in accordance with Condition 16 (*Notices*)) and the Fiscal Agent as soon as possible, but not more than 60 calendar days, prior to the relevant Interest Payment Date. Such notice shall specify the amount of the relevant cancellation. Any failure by the Issuer to give such notice shall not affect the validity of the cancellation and shall not constitute a default for any purpose. In the absence of any notice of cancellation being given, the fact of non-payment (in whole or in part) of the relevant Interest Amount on the relevant Interest Payment Date shall be evidence of the Issuer having elected or being required to cancel such distributions payment in whole or in part, as applicable.

For the avoidance of doubt (i) the cancellation of any Interest Amounts in accordance with this Condition 5.11 or Condition 6.1 (*Loss absorption*) shall not constitute a default for any purpose on the part of the Issuer and (ii) interest on the Notes is not cumulative and any Interest Amounts that the Issuer elects not to pay or is prohibited from paying will not accumulate or compound and all rights and claims in respect of such amounts shall be fully and irrevocably forfeited and no payments shall be made nor shall any Noteholder be entitled to any payment or indemnity in respect thereof.

## **5.12 No restriction following cancellation of Interest Amounts**

In the event that the Issuer exercises its discretion not to pay interest or is prohibited from paying interest on any Interest Payment Date, it will not give rise to any contractual restriction on the Issuer making distributions or any other payments to the holders of any securities ranking *pari passu* with, or junior to, the Notes (or, for the avoidance of doubt, Tier 2 instruments).

## **6. LOSS ABSORPTION AND REINSTATEMENT OF PRINCIPAL AMOUNT**

### **6.1 Loss absorption**

If, at any time, the Common Equity Tier 1 Capital Ratio of the Issuer or of the FinecoBank Group falls below 5.125% (each or both a **Contingency Event**), the Issuer shall:

- (a) immediately notify the Competent Authority of the occurrence of the relevant Contingency Event;
- (b) as soon as reasonably practicable deliver a Loss Absorption Event Notice to Noteholders (in accordance with Condition 16 (*Notices*)), the Fiscal Agent and the Paying Agents (provided that failure or delay in delivering a Loss Absorption Event Notice shall not constitute a default for any purpose or in any way impact on the effectiveness of, or otherwise invalidate, any Write-Down);
- (c) cancel any accrued and unpaid interest up to (but excluding) the Write-Down Effective Date; and
- (d) without delay, and in any event within one month (or such shorter period as the Competent Authority may require) from the determination that the relevant Contingency Event has occurred, reduce the then Prevailing Principal Amount of each Note by the Write-Down

Amount (such reduction being referred to as a **Write-Down** and **Written Down** being construed accordingly).

Whether a Contingency Event has occurred at any time shall be determined by the Issuer, the Competent Authority or any agent appointed for such purpose by the Competent Authority.

For the avoidance of doubt, even if the cancellation of interest pursuant to Condition 6.1(c) would cure the relevant Contingency Event, the relevant Write-Down shall occur in any event and any increase in the Common Equity Tier 1 Capital Ratio as a result of such cancellation of interest shall be disregarded for the purpose of calculating the relevant Write-Down Amount in respect of such Contingency Event.

Any Write-Down of a Note will be effected, save as may otherwise be required by the Competent Authority and subject as otherwise provided in these Conditions, pro rata with the Write-Down of the other Notes and with the concurrent (or substantially concurrent) write-down (or write-off) or conversion into Ordinary Shares, as the case may be, of any Equal Loss Absorbing Instruments (based on the prevailing amount of the relevant Equal Loss Absorbing Instrument). To the extent possible, the write-down (or write-off) or conversion into Ordinary Shares of any Prior Loss Absorbing Instruments will be taken into account in the calculation of the Write Down Amount, and of the amount of write-down (or write-off) or conversion into Ordinary Shares of any Equal Loss Absorbing Instruments, required to cure the relevant Contingency Event.

A Write-Down may occur on more than one occasion and the Notes may be Written Down on more than one occasion.

**Loss Absorption Event Notice** means a notice which specifies that a Contingency Event has occurred, the Write-Down Amount (as a percentage of the Initial Principal Amount resulting in a *pro rata* decrease in the Prevailing Principal Amount of each Note), including the method of calculation of the Write-Down Amount, and the date on which the Write-Down will take effect (the **Write-Down Effective Date**). Any Loss Absorption Event Notice delivered to the Fiscal Agent must be accompanied by a certificate signed by the Authorised Signatories stating that the Contingency Event has occurred and setting out the method of calculation of the relevant Write-Down Amount. The Fiscal Agent is not responsible, nor shall it incur any liability, for monitoring or ascertaining as to whether any certifications required by this provision are provided, nor shall it be required to review, check or analyse any certifications produced nor shall it be responsible for the contents of any such certifications or incur any liability in the event the content of such certifications are inaccurate or incorrect.

**Write-Down Amount** means the amount by which the then Prevailing Principal Amount of each outstanding Note is to be Written Down with effect as of the Write-Down Effective Date on a *pro rata* basis pursuant to a Write-Down, being:

- (i) the amount that (together with (a) the concurrent Write-Down of the other Notes and (b) the concurrent or substantially concurrent write-down (or write-off) or conversion to the extent possible of any Loss Absorbing Instruments) would be sufficient to cure the Contingency Event(s); or
- (ii) if that Write-Down (together with (a) the concurrent Write-Down of the other Notes and (b) the concurrent or substantially concurrent write-down (or write-off) or conversion of any Loss Absorbing Instruments) would be insufficient to cure the Contingency Event(s), or the Contingency Event(s) is not capable of being cured, the amount necessary to reduce the Prevailing Principal Amount to one cent.

In respect of any Write-Down, to the extent the write-down (or write-off) or conversion into Ordinary Shares of any Loss Absorbing Instrument is not, or within one month (or such shorter period as the Competent Authority may require) from the determination that the relevant

Contingency Event has occurred will not be, effective for any reason (i) the ineffectiveness of any such write-down (or write-off) or conversion into Ordinary Shares of any Loss Absorbing Instrument shall not prejudice the requirement to effect the Write-Down of the Notes pursuant to this Condition 6.1; and (ii) such write-down (or write-off) or conversion into Ordinary Shares shall not be taken into account in calculating the Write Down Amount in respect of such Write-Down. For the avoidance of doubt, the write-down (or write-off) or conversion into Ordinary Shares of any Loss Absorbing Instrument will only be taken into account in the calculation of the Write-Down Amount to the extent (and in the amount, if any) that such Loss Absorbing Instrument can actually be written-down (or written-off) or converted into Ordinary Shares in the relevant circumstances within one month (or such shorter period as the Competent Authority may require) from the determination that the relevant Contingency Event has occurred.

If, in connection with a Write-Down or the calculation of a Write-Down Amount, there are outstanding any Loss Absorbing Instruments the terms of which provide that they shall be written-down (or written-off) or converted into Ordinary Shares in full and not in part only (**Full Loss Absorbing Instruments**) then:

- (A) the requirement that a Write-Down of the Notes shall be effected *pro rata* with the write-down (or write-off) or conversion into Ordinary Shares, as the case may be, of any such Loss Absorbing Instruments shall not be construed as requiring the Notes to be Written-Down in full (or in full save for the one cent floor) simply by virtue of the fact that such Full Loss Absorbing Instruments will be written-down (or written-off) or converted in full; and
- (B) for the purposes of calculating the Write-Down Amount, the Full Loss Absorbing Instruments will be treated (for the purposes only of determining the write-down (or write-off) of principal or conversion into Ordinary Shares, as the case may be, among the Notes and such other Loss Absorbing Instruments on a *pro rata* basis) as if their terms permitted partial write-down (or write-off) or conversion into Ordinary Shares, such that the write-down (or write-off) or conversion into Ordinary Shares of such Full Loss Absorbing Instruments shall be deemed to occur in two concurrent stages: (a) first, the principal amount of such Full Loss Absorbing Instruments shall be written-down (or written-off) or converted into Ordinary Shares *pro rata* with the Notes and all other Loss Absorbing Instruments (in each case subject to and as provided in the preceding paragraph) to the extent necessary to cure the relevant Contingency Event; and (b) secondly, the balance (if any) of the principal amount of such Full Loss Absorbing Instruments remaining following (a) shall be written-down (or written-off) or converted into Ordinary Shares, as the case may be, with the effect of increasing the Issuer's and/or the FinecoBank Group's, as the case may be, Common Equity Tier 1 Capital Ratio above the minimum required level under (a) above.

## 6.2 Consequences of loss absorption

Following the giving of a Loss Absorption Event Notice which specifies a Write-Down of the Notes, the Issuer shall procure that:

- (a) a similar notice is, or has been, given in respect of each Loss Absorbing Instrument (in accordance with, and to the extent required by, its terms); and
- (b) the prevailing principal amount of each Loss Absorbing Instrument outstanding (other than the Notes) (if any) is written down (or written-off) or converted, as appropriate, in accordance with its terms prior to or, as appropriate, as soon as reasonably practicable following the giving of such Loss Absorption Event Notice,

provided, however, that any failure by the Issuer either to give such a notice or to procure such a write down and/or conversion will not affect the effectiveness of, or otherwise invalidate, any Write Down of the Notes pursuant to Condition 6.1 or give Noteholders any rights as a result of either such failure (and, for the avoidance of doubt, the Write Down Amount may increase as a result thereof).

### 6.3 Reinstatement of principal amount

If both a positive Net Income and a positive Consolidated Net Income are recorded at any time while the Prevailing Principal Amount of the Notes is less than their Initial Principal Amount, the Issuer may, at its full discretion and subject to the Maximum Distributable Amount (if any) (when the amount of the Write-Up is aggregated together with other distributions of the Issuer or the FinecoBank Group, as applicable, of the kind referred to in Article 141(2) of the CRD IV Directive and, if relevant, in any other similar payment restriction provision(s) under the Relevant Regulations (or, if different, any provision of Italian law implementing Article 141(2) of the CRD IV Directive, as amended or replaced, or if relevant, such other provision(s))) not being exceeded thereby, increase the Prevailing Principal Amount of each Note (a **Write-Up**) up to a maximum of the Initial Principal Amount, on a *pro rata* basis with the other Notes and with any Written-Down Additional Tier 1 Instruments that have terms permitting a principal write-up to occur on a basis similar to that set out in this Condition 6.3 in the circumstances existing on the date of the relevant Write-Up (based on their Initial Principal Amounts), provided that the sum of:

- (i) the aggregate amount of the relevant Write-Up on all the Notes (aggregated with the aggregate amounts of any other Write-Ups out of the same Relevant Net Income);
- (ii) the aggregate amount of any interest payments on the Notes that were paid on the basis of a Prevailing Principal Amount lower than the Initial Principal Amount at any time after the end of the previous financial year,
- (iii) the aggregate amount of the increase in principal amount of each such Written-Down Additional Tier 1 Instrument at the time of the relevant Write-Up; and
- (iv) the aggregate amount of any interest payments on each such Written-Down Additional Tier 1 Instrument that were calculated or paid on the basis of a prevailing principal amount that is lower than the principal amount it was issued with at any time after the end of the previous financial year,

does not exceed the Maximum Write-Up Amount.

The **Maximum Write-Up Amount** means:

- (a) if the Relevant Net Income for the relevant Write-Up is equal to the Consolidated Net Income, the Consolidated Net Income multiplied by the sum of the aggregate Initial Principal Amount of the Notes and the aggregate initial principal amount of all Written-Down Additional Tier 1 Instruments of the FinecoBank Group, and divided by the total Tier 1 Capital of the FinecoBank Group as at the date of the relevant Write-Up; or
- (b) if the Relevant Net Income for the relevant Write-Up is equal to the Net Income, the Net Income multiplied by the sum of the aggregate Initial Principal Amount of the Notes and the aggregate initial principal amount of all Written-Down Additional Tier 1 Instruments of the Issuer, and divided by the total Tier 1 Capital of the Issuer as at the date of the relevant Write-Up.

A Write-Up may be made on one or more occasions in accordance with this Condition 6.3 until the Prevailing Principal Amount of the Notes has been reinstated to the Initial Principal Amount. No Write-Up shall be operated (i) whilst a Contingency Event has occurred and is continuing, or (ii)

where any such Write-Up (together with the write-up of all other Written-Down Additional Tier 1 Instruments) would cause a Contingency Event to occur.

Any decision by the Issuer to effect or not to effect any Write-Up pursuant to this Condition 6.3 on any occasion shall not preclude it from effecting or not effecting any Write-Up on any other occasion pursuant to this Condition 6.3.

If the Issuer decides to Write-Up the Notes pursuant to this Condition 6.3, it shall deliver a notice (a **Write-Up Notice**) specifying the amount of any Write-Up (as a percentage of the Initial Principal Amount of a Note resulting in a *pro rata* increase in the Prevailing Principal Amount of each Note) and the date on which such Write-Up shall take effect shall be given to Noteholders in accordance with Condition 16 (*Notices*) and to the Fiscal Agent. Such Write-Up Notice shall be given at least ten Business Days prior to the date on which the relevant Write-Up becomes effective.

## **7. REDEMPTION AND PURCHASE**

The Notes may not be redeemed otherwise than in accordance with this Condition 7.

### **7.1 No fixed redemption**

Unless previously redeemed or purchased and cancelled as provided below, the Notes will become repayable on the date on which voluntary or involuntary winding up, dissolution, liquidation or bankruptcy (including, *inter alia*, *Liquidazione Coatta Amministrativa*) proceedings are instituted in respect of the Issuer, in accordance with (a) a resolution of the shareholders' meeting of the Issuer, (b) any provision of the by-laws of the Issuer (currently, the maturity of the Issuer is set in its by-laws at 31 December 2100), or (c) any applicable legal provision, or any decision of any judicial or administrative authority. Thereupon, the Notes will become due and payable at an amount equal to their Prevailing Principal Amount, together with any accrued but unpaid interest (to the extent not cancelled in accordance with Condition 5.11 (*Cancellation of Interest Amounts*)) up to, but excluding the date fixed for redemption, and any additional amounts due pursuant to Condition 9 (*Taxation*).

### **7.2 General redemption option**

The Issuer may, at its sole discretion (but subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*)), subject to having given no less than 30 nor more than 45 calendar days' notice to the Noteholders (in accordance with Condition 16 (*Notices*)) and the Fiscal Agent, redeem the Notes in whole, but not in part, on any Optional Redemption Date (Call) at their Prevailing Principal Amount, plus any accrued but unpaid interest (to the extent not cancelled in accordance with Condition 5.11 (*Cancellation of Interest Amounts*)) up to, but excluding the date fixed for redemption, and any additional amounts due pursuant to Condition 9 (*Taxation*).

### **7.3 Redemption upon the occurrence of a Capital Event**

Upon the occurrence of a Capital Event, the Issuer may, at its sole discretion (but subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*)) at any time, subject to having given no less than 30 nor more than 45 calendar days' notice to the Noteholders (in accordance with Condition 16 (*Notices*)) and the Fiscal Agent, redeem the Notes in whole but not in part at their Prevailing Principal Amount, plus any accrued but unpaid interest (to the extent not cancelled in accordance with Condition 5.11 (*Cancellation of Interest Amounts*)) up to, but excluding the date fixed for redemption, and any additional amounts due pursuant to Condition 9 (*Taxation*).

### **7.4 Redemption upon the occurrence of a Tax Event**

Upon the occurrence of a Tax Event, the Issuer may, at its sole discretion (but subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*)) at any time, subject to having

given no less than 30 nor more than 45 calendar days' notice to Noteholders (in accordance with Condition 16 (*Notices*)) and the Fiscal Agent, redeem the Notes in whole or in part (to the extent permitted by the Relevant Regulations) at their Prevailing Principal Amount plus any accrued but unpaid interest (to the extent not cancelled in accordance with Condition 5.11 (*Cancellation of Interest Amounts*)) up to, but excluding the date fixed for redemption, and any additional amounts due pursuant to Condition 9 (*Taxation*).

## **7.5 Purchase**

- (a) Subject as set out in paragraph (b) below, the Issuer or any of its Subsidiaries may (subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*)) purchase Notes in the open market or otherwise and at any price in accordance with applicable laws and regulations (including for the avoidance of doubt, the Relevant Regulations) from time to time, provided that all unmatured Coupons and unexchanged Talons appertaining to the Notes are purchased therewith. Such Notes may, subject to the approval of the Competent Authority (if so required by the Relevant Regulations), be held, reissued, resold or, at the option of the purchaser, surrendered to any Paying Agent for cancellation.
- (b) Subject to the Relevant Regulations, the Issuer or any agent on its behalf shall have the right at all times to purchase the Notes for market making purposes provided that: (a) the conditions set out in Article 29 of Commission Delegated Regulation (EU) No.241/2014 of 7 January 2014, as amended and replaced from time to time, are met, in particular with respect to the prior permission of the Competent Authority and with respect to the predetermined amount, which shall not exceed the lower of (i) 10% of the aggregate Initial Principal Amount of the Notes and any further Notes issued under Condition 15 (*Further Issues*) and (ii) 3% of the outstanding aggregate nominal amount of Additional Tier 1 instruments of the Issuer (as defined in the Relevant Regulations) or such other amount permitted to be purchased for market-making purposes under the Relevant Regulations.

## **7.6 Cancellation**

All Notes which are redeemed will forthwith (but subject to the provisions of Condition 7.8 (*Conditions to redemption and purchase*)) be cancelled (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith at the time of redemption). All Notes so redeemed and cancelled pursuant to this Condition, and the Notes purchased and cancelled pursuant to Condition 7.5 (*Purchase*) above (together with all unmatured Coupons cancelled therewith) shall be forwarded to the Fiscal Agent and cannot be reissued or resold.

## **7.7 Italian Civil Code**

The Notes are not subject to Article 1186 of the Italian Civil Code nor, to the extent applicable, to Article 1819 of the Italian Civil Code.

## **7.8 Conditions to redemption and purchase**

The Notes may only be redeemed, purchased, cancelled or modified (as applicable) pursuant to Condition 7.2 (*General redemption option*), Condition 7.3 (*Redemption upon the occurrence of a Capital Event*), Condition 7.4 (*Redemption upon the occurrence of a Tax Event*), Condition 7.5 (*Purchase*), Condition 7.6 (*Cancellation*), Condition 14.1 (*Meetings of Noteholders*) or paragraph (b) of Condition 14.2 (*Modification of Notes*), as the case may be, with the prior written approval of the Competent Authority (if and to the extent required) and, in relation to redemption and purchase and if and to the extent required under prevailing Relevant Regulations, either: (A) on or before such redemption or purchase of the Notes, the Issuer has replaced the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the Issuer's income capacity; or (B) the Issuer having demonstrated to the satisfaction of the Competent Authority that its Own Funds would, following such repayment or purchase, exceed the minimum capital requirements (including any

capital buffer requirements) required under the CRD IV Directive (or any relevant provision of Italian law implementing the CRD IV Directive, as amended or replaced) by a margin that the Competent Authority considers necessary at such time.

If the Issuer has elected to redeem the Notes pursuant to Condition 7.2 (*General redemption option*), Condition 7.3 (*Redemption upon the occurrence of a Capital Event*) or Condition 7.4 (*Redemption upon the occurrence of a Tax Event*), and prior to the relevant redemption date a Contingency Event occurs, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, the Prevailing Principal Amount of the Notes will not be due and payable and a Write-Down shall occur as described under Condition 6 (*Loss Absorption and Reinstatement of Principal Amount*).

## **8. PAYMENTS AND EXCHANGE OF TALONS**

### **8.1 Payments in respect of Notes**

Payments of principal and (subject to Condition 8.5 (*Payments other than in respect of matured Coupons*)) interest shall be made only against presentation and (provided that payment is made in full) surrender of the Note or Coupon, as applicable, at the Specified Office of any Paying Agent outside the United States by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by euro cheque.

### **8.2 Payments subject to fiscal laws**

All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 9 (*Taxation*)) any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

### **8.3 Unmatured Coupons void**

On the due date for redemption in whole of any Note pursuant to Condition 7.2 (*General redemption option*), Condition 7.3 (*Redemption upon the occurrence of a Capital Event*) or Condition 7.4 (*Redemption upon the occurrence of a Tax Event*), all unmatred Coupons (which expression will, for the avoidance of doubt, include Coupons falling to be issued on exchange of matured Talons) relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.

### **8.4 Payments on business days**

If the due date for payment of any amount in respect of any Note or Coupon is not a Payment Business Day, the Noteholder shall not be entitled to payment of the amount due until the next succeeding Payment Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

### **8.5 Payments other than in respect of matured Coupons**

Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.

## **8.6 Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon Sheet matures, the Talon comprised in the Coupon Sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon Sheet (including any appropriate further Talon), subject to the provisions of Condition 10 (*Prescription*).

## **8.7 Partial payments**

If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

## **9. TAXATION**

### **9.1 Gross up**

All payments of interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction (subject to the exceptions listed below) unless such withholding or deduction is required by law. The Issuer will (subject to Condition 5.11 (*Cancellation of Interest Amounts*)) pay such additional amounts in respect of interest as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any note or coupon presented for payment:

- (a) for or on account of *imposta sostitutiva* (at the then applicable rate of tax) pursuant to Italian Legislative Decree No. 239 of 1 April 1996 (as the same may be amended or supplemented) or any related implementing regulations; or
- (b) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (c) by or on behalf of a holder who is entitled to avoid such withholding or deduction in respect of such Note or Coupon by making a declaration or any other statement to the relevant tax authority, including, but not limited to, a declaration of residence or non-residence or other similar claim for exemption; or
- (d) more than 30 days after the Relevant Date except to the extent that the relevant Noteholder would have been entitled to such additional amounts on presenting the same for payment on such thirtieth day (assuming such day to have been a Payment Business Day); or
- (e) in the Republic of Italy; or
- (f) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or any other amount is paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Italian authorities; or
- (g) in all circumstances in which the procedures set forth in Legislative Decree No. 239 of 1 April 1996, as amended, have not been met or complied with, except where such requirements and procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or



- (h) where the holder who would have been able to lawfully avoid (but has not so avoided) such deduction or withholding by complying, or procuring that any third party complies, with any statutory requirements.

Any reference in these Conditions to interest shall be deemed to include any additional amounts in respect of interest (as the case may be) which may be payable under this Condition 9.

For the avoidance of doubt, no additional amounts shall be payable in respect of payment of principal under the Notes.

As used in these Conditions:

**Relevant Date** in respect of any Note or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note or Coupon being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such presentation; and

**Tax Jurisdiction** means (i) the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax and (ii) any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it in respect of interest on the Notes and Coupons, *provided that* no additional amounts shall be payable in respect of any withholding or deduction imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder or any official interpretations thereof.

## 10. PRESCRIPTION

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons (which for this purpose do not include the Talons) are presented for payment within five years of the appropriate Relevant Date. There may not be included in any Coupon Sheet issued upon exchange of a Talon any Coupon which would be void upon issue under this Condition 10 or Condition 8 (*Payments and Exchange of Talons*).

## 11. REPLACEMENT OF NOTES AND COUPONS

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and listing authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## 12. AGENTS

### 12.1 Obligations of Agents

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders, and each of them shall only be responsible for the performance of the duties and obligations expressly imposed

upon it in the Agency Agreement or other agreement entered into with respect to its appointment or incidental thereto.

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of provisions of these Conditions by the Fiscal Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Paying Agents and all the Noteholders of the Notes or Coupons.

No such Noteholder shall (in the absence as aforesaid) be entitled to proceed against the Fiscal Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under these Conditions.

## 12.2 Termination of Appointments

The initial Paying Agents and their initial Specified Offices are listed in the Agency Agreement. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent (including the Fiscal Agent) and to appoint an additional or successor fiscal agent or paying agent; provided, however, that:

- (a) the Issuer shall at all times maintain a Fiscal Agent; and
- (b) if and for so long as the Notes are admitted to listing and/or to trading and/or quotation on any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent (which may be the Fiscal Agent) with a Specified Office in the place required by such listing authority, stock exchange and/or quotation system.

## 12.3 Change of Specified Offices

The Paying Agents reserve the right at any time to change their respective Specified Offices to some other Specified Office in the same city. Notice of any change in the identities or Specified Offices of any Paying Agent shall promptly be given to the Noteholders in accordance with Condition 16 (*Notices*).

## 13. ENFORCEMENT EVENT

In the event of compulsory winding-up (*Liquidazione Coatta Amministrativa*) of the Issuer pursuant to Article 80 of the Legislative Decree No. 385 of 1 September 1993 of the Republic of Italy, as amended from time to time (the **Italian Banking Act**), the Notes shall become immediately due and payable.

The rights of the Noteholders and the Couponholders in the event of compulsory winding up (*Liquidazione Coatta Amministrativa*) of the Issuer pursuant to Article 80 of the Italian Banking Act will be calculated on the basis of the Prevailing Principal Amount of the Notes, plus any accrued but unpaid interest (to the extent not cancelled in accordance with these Conditions) up to, but excluding the date the Notes become immediately due and payable, and any additional amounts due pursuant to Condition 9 (*Taxation*) (to the extent that such interest and additional amounts are not cancelled in accordance with these Conditions). No payments will be made to the Noteholders or Couponholders before all amounts due, but unpaid, to all other creditors of the Issuer ranking ahead of the Noteholders and the Couponholders as described in Condition 4 (*Status of the Notes*) have been paid by the Issuer, as ascertained by the liquidator.

No remedy against the Issuer other than as provided by this Condition 13 shall be available to the Noteholders or the Couponholders whether for the recovery of amounts owing under or in respect of the Notes or the Coupons or in respect of any breach by the Issuer of any of its obligations in relation to the Notes or the Coupons or otherwise.

## **14. MEETINGS OF NOTEHOLDERS; MODIFICATION**

### **14.1 Meetings of Noteholders**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or certain provisions of the Agency Agreement. Such a meeting may be convened by the Issuer at any time or by Noteholders holding not less than 10% in nominal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing such Extraordinary Resolution is one or more persons holding or representing in the aggregate not less than 50% in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or Coupons (including modifying any date for payment of interest or principal on the Notes, reducing or cancelling the amount of principal (except as provided by the Conditions) or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than one-third, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders. Such modifications may only be made to the extent that the Issuer has obtained the prior written approval of the Competent Authority (if so required by the Relevant Regulations).

### **14.2 Modification of Notes**

Subject to Condition 7.8 (*Conditions to redemption and purchase*), the Fiscal Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to any modification of the Notes, the Coupons or the Agency Agreement which is (a) to cure or correct any ambiguity or defective or inconsistent provision contained therein, or which is of a formal, minor or technical nature or (b) in the sole opinion of the Issuer, not prejudicial to the interests of the Noteholders and/or the Couponholders (provided the proposed modification does not relate to a matter in respect of which an Extraordinary Resolution would be required if a meeting of Noteholders were held to consider such modification) or (c) to correct a manifest error or proven error or (d) to comply with mandatory provisions of the law.

In addition, no consent of the Noteholders or Couponholders shall be required in connection with effecting the relevant Successor Reference Rate or Alternative Reference Rate (as applicable) as described in Condition 5.6 (*Reference Rate Replacement*) or such other relevant changes pursuant to Condition 5.6(iii)(C) including for the execution of any documents or the taking of other steps by the Issuer or any of the parties to the Agency Agreement.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 16 (*Notices*) as soon as practicable thereafter.

## **15. FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the issue price thereof) so as to form a single series with the Notes.

## 16. NOTICES

Notices to Noteholders will be deemed to be validly given if published in a leading English language daily newspaper having general circulation in Europe (which is expected to be the *Financial Times*) and, so long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market and the listing rules of Euronext Dublin so require, all notices to Noteholders shall be deemed to be duly given if they are filed with the Companies Announcement Office of Euronext Dublin.

The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading.

Any notice so given will be deemed to have been validly given on the date of the first such publication. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 16.

## 17. GOVERNING LAW AND JURISDICTION

### 17.1 Governing law

The Notes, the Coupons, the Agency Agreement and any non-contractual obligations arising out of or in connection with them shall be governed by, and construed in accordance with, Italian law.

### 17.2 Submission to jurisdiction

The Issuer agrees, for the benefit of the Noteholders and the Couponholders that the Courts of Milan are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with them) and that accordingly any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Notes and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with them) may be brought in such courts.

The Issuer hereby irrevocably waives any objection which it may have now or hereafter to the laying of the venue of any such Proceedings in the Courts of Milan and any claim that any such Proceedings have been brought in an inconvenient forum, and hereby further irrevocably agrees that a judgment in any such Proceedings brought in the Courts of Milan shall be conclusive and binding upon it and may be enforced in the courts of any other jurisdiction.

Nothing contained in this Condition shall limit any right to take Proceedings against the Issuer construed in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction, whether concurrently or not.

## 18. CONTRACTUAL RECOGNITION OF STATUTORY BAIL-IN POWERS

By the acquisition of the Notes, each Noteholder acknowledges and agrees to be bound by the exercise of any Bail-in Power by the Competent Authority that may result in the write-down or cancellation of all or a portion of the principal amount of, or distributions on, the Notes and/or the conversion of all or a portion of the principal amount of, or distributions on, the Notes into Ordinary Shares or other obligations of the Issuer or another person, including by means of a variation to the terms of the Notes to give effect to the exercise by the Competent Authority of such Bail-in Power. Each Noteholder further agrees that the rights of the Noteholders are subject to, and will be varied if necessary so as to give effect to, the exercise of any Bail-in Power by the Competent Authority.

For the avoidance of doubt, the potential write-down or cancellation of all or a portion of the principal amount of, or distributions on, the Notes or the conversion of the Notes into Ordinary Shares or other obligations in connection with the exercise of any Bail-in Power by the Competent Authority is separate and distinct from a Write-Down following a Contingency Event although these events may occur consecutively.

For these purposes, a **Bail-in Power** means any statutory write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements, whether relating to the resolution or independent of any resolution action, of credit institutions or investment firms incorporated in the relevant Member State in effect and applicable in the relevant Member State to the Issuer, including (but not limited to) any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of any European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms and/or within the context of a relevant Member State resolution regime or otherwise, pursuant to which liabilities of a credit institution or investment firm can be reduced, cancelled and/or converted into shares or obligations of the obligor or any other person.

Upon the Issuer being informed or notified by the Competent Authority of the actual exercise of the date from which the Bail-in Power is effective with respect to the Notes, the Issuer shall notify the holders without delay. Any delay or failure by the Issuer to give notice shall not affect the validity and enforceability of the Bail-in Power nor the effects on the Notes described in this clause.

The exercise of the Bail-in Power by the Competent Authority with respect to the Notes shall not constitute an event of default and the terms and conditions of the Notes shall continue to apply in relation to the residual principal amount of, or outstanding amount payable with respect to, the Notes subject to any modification of the amount of distributions payable to reflect the reduction of the principal amount, and any further modification of the terms that the Competent Authority may decide in accordance with applicable laws and regulations relating to the resolution of credit institutions or investment firms incorporated in the relevant Member State.

Each Noteholder also acknowledges and agrees that this provision is exhaustive on the matters described herein to the exclusion of any other agreements, arrangements or understandings relating to the application of any Bail-in Power to the Notes.

## OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

*Words and expressions defined in “Terms and Conditions of the Notes” shall have the same meanings in this “Overview of Provisions relating to the Notes while in Global Form”.*

### **Temporary Global Note exchangeable for Permanent Global Note**

The Notes will initially be in the form of the Temporary Global Note, without Coupons, which will be deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg. Interests in the Temporary Global Note will be exchangeable, in whole or in part, for interests in the Permanent Global Note, without Coupons, which will also be deposited on or around the Issue Date with a common depository for Euroclear and Clearstream, Luxembourg, on or after the Exchange Date, upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in the Permanent Global Note, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of the Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange of a part of the Temporary Global Note) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (a) presentation and (in the case of final exchange) surrender of the Temporary Global Note to or to the order of the Fiscal Agent; and
- (b) in either case, receipt by the Fiscal Agent of confirmation from the Clearing Systems that a certificate or certificates of non-U.S. beneficial ownership have been received,

within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

### **Permanent Global Note exchangeable for Definitive Notes**

Interests in the Permanent Global Note will be exchangeable, in whole but not in part only and at the request of the bearer of the Permanent Global Note, for Definitive Notes, if Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or in fact does so.

Interests in the Permanent Global Note will also become exchangeable, in whole but not in part only and at the request of the Issuer, for Definitive Notes if, by reason of any change in the laws of the Republic of Italy, the Issuer will be required to make any withholding or deduction from any payment in respect of the Notes which would not be required if the Notes are in definitive form.

Definitive Notes will bear serial numbers and have attached thereto at the time of their initial delivery Coupons. Definitive Notes will also, if necessary, have attached thereto at the time of their initial delivery Talons and the expression Coupons shall, where the context so requires, include Talons.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and, if necessary, Talons attached, in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

## **Terms and Conditions applicable to the Notes**

The Terms and Conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the Terms and Conditions set out under “*Terms and Conditions of the Notes*” above.

The Terms and Conditions applicable to the Notes represented by one or more Global Notes will differ from those Terms and Conditions which would apply to the Notes were they in definitive form to the extent described in this “*Overview of Provisions relating to the Notes while in Global Form*”.

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the relevant Global Note. The following is a summary of certain of those provisions:

*Payments:* The holder of a Global Note shall be the only person entitled to receive payments in respect of the Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of the Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note. For the purpose of any payments made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of “Payment Business Day” set out in Condition 2.1 (*Definitions*).

*Write-Down/Write-Up of the Notes:* while all the Notes are represented by one or more Global Notes and such Global Note(s) are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, any Write-Down or Write-Up of the Prevailing Principal Amount of the Notes shall be treated on a *pro rata* basis which, for the avoidance of doubt, shall be effected as a reduction or increase, as the case may be, to the pool factor.

*Notices:* Notwithstanding Condition 16 (*Notices*), while all the Notes are represented by one or more Global Notes and such Global Note(s) are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, the requirement in Condition 16 (*Notices*) for a notice to be published in a leading English language daily newspaper having general circulation in Europe shall not apply and notices to Noteholders may instead be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system for communication by them to the persons shown in their respective records as having interests therein and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 16 (*Notices*) on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

## **Legend concerning United States persons**

Permanent Global Notes, Definitive Notes and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

*“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(J) AND 1287(A) OF THE INTERNAL REVENUE CODE.”*

The sections referred to in such legend provide that a United States person who holds a Note, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Note, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

## **Clearing Systems**

Any reference herein to Euroclear and/or Clearstream, Luxembourg, as the case may be, shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Fiscal Agent, the other Paying Agents and the Noteholders.



## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be applied by the Issuer for its general corporate purposes and to improve the regulatory capital structure of the Issuer and the FinecoBank Group.

## DESCRIPTION OF THE ISSUER

### OVERVIEW

FinecoBank is the parent company of the FinecoBank Group and is a multi-channel direct bank, providing banking, brokerage and investing services. It offers from a single account banking, credit, trading and investment services (a “one-stop” solution) through transactional and advisory platforms developed with proprietary technologies. FinecoBank offers an integrated business model combining direct banking and financial advice and distributes its products and services through multiple channels, including via one of the largest networks of personal financial advisors in Italy, its website and through custom-developed mobile applications.

FinecoBank is incorporated as a joint stock company (*società per azioni*) under the laws of the Republic of Italy and, pursuant to its articles of association, the duration of FinecoBank is set at 31 December 2100 and may be extended or terminated earlier by resolution of the shareholders' meeting. FinecoBank is registered with the Companies' Register of Milan-Monza-Brianza-Lodi (with company number 01392970404). It is listed on the Milan Stock Market and has been on Borsa Italiana's FTSE Mib index since 1 April 2016. On 20 March 2017, FinecoBank's stock became part of the STOXX Europe 600 Index. Since 2017, FinecoBank is also present in the UK with an offer focused on brokerage and banking services. The telephone number for FinecoBank is +39 02 2887 21.

FinecoBank's offering is split into three integrated areas of activity: (i) banking, including current account and deposit services, payment services, and issuing debit, credit and prepaid cards, mortgages and personal loans; (ii) brokerage, providing order execution services on behalf of customers, with direct access to major global equity markets and the ability to trade CFDs (on currencies, indices, shares, bonds and commodities), futures, options, bonds, ETFs and certificates; (iii) investing, including placement and distribution services of more than 6,000 products, including mutual funds and SICAV sub-funds managed by 78 leading Italian and international investment firms, including the Issuer's subsidiary, insurance and pension products, as well as investment advisory services through a network of 2571 personal financial advisors as of 31 March 2019. In addition, FinecoBank provides asset management activities via its subsidiary Fineco AM, which has been fully operational since 2 July 2018.

### KEY FINANCIAL FIGURES

In 2018, FinecoBank generated operating income of €625.3 million (up 6.5% compared to €586.9 million for the year 2017) and net profits of €241.2 million (showing an increase of 12.7% compared to €214.1 million for the year 2017).

At the end of 2018, total financial assets (**TFAs**) (direct and indirect) from customers amounted to €69,333 million, up 3.2% on €67,185 million at the end of 2017.

Net sales at the end of 2018 came to €6,222 million, increased compared to 2017 (+4.4% y/y), despite the more complex market situation: assets under management (**AUM**) came to €2,263 million, assets under custody came to €1,830 million and direct deposits came to €2,128 million. Sales of Guided Products & Services came to €2,766 million, their percentage on total AUM at the end of the year rose to 67%, compared to 63% as at 31 December 2017.

Net sales through the network of personal financial advisors totalled €5,453 million, up 0.9% compared to 2017. TFAs (direct and indirect) as at 31 December 2018 amounted to €59.910 million (+3.5% y/y).

As at 31 December 2018, the TFAs related to private banking clients, i.e. with assets above €500,000, totalled €25,830 million, being 37% of total TFAs of FinecoBank.

In 2018, €248 million in personal loans and €411 million in mortgages were granted, and €945 million in current account overdrafts were arranged, with an increase in exposures in current account of €377 million; this has resulted in an overall 46.4% aggregate increase in loans to customers compared to 31 December 2017. Credit quality remains high, with a cost of risk at 24 bp, driven by the principle of offering credit exclusively to existing customers, making use of specialist tools to analyse the bank's vast information base. The cost of risk is structurally contained and fell further thanks also to the effect of new loans, which are mainly secured and low-risk. The ratio between impaired loans and total loans to ordinary customers was 0.11% as at 31 December 2018 (0.16% as at 31 December 2017).

As at 31 December 2018, deposits from customers amounted to €22,273.2 million, up 10.2% compared to 31 December 2017, due to the growth in direct deposits. The total number of customers as at 31 December 2018 was 1,277,787, up 6% compared to the previous year.

The cost/income ratio went from 39.74% as at 31 December 2017 to 39.3% as at 31 December 2018, confirming the operating efficiency of FinecoBank and the spread of the company culture of controlling costs. The 2018 results reflect FinecoBank's sustainability and the strength of its business model.

As at 31 March 2019, the Issuer confirmed its solid capital position with a CET1 capital ratio of 20.98% (21.16% at year-end 2018). The total capital ratio was 29.14% (29.58% at the end of 2018). Following the Exit on 10 May 2019, the FinecoBank Group expects to adopt, initially, a basic approach to operational risk measurement, as opposed to the advanced measurement approach which was applied while FinecoBank was included in the UniCredit banking group. FinecoBank management expects such change to result in higher capital charges compared to the previous approach and therefore greater absorption of capital which will in turn, all other factors being equal, result in lower CET1 capital, Tier 1 capital and total capital ratios compared to those as at 31 March 2019. Management estimates that the CET1 capital ratio would have been approximately 17.5% at such date had a basic approach to operational risk measurement been applied.

## **KEY COMPETITIVE STRENGTHS**

FinecoBank's key competitive strengths are:

- its "one-stop solution" business model, which offers an integrated range of banking, brokerage and investing services from a single current account and through an integrated network of financial advisors, online and mobile channels.
- the quality, innovative design and ease of use of its proprietary operating platforms have been a key element of its product offering since it first entered the market for online financial services. These platforms, which include applications for banking transactions and securities trading, have been developed and are maintained by a skilled team of internal programmers and personnel that is responsible for FinecoBank's technological infrastructure. Developing and managing this infrastructure in-house allows FinecoBank to tap into industry-specific knowledge to respond quickly to customer demands and market trends with innovative products and technological solutions at a limited cost. Recent examples of FinecoBank's ability to provide new and innovative products include its SCT Instant service (SEPA Instant Credit Transfer), which has been launched so as to allow cash transfers between accounts in the SEPA Area within 10 seconds.
- the breadth and quality of its investing services. FinecoBank uses a guided open architecture business model to offer customers an extremely wide range of asset management products - comprising collective asset management products, such as units of UCITS and SICAV shares - from carefully selected Italian and international investment firms, pension and insurance products as well as investment advisory services. With regard to pension products, at the end of March 2018, the range was expanded with the launch of Core Pension, an open-end pension fund of Amundi SGR for long-term investments exclusively accessible to the FinecoBank network. As regards consulting services, 2018 was characterised by the launch of "Plus", the exclusive service dedicated to the FinecoBank network: a consulting contract through which the consultant can offer its customers highly diversified and freely customizable portfolios. The main feature offered by "Plus" is the

global consulting service offered that spans asset management (funds and SICAVs) as well as asset administration products and ETPs (ETFs, ETCs, ETNs) and insurance investment products.

- its extensive network of financial advisors is fully integrated into its business model and widely disseminated across Italy in the “Fineco Centers”. As at 31 March 2019, the network consisted of 2,571 personal financial advisors distributed in Italy with 391 “Fineco Centers”. This network focuses on increasing FinecoBank’s total financial assets by bringing in clients who will use not just the bank’s investment advisory services, but also its banking and brokerage services. FinecoBank supports the growth and development of its financial advisor network by providing them with specially-tailored operating platforms that help them understand the financial needs of clients, raising the quality of the services provided and assisting in the steady, organic growth of FinecoBank’s total financial assets and the number of clients associated with a financial advisor. There is also continued investment in the commercial structures used by personal financial advisors, which contribute to raising the image and giving increasingly more coverage to the presence of FinecoBank in the Italian territory.
- a demonstrated capacity for attracting clients and building client loyalty. A high degree of client satisfaction (96% in 2018) (Source: Kantar TNS Infratest), industry-specific knowledge, experience in designing user-friendly operating platforms, and effective marketing strategies that focus on consistent management of the Fineco brand and promotional activities (including by the financial advisors network), all contribute to FinecoBank’s ability to attract new clients (particularly those in the “private” and “affluent” segments) while building loyalty among existing clients.
- its integrated business model and breadth of investment products, which allows it to meet different clients’ needs in various market cycles, contributing to the bank’s ability to maintain consistent levels of total financial assets and a diverse revenue stream. Providing FinecoBank clients with a “one-stop solution” for their financial needs also encourages clients to deposit funds with FinecoBank for their day-to-day banking needs (which increases FinecoBank’s “transactional” liquidity associated with these deposits), resulting in more stable deposit levels. In addition, the fact that FinecoBank does not charge performance fees for its investing services helps insulate it from market fluctuations, provides greater visibility on its results and minimises potential conflicts of interests.
- a strong ability to adapt the scale of its operations, based on an effective organisational structure and internal processes, as well as highly scalable information technology systems. This enables FinecoBank to expand its activities without incurring significant increases in its operating costs.

## **THE STRATEGY**

FinecoBank’s overall strategy is aimed at consolidating and strengthening its position in the Italian market for integrated banking, brokerage, and investing services. It seeks to implement this strategy by leveraging its key strengths and executing specific strategies, including:

### ***Development, expansion and training of the financial advisors network***

FinecoBank aims to continue to expand its financial advisor network through recruitment of both experienced, high profile financial advisors—who can bring large portfolios and high-net worth clients to its network—as well as young professionals (including “millennials”) with the potential for growth and who will help FinecoBank address generational turnover. FinecoBank invests in its financial advisors by providing training programs that teach them the necessary skills for providing advanced advisory and wealth management services and by focusing on building loyalty among current financial advisors and encouraging the recruitment of new candidates. FinecoBank also intends to continue focusing on organic growth of its financial advisors network, both in terms of its client’s total financial assets and the number of clients.

### ***Continuous improvement of its integrated offering***

FinecoBank intends to continue to develop its offering of banking, brokerage, and investing services in an integrated manner that promotes its “one-stop solution” business model, with the goal of increasing its client loyalty and encouraging its clients to use FinecoBank for their day-to-day banking needs.

### ***Leverage its operating platform and internal know-how***

FinecoBank believes it is well-positioned to manage the development and growth of its business effectively by leveraging its innovative skills, highly scalable information technology infrastructure, extensive internal know-how in producing advanced and effective front-end applications and efficient back-end systems, and by building upon the efficiency of its organisational and operating structure.

The aforementioned initiatives are expected to be complemented by further investments in advertising and marketing, with the purpose of reinforcing perceptions of FinecoBank’s brand, which is marketed as being characterised by: simplicity, transparency and innovation. FinecoBank believes that these actions are consistent with anticipated market trends, which are expected to be marked by an increasingly digitalised society and an increased demand for financial advisory services. FinecoBank believes that these trends favour its strategic market position as a direct, multi-channel bank, and they should allow it to successfully implement its strategy.

### ***Marketing Strategy***

As of 31 March 2019, FinecoBank had 1,299,000 clients (compared to 1,278,000 clients as of 31 December 2018 and 1,200,000 clients as of 31 December 2017).

FinecoBank’s “one-stop solution” of integrated banking, brokerage, and investing services targets a broad range of retail clients, which the Issuer categorises as:

- “investors,” namely clients that are attracted by the breadth of investment solutions FinecoBank offers and the advisory services provided by financial advisors;
- “traders,” namely clients that are attracted by FinecoBank’s efficient, functional, innovative, and complete brokerage operating platforms; and
- “bankers,” namely clients that are attracted by FinecoBank’s easy-to-use and efficient banking operating platforms and more generally by the mix of traditional and innovative services offered.

FinecoBank analyses its clients and potential clients in terms of their financial assets, generally targeting retail clients (as opposed to corporate clients) and, within the retail market, particularly targeting “affluent” clients, who the Issuer characterises as having between €50,000 and €500,000 in total financial assets and “private” clients, who have more than €500,000 in total financial assets. These “affluent” and “private” clients are generally characterised by higher net worth and savings rate, thus are best-suited to fulfilling the Issuer’s business objectives and taking advantage of the various services offered.

In terms of communication and market positioning, FinecoBank’s strategy is based on three qualities that clients associate with the “Fineco” brand and its business: simplicity, transparency, and innovation. The Issuer’s advertising slogan (“The bank that simplifies banking”) is consistent with its mission: conceiving and implementing the best solutions to satisfy client needs. The Issuer’s positioning and advertising message also aims to overcome the perception of FinecoBank as being simply an “online bank” and reaches a broader public that is not necessarily familiar with direct channels.

FinecoBank carries out brand and product campaigns using media (primarily TV, radio, and online), as well as running promotions (for the opening of new accounts or increasing asset gathering), events, and meetings at a local level in collaboration with the financial advisors network (targeted at both current and potential clients). The Issuer also offers online and in-classroom courses (in order to acquire new clients and to

encourage the activity of current clients), uses social networks (FinecoBank is the most followed bank in Italy on Twitter and has the highest level of fan interactions on Facebook), and participates in national events dedicated to issues relating to investments and online trading.

FinecoBank's high levels of customer satisfaction (96% in 2018 (Source: Kantar TNS Infratest)) also help promote business through word-of-mouth advertising and through targeted campaigns that engage existing clients in the recruitment of new ones, such as the "Member Get Member" campaign.

The first half of 2018 represented for FinecoBank the period of maximum media exposure thanks to the planning of an important advertising flight in February using all means of communication (TV, radio, financial press, digital media and posters), plus two additional flights, in April and May, using TV only designed to support brand awareness over time.

Activities regarding Fineco UK have been strengthened since the beginning of 2018. A multichannel communication campaign was launched and courses and education webinars were planned to introduce FinecoBank's offers and trading platforms to prospects and customers. In February 2018, FinecoBank took part in the London Forex Show where, *inter alia*, it was awarded the Best Forex Provider of the Year award. In November 2018, the new multi-subject communication campaign "The multicurrency Bank" was launched using TV, financial press and digital media.

## **HISTORY**

The Issuer started its operations on 4 March 1982 as a limited liability company under the name GI-FIN S.r.l., engaging in the business of securities trading both for its own account and for third parties. The Issuer was re-incorporated as a joint stock company on 12 October 1982 under the name GI-FIN S.p.A..

During its first years of operation, the Issuer's banking business mainly focused on granting personal loans to retail clients. In 1996, the Issuer became part of the BIPOP Banca Popolare di Brescia banking group and in August 1999 it changed its name to FIN-ECO BANCA ICQ S.P.A., or, in abbreviated form, BANCA FIN-ECO S.P.A., and began expanding the range of banking products it offered.

Following the merger of Cassa di Risparmio di Reggio Emilia S.p.A.—CARIRE into Banco Popolare di Brescia S.c.r.l., the Issuer became part of the BIPOP-CARIRE banking group, and in 2001 it acquired FIN-ECO ON LINE SIM S.p.A., which was engaged in an online trading business, laying the foundation for the development of a complete and integrated offer of banking and investing services. As a result of this transaction, the Issuer was able to provide the first interest-bearing savings account in Italy that was coupled with banking and investing services through the online channel. In the following years—in addition to expanding its range of banking, brokerage, and investment products—the Issuer started to provide financial advisory services through its own network of financial advisors as well as through a network of mortgage brokers. This created a unique business model in the Italian market and led to a significant increase in clients.

In 2002, the Issuer merged into the Capitalia Group as a result of the merger of BIPOP-CARIRE and Banca di Roma. Following the establishment of the Capitalia Group, the Issuer reorganised its business and structure, particularly its brokerage business and network of financial advisors, with the aim of integrating the business units of the two banking groups that existed prior to the merger.

On 24 June 2004, the Issuer changed its name to FinecoBank Banca Fineco S.p.A., or, in abbreviated form, FinecoBank S.p.A., Banca Fineco S.p.A. or Fineco Banca S.p.A.

By 2006, the Issuer was the leading Italian broker in terms of number of trades, with a market share of 7.44% (Source: Assosim) The volume of trades that the Issuer executed grew steadily as a result of the increased volume of trades that it carried out on behalf of the Capitalia Group as well as the growth in volumes from new clients.

On 20 September 2007, Capitalia S.p.A. merged into UniCredit S.p.A. (**UniCredit**) and the Issuer became a member of the UniCredit Group. After the merger, UniCredit engaged in a reorganization process that assigned the Issuer responsibility within the UniCredit Group for increasing liquidity and access to capital through increasing customer deposits (referred to as “asset gathering”) and the online trading business, thereby replacing UniCredit Xelion Banca S.p.A., which had been the UniCredit Group’s multi-channel bank, providing banking and financial services through financial advisors.

Additionally, this reorganisation process provided for the removal of the Issuer’s business units relating to loans, credit cards and personal loans that are secured by the borrower’s paycheck and the relocation of those product areas in the relevant companies of the UniCredit Group that were focused on these areas. This reorganisation also entailed the Issuer’s acquisition of UniCredit Xelion Banca S.p.A. and its subsidiary XAA Agenzia Assicurativa S.p.A., to eliminate any overlap between the businesses and further consolidate the Issuer’s leading position in the Italian asset gathering and online trading markets. The merger with UniCredit Xelion Banca S.p.A. also generated an increase in revenues due to the significant growth in the Issuer’s total financial assets and the expansion of its distribution channels, particularly its network of financial advisors.

On 15 April 2014, FinecoBank approved the proposal for admission to listing of its ordinary shares on the MTA (*Mercato Telematico Azionario*) of the Italian Stock Exchange (*Borsa Italiana S.p.A.*). The listing and consequent expansion of the shareholders’ base have enabled the Issuer to strengthen the visibility of its business model, thereby improving its standing in the market, thanks also to national and international institutional investors becoming shareholders of FinecoBank. Since 1 April 2016, FinecoBank has been included in the benchmark stock market index (FTSE-Mib) for Borsa Italiana, which consists of the 40 most-traded stock classes on the exchange, and since March 2017, its shares are included in the STOXXEurope 600 Index.

Since 2017, FinecoBank is also present in the United Kingdom pursuant to the freedom to provide services in the EU, with an offer focused on brokerage and banking services. As at the date of these Listing Particulars, FinecoBank has one wholly-owned subsidiary, Fineco AM, which is an Irish investment firm that was set up in the last quarter of 2017. Fineco AM was incorporated with the aim to offer its customers a range of internally and externally managed UCITS funds, with a strategy focused on the definition of strategic asset allocation and selection of the best international managers, and therefore, to diversify and improve the offer of asset management products and to further increase the competitiveness of FinecoBank through a vertically integrated business model. During the first half of 2018, Fineco AM carried out the passporting process of the UCITS management company from Ireland to Luxembourg with the aim to become the manager of the “*Fonds Commun de Placement (FCP) CORE SERIES Umbrella Fund*”, managed by Amundi S.A.. The passporting process was successfully concluded on 2 July 2018. On 1 August 2018, Fineco AM received approval from the Central Bank of Ireland for its multi manager UCITS umbrella fund, “*FAM Series UCITS ICAV*” and on 11 December 2018, for an additional UCITS umbrella fund of funds range, “*FAM Evolution*”. As at 31 March 2019, Fineco AM managed €11.4 billion of assets, of which €6.4 billion were retail class and around €5.0 billion institutional class.

On 10 May 2019, FinecoBank ceased to be a member of the UniCredit Group, following the sale by UniCredit of approximately 103.5 million ordinary shares in FinecoBank (equal to approximately 17% of the Issuer’s issued share capital). As a result of this transaction, UniCredit continued to hold a minority shareholding in the Issuer (equal to approximately 18% of the Issuer’s issued share capital). However, on 8 July 2019, UniCredit announced that it had sold its entire stake of 18.321 per cent. of the share capital of FinecoBank. The completion of such sale occurred on 11 July 2019.

## **BUSINESS AREAS**

FinecoBank is an Italian, multi-channel direct bank which provides its retail clients with a “one-stop solution” of integrated banking, brokerage and investing services. FinecoBank distributes its products and services through multiple channels, including its network of personal financial advisors, its website and through custom-developed mobile applications, which are supported by FinecoBank’s customer contact center and the branches and ATM network of the UniCredit Group. FinecoBank offers its banking,

brokerage and investing services by leveraging its integrated distribution structure and the complementary nature of these services, a distinguishing trait that it believes helps build client loyalty, as clients may rely on it both to carry out their ordinary banking operations and to perform investing activities.

FinecoBank's offering is split into three integrated areas of activity: (i) banking, including current account and deposit services, payment services, and issuing debit, credit and prepaid cards, mortgages and personal loans; (ii) brokerage, providing order execution services on behalf of customers, with direct access to major global equity markets and the ability to trade CFDs (on currencies, indices, shares, bonds and commodities), futures, options, bonds, ETFs and certificates; (iii) investing, including placement and distribution services of more than 6,000 products, including mutual funds and SICAV sub-funds managed by 78 leading Italian and international investment firms, including the Issuer's subsidiary, insurance and pension products, as well as investment advisory services through a network of 2,571 personal financial advisors. In addition, FinecoBank provides asset management activities via its subsidiary Fineco AM, which has been fully operational since 2 July 2018.

### **Banking Services**

FinecoBank offers its clients a broad range of banking services, including account services (i.e. demand or term deposits), payment services and credit facilities. The Issuer's clients may access the bank's services by opening an account with FinecoBank, either through a financial advisor, online or through the Issuer's contact center. The account is also instrumental to accessing brokerage and investing services.

The Issuer provides its clients with banking services: (i) through its online website; (ii) through mobile applications it develops; (iii) by telephone through its contact center; and (iv) for certain services, at UniCredit branches and ATMs, on the basis of existing agreements with UniCredit, extended for 20 years at market conditions agreed from time to time, following FinecoBank's exit from the UniCredit Group from 10 May 2019.

A key element of the Issuer's product range, including with respect to its banking services, is the ease of use of its platforms and the functionality and efficiency of the design interface. The Issuer continually strives to ensure ease of use and access to its services, by developing functional and intuitive browsing interfaces, even for its most complex processes and services.

### ***Banking and Payment cards***

With regard to "Banking and Payment" cards, FinecoBank is committed to offering its customers new services or improving existing services, with a strong focus on digitisation and innovation. In this context, during 2018, the main updates included:

- the SCT Instant service (SEPA Instant Credit Transfer) was launched to allow cash transfers between accounts in the SEPA Area within 10 seconds. The service is running 24/7 and it is aimed at encouraging the usage of cash transfer making the service faster and more reliable;
- the vocal recognition service was activated over the whole customer base, allowing clients to access customer care services by pronouncing a simple sentence (vocal password);
- the multicurrency service contract was modified to allow clients to use additional currencies: JPY, CAD and TRY;
- the launch of Apple Pay, the new digital payment service free of charge that allows to pay in store, in-app and online, both on MasterCard and VISA schemes, without having the physical credit card in the wallet but just using an eligible Apple device;
- the strengthening of the services targeted to the UK market aimed at offering UK residents the access to Fineco banking and credit services through multichannel platforms dedicated to the UK



market and the usage of web advertising and member-gets-member initiatives targeted to UK residents.

The number of current accounts opened with FinecoBank has increased, the effect of which was mainly recorded in the balance of direct deposits, which rose from €19,941 million as at 31 December 2017 to €22,069 million as at 31 December 2018.

### ***Mortgages, credit facilities and personal loans***

With respect to lending services, FinecoBank continued to improve its personal loans and digital lending offer, also by introducing the possibility to request, also through the app, a personal loan with instant evaluation, receiving feedback and disbursement in real time, 24/7, thanks to an internal rating system that evaluates in advance credit reliability and income capacity of the requestor.

Furthermore, the mortgage offer improved through the introduction:

- in March 2018, of a new product “Mutuo Rifinanziamento” allowing to obtain up to €500.000, at a fixed or variable rate, to be repaid in up to 20 years; this product allows the requestor to transfer its own mortgage in FinecoBank and obtain, at the same time, further money to be used to finance new projects or investments with no purpose obligation.
- in December 2018, of the new product “Mutuo Remix” that offers clients a double advantage:
  - customisation of the mortgage interest rate, at the moment of the loan request, by balancing the weights to be attributed to the fixed and variable spread components (customised interest rate);
  - reduction, after the mortgage has been granted, of the weight attributed when requesting the loan: the client can reduce the variable component and increase, as a consequence, the fixed one up to 100%. With this option, the customer has the ability to turn his rate into fixed over time, stabilising his instalment (Remix option).

### ***FinecoBank’s Liquidity Investment Policy***

FinecoBank's investment policy has been characterised in recent years by a progressive diversification. Before the listing of FinecoBank’s shares on the MTA market of the Italian Stock Exchange in July 2014, FinecoBank’s available liquidity, which was provided by the amounts that its clients deposited with FinecoBank in bank accounts, was invested with UniCredit. Until 2014, the majority of FinecoBank’s available liquidity was invested in a UniCredit deposit account, while from 2014 until the beginning of 2017, a significant part of FinecoBank’s liquidity was dedicated to the purchase of UniCredit bonds. From July 2014, the component of government securities purchased by FinecoBank has gradually increased, in particular Italian government bonds, as well as Spanish government bonds from 2015, with a risk and return profile in line with the UniCredit bonds’ yields. From 2017, FinecoBank started to invest in other European government bonds, and government agencies instead of UniCredit bonds. From 2018, supranational bonds and further European government bonds were added to FinecoBank’s proprietary portfolio. From 2019, FinecoBank started to invest in European covered bonds.

During 2017, due to its business model, historic data source and growth trend, FinecoBank was identified as the pilot bank within the UniCredit Group to develop and adopt a new statistic modelling of sight deposit. The model defines a “Core” liquidity (which is characterised by longer duration as compared to “Non-Core” liquidity) which could be invested in a linear way from 1 year up to 10 years. FinecoBank’s Board of Directors approved the sight deposit model, effective from 6 June 2017.

During the years ended 31 December 2017 and 31 December 2018, FinecoBank earned net interest margin on its available liquidity of €226.5 million and €229.2 million, respectively.

As at 31 December 2018, FinecoBank's liquidity coverage ratio was 1,321% and the net stable funding ratio was 206%<sup>3</sup>.

As at 31 March 2019, the breakdown of FinecoBank's assets and liabilities was as follows:

i) Assets comprised of €9.1 billion of government bonds, €0.9 billion of supranational and agencies' bonds, €8.7 billion of UniCredit bonds, €0.1 billion of covered bonds and €7.5 billion of other assets (including customer loans, due from banks, tangible/intangible assets, other assets and prepaid expenses); and

ii) Liabilities comprised of €19.8 billion of Eur core deposits, €2.4 billion of Eur non-core deposits and €4.2 billion of other liabilities (including equity, deposits from banks, other liabilities and deposits in foreign currency).

## Brokerage Services

FinecoBank provides its brokerage services mainly through direct channels (online and mobile) on the basis of three proprietary operating platforms that it has developed internally, in addition to making these services available by phone through its customer contact center. These platforms allow different types of clients to access its brokerage services quickly and conveniently, and these platforms are characterised by easy-to-use interfaces and an innovative design. FinecoBank's platforms consist of:

- **Web Platform:** this base platform that is offered to all clients can be customised on the basis of the client's profile and offers a wide range of tools for trading on markets, such as real-time reporting, complete with professional diagrams and accessory services;
- **Mobile Application:** a platform accessible via mobile devices (including both smartphones and tablets) is offered to all clients, updated in real-time; and
- **PowerDesk:** a professional platform is offered upon payment - this platform is automatically updated in real-time, displays advanced diagrams, and contains professional analysis and research, as well as sophisticated tools for trading.

The Issuer also developed a platform called "Logos," specifically designed for the mobile channel, although it is also available online. The Logos platform allows clients to make trades intraday (meaning all trades are closed out at market close) and on a leveraged basis, either in equity products or CFDs, without paying any transaction fees, for limited amounts of up to €500. The Issuer believes that the innovative and advanced graphic interface of its Logos platform, as well as the fact that it allows clients to enter into CFDs commission-free, will help it reach a new generation of active traders for whom technology and low fees are of primary importance. As of 31 December 2018, FinecoBank had approximately 162,000 active clients of its brokerage services.

The Issuer's brokerage operations are fully integrated with its bank account services and information technology infrastructure, and do not require clients to open a separate account or activate access to these services, which the Issuer believes facilitates cross-selling of its services.

In addition to the aforementioned factors, the Issuer believes there are several aspects of its brokerage operations that distinguish it from its competitors. Due to FinecoBank's significant trading volumes and broad client base, it is able to act as a systematic internaliser on stocks, bonds, and foreign exchange markets, acting as a direct counterparty for its clients' orders (or by trading on its own behalf) without transmitting the orders through third parties. This enables the Issuer to maximize margins on the execution of orders for its clients, reducing the cost of execution on regulated markets, and permits the Issuer to develop specific, internal insight into market modelling and execution systems.

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<sup>3</sup> The indicator was calculated using the instructions contained in the document "Basel III: the net stable funding ratio" published by BCBS.

FinecoBank also provides its clients an on-demand margin setting service, within predetermined limits. This service enables clients to undertake leveraged purchase and sale transactions of securities (both long and short), thereby committing an amount equal only to a percentage of the market value of the securities traded. This amount represents the transaction's collateral security margin. The transaction is unwound automatically when a pre-set percentage of the collateral security margin is lost, and this allows clients to manage their exposure to trading and to avoid incurring losses that are higher than the amount withheld. When clients use the margin setting service, in addition to paying fees, FinecoBank receives the payment of interest on the amount of the open position (i.e. on the balance between the value of the securities and the collateral security margin).

FinecoBank has developed a leading position over time in the Italian brokerage market. In 2018, it was the leading Italian brokerage bank for equity trades in terms of volume of orders (with approximately 25.9 million orders executed), with a market share of 24.75%, as well as in terms of executed orders, with a market share of 22.38% (Source: Assosim). For the year 2018, the average client breakdown by number of executed orders on registered securities and other products was as follows: i) 82% of clients executed 1 order per month, ii) 16% of clients executed 20 orders per month and iii) 2% of clients executed 200 orders per month.

In connection with its brokerage services, FinecoBank also offers securities deposit and administration services for its clients, in addition to receiving and transmitting orders. As of 31 December 2018, FinecoBank was the leading operator for trading on behalf of third parties on the Futures-Fib index (8.98% market share) and Mini-Fib index (44.97% market share) (Source: Assosim).

FinecoBank provides its clients access to trading in securities on major Italian and international markets, in addition to occasionally matching orders and crossing trades internally between clients. Its brokerage services provide clients access to a wide range of trading products that include, among others, stocks, bonds, ETFs, futures, options, CFDs (on currencies, indices, stocks, bonds, and commodities), and structured products (i.e., certificates).

For equity and debt markets, FinecoBank provides its clients the ability to trade domestically in Italy on the MTA, EuroTlx, EuroMot, and HI-Mtf, and on major European markets, including those in Germany, the United Kingdom, France, Spain, Switzerland and the Netherlands. In the United States it provides its clients access to the NYSE, NASDAQ and AMEX. FinecoBank also offers the ability to trade in derivatives on the Italian Derivatives Market (IDEM), European Derivatives Exchange (EUREX) and Chicago Mercantile Exchange (CME). FinecoBank is a direct member in almost all the markets on which its clients trade in securities (except for the markets in Finland, Switzerland, Spain and the United States, where it provides a service of receiving and transmitting orders). This enables FinecoBank to improve the level of service provided in terms of trading speed and quality of information flow on its platforms.

FinecoBank charges its clients fees for the brokerage services it provides, based on the type of market and securities involved for each order, and these fees decrease based on increases in the number of transactions performed by the client. It also charges specific monthly fees for the use of the Power Desk platform.

2018 showed positive results in brokerage, thanks to the integrated platform and a complete offer of services and tools to operate in markets, associated with a diversified business model and a strategy focused on the long-term sustainability of growth of FinecoBank. The results have been achieved in a very complex market situation that FinecoBank has faced with a strengthening of its operating efficiency and in productivity, focusing on quality, transparency and innovation.

## **Investing Services**

As part of the Issuer's shift in its investment platform from an open architecture model to a guided open architecture model, beginning in 2010, FinecoBank offers customers an extremely wide range of asset management products - comprising collective asset management products, such as units of UCITS and SICAV shares - from carefully selected Italian and international investment firms, pension and insurance products as well as investment advisory services. The guided products that FinecoBank offers currently

consist of multi-segment funds of funds that allow its clients to diversify their risk exposure by spreading that risk across a number of issuers and products rather than investing in a single issuer or security. The Issuer's clients have expressed a growing interest in these types of products, based on their better risk/return ratio, and they are also more profitable for FinecoBank as compared to the other products offered to investors.

The asset management products that FinecoBank offers generally provide for the payment by the investor of commissions consisting of: (i) upfront fees; (ii) management fees; and (iii) performance fees. These commissions are paid by the investor to the investment firm, and FinecoBank typically receives a payment from the investment firm of a part of the upfront fees (if any) and the management fees. FinecoBank reviews the fee structure applied by the investment firms on an ongoing basis, particularly regarding the performance fees, in order to verify compliance with international standards of fairness.

The placement agreements usually provide that the upfront fees paid by the clients are fully paid by the investment firms to FinecoBank, and also set forth the share of the management fees that the investment firms will pay FinecoBank. FinecoBank does not earn any performance fees.

### ***Insurance Products***

The Issuer currently distributes life and retirement insurance policies and unit-linked insurance policies, on the basis of placement agreements with Aviva S.p.A., Skandia Vita S.p.A., CreditRas Vita S.p.A., CNP UniCredit Vita S.p.A. and MetLife Europe Limited.

The unit-linked policies are of particular strategic importance for FinecoBank's business, as they enable its clients to invest in asset management products while providing certain tax and other advantages over a direct investment. Specifically, "Core Unit" and "Advice Unit" products allow FinecoBank's clients to obtain both the typical advantages of insurance products (namely, estate planning and tax efficiency) and the typical advantages of guided products (namely, the opportunity to invest in multiple asset management products at the same time).

FinecoBank also distributes the following life and retirement insurance products:

- Whole life insurance policies (CreditRas Garantito New, CreditRas Garantito Facile, CreditRas UniRend New, and Aviva Top Valor) offering capital protection with a valuation that is intended to never be negative, due to the high concentration of investments in government securities.
- Individual pension plan policies (Aviva Top Pension) enabling clients to build a supplementary retirement pension through flexible, customised accumulation plans.
- Term life insurance policies (Aviva Top Defense and CreditRas Protezione) that are aimed at ensuring financial support to beneficiaries in case of specific life events impacting the policy holder.

### ***Retirement Products***

FinecoBank makes open-ended pension funds and individual retirement plans available to its clients through placement agreements with Amundi SGR S.p.A., Arca SGR S.p.A., Anima SGR S.p.A., PIM SGR and Aviva S.p.A. FinecoBank's range of retirement products is characterised by diversification both in terms of investment firms and in terms of categories of products distributed (multi-segment lines, capital protection lines, minimum guaranteed yield lines, etc.).

The funds offered are relevant for clients interested in setting up an individual or collective supplementary pension plan. These products entitle the subscriber to receive, upon reaching retirement age, the payment of an annuity that is in certain cases coupled with a clause that permits for survivorship benefits.

### *Fee based investment advisory services*

FinecoBank offers its clients investment advisory services through its financial advisors, based on customised recommendations on specific financial products and investment strategies, with the objective of ensuring that its clients' investments reflect their risk profile and yield targets, while enhancing portfolio diversification. FinecoBank offers traditional advisory services and, since 2010, a new enhanced advisory service, called "Fineco Advice". As part of the guided open architecture model, this is a guided service that: (i) minimizes the potential conflict of interest of the financial advisor through a compensation structure that provides for a transparent payment for advisory services, regardless of the fees earned by FinecoBank and the financial advisor for the placement of products in the client's portfolio; and (ii) supports the financial advisor's activities by supplying internally developed technical tools and investment models that reflect different risk/return profiles.

More specifically, as part of this enhanced advisory service, the financial advisors determine the most appropriate asset allocation for the client on the basis of his or her risk/return profile, by using models that allow the advisor to:

- (i) carry out a review of the client's portfolio, including both assets invested with FinecoBank and assets invested with other credit institutions, with a detailed mapping of the client's asset allocation, the risk/ return profile of the portfolio, the cost of each security in this portfolio, and the portfolio's overall performance; and
- (ii) monitor the portfolio, and provide financial advice on an ongoing basis concerning asset allocation, the securities in the portfolio (with a view to high quality products in terms of, among other things, rating and liquidity), and the consistency of these securities with the risk/return profile of the client.

FinecoBank charges its clients a monthly fee (a portion of which is paid to the financial advisor) for these enhanced advisory services, which are determined in consultation with the financial advisor on the basis of the risk/return profile and timeline of the investments that are made, independent of the fees earned by the investment firms for the products in the client's portfolio. The fees for this enhanced advisory service are generally more profitable for FinecoBank with respect to the mere placement of securities in FinecoBank's clients' portfolios, in consideration of the higher value added of this service.

As of 31 December 2018, the Issuer offered nine multi-asset risk/return profiles, in the context of its enhanced advisory services, which draw from the products in its investment platform (investment funds, SICAV open-ended funds, ETFs, government treasuries, corporate, and supranational securities).

It is worth noting the entry into the platform of Fineco AM's funds. Starting from September 2018, Fineco AM launched the new range of funds under delegation, using partnerships with the best international managers. Fineco AM's structure will take full advantage of the opportunities offered by FinecoBank's open architecture and it is expected it will allow FinecoBank to more closely cater to its customers' needs, to more efficiently select products and achieve greater profits through its vertically integrated business model. See "*Asset Management Activities – Fineco AM*" below.

With regard to pension products, at the end of March 2018, the range was expanded with the launch of Core Pension, an open-end pension fund of Amundi SGR for long-term investments exclusively accessible to the FinecoBank network. With respect to insurance advisory services, the range of products was extended through the new version of "Multi line" with 5 combinations of the GEFIN Separate Account and Internal Insurance Funds (AIF) denominated Core Multiramo Extra. As regards consulting services, 2018 was characterised by the launch of "Plus", the exclusive service dedicated to the FinecoBank network: a consulting contract through which the consultant can offer its customers highly diversified and freely customisable portfolios.

Despite the complex market situation, characterised by the return of volatility, FinecoBank's network of personal financial advisors has confirmed its ability to act as a privileged interlocutor in the financial planning of customers. The total net sales recorded as at 31 December 2018 amounted to €5,453 million, of

which assets under management of €2,273 million. As at 31 December 2018, the sales from advisory services amounted to €2,771 million and 85,214 were the current accounts opened through the network of personal financial advisors.

With regard to the private segment, the total net sales amounted to approximately €2,133 million and the overall assets as at 31 December 2018 amounted to approximately €23,438 million, equal to 39% of the network's total assets; the number of private customers was 26,555 as of 31 December 2018, equal to 2% of total customers.

### **Asset Management Activities – Fineco AM**

FinecoBank's wholly-owned subsidiary, Fineco AM, was incorporated on 26 October 2017 in the Republic of Ireland with the aim to offer its customers a range of UCITS, with a strategy focused on the definition of strategic asset allocation and selection of the best international managers, and therefore, diversify and improve the offer of asset management products and further increase the competitiveness of FinecoBank through a vertically integrated business model. During the first half of 2018, Fineco AM carried out the passporting process of the UCITS management company from Ireland to Luxembourg with the aim to become the manager of the “*Fonds Commun de Placement (FCP) CORE SERIES Umbrella Fund*”, managed by Amundi S.a.. The passporting process was successfully concluded on 2 July 2018. On 1 August 2018, Fineco AM received approval from the Central Bank of Ireland for its multi manager UCITS umbrella fund, “*FAM Series UCITS ICAV*” and on 11 December 2018, for an additional UCITS umbrella fund of funds range, “*FAM Evolution*”. As at 31 March 2019, Fineco AM managed €11.4 billion of assets, of which €6.4 billion were retail class and around €5.0 billion institutional class.

### **DISTRIBUTION NETWORK**

FinecoBank operates through a multi-channel structure, relying on a network of financial advisors as well as “direct” online and mobile channels. FinecoBank also relies on the support of the network of bank branches and ATMs of the UniCredit Group and its customer contact center, which allows clients to contact FinecoBank by phone, email and through instant-messaging services. FinecoBank acquires new clients primarily through its financial advisors who promote FinecoBank and the services offered at a local level—whether through personal contacts, word-of-mouth advertising, client events and marketing initiatives that are organised locally—while also relying on FinecoBank's marketing and communications campaigns.

#### ***Financial Advisors***

FinecoBank's network of personal financial advisors, or PFAs, operate throughout Italy and provide investment advisory services to clients, whilst promoting the investment products that FinecoBank distributes. In advising clients, FinecoBank's financial advisors are aided by the fact that many clients use FinecoBank as a “one-stop solution” for their financial needs, allowing the financial advisors to easily understand the full financial profile of clients and their investment needs.

In terms of size and managed assets, FinecoBank's personal financial advisors network is the third largest in Italy. It is one of FinecoBank's key business channels, both in terms of acquiring new customers and of managing and retaining existing ones. To support the financial advisors in their work, FinecoBank adopts a cyborg-advisory model: thanks to an advisory platform extremely advanced from a technological point of view and extremely modern in terms of advisory solution offered, financial advisors can manage, also through remote connection, a bigger number of clients, always providing a timely assistance and constant innovation in terms of new proposals and rebalancing accordingly with the evolution of the market scenario and customer needs.

Moreover, starting from FinecoBank's open architecture, one of the most complete on the market, the investment solutions (so called **Guided Products and Services**) allow personal financial advisors to work with no conflicts of interest, providing the best answers to customers.

FinecoBank internally developed X-Net, the new cyborg advisory platform for its personal financial advisors. The personal financial advisor is at the heart of a system characterised by advanced digital services which simplify its job and strengthen the relationship with the customer. The X-Net platform represents one of the pillars of FinecoBank's advisory model as it leverages on a cyborg advisory concept which, differently from a pure robo-advisory approach, maintains the importance of a financial advisor but with the essential support of technology. Moreover, customers can easily, quickly and safely manage the investment proposals through the web and mobile collaboration service, available from mobile and PC, even more simplifying the interactions between personal financial advisors and clients. The personal financial advisors therefore benefit from a faster and paperless activity and customers benefit from a more flexible service. This service is fully integrated into X-Net.

The following table sets forth the growth of total financial assets of FinecoBank clients that were managed by financial advisors as of 31 December 2017 and 31 December 2018, as well as the net sales realised through the network of financial advisors for the years ended on 31 December 2017 and 31 December 2018. This break down allows to identify the contribution to the net sales from: (i) the recruitment of financial advisors, (ii) the organic growth of FinecoBank's network of financial advisors, and (iii) market effect. The table also shows the growth of the size of FinecoBank's network of financial advisors for the period under review, as well as the average amount of total financial assets managed by each financial advisor.

	<b>2018</b>	<b>2017</b>
	<i>(in thousands of Euros, except number of PFSs)</i>	
TFA Associated with PFA network	59,909,578	57,886,889
% of total TFA	86%	86%
Market Effect	-3,430,648	1,048,182
Total Net Sales	5,453,338	5,404,385
Number of PFAs	2,578	2,607
TFA <sup>(1)</sup> / Number of PFA	23,239	22,204

(1) Calculated on the basis of the total financial assets of clients associated with a financial advisor at the end of the relevant year.

As of 31 March 2019, FinecoBank's network consisted of 2,571 financial advisors, who were coordinated by 179 group managers and 26 area managers (who are also financial advisors). The area managers report directly to the Financial Advisors Network Central Office. The Financial Advisors Network Central Office is supported by local coordinators, who are FinecoBank employees engaged in overseeing and supporting its commercial activities across Italy.

The productivity of the network is constantly growing. As at 31 March 2019, the average portfolio per financial advisor amounted to €25 million, up by 11.1% y/y, of which €9.4 million consisted of Guided Products and Services (+15.3% y/y).

FinecoBank's financial advisors are not its employees, but rather enter into agency agreements with FinecoBank that engages them in the promotion and placement of the products FinecoBank offers across Italy. These contracts require that the financial advisors promote and place FinecoBank's products exclusively.

### ***Fineco Centers***

FinecoBank's financial advisors primarily work from the bank's Fineco Centers, which are physical offices throughout Italy. As of 31 March 2019, the Issuer had 391 Fineco Centers. Fineco Centers, which originally started as a simple workspace for the financial advisors, quickly evolved into multi-functional spaces that are a key point of client contact, complete with multimedia information displays, LCD digital video walls and dedicated areas for courses and events. Fineco Centers are located in the central areas in all of Italy's principal cities, and many of these serve as "flagship stores" that play an important role in FinecoBank's marketing campaign. FinecoBank's marketing strategy is focused on reinforcing the idea that it is a truly multi-channel direct bank, while also encouraging interaction with its financial advisors. The following table sets forth the number of Fineco Centers and personal financial advisors in each region throughout Italy as of 31 March 2019.

<b>REGION</b>	<b>NO. FINECO CENTERS</b>	<b>NO. PERSONAL FINANCIAL ADVISORS</b>
Lombardy	64	499
Lazio	36	329
Piedmont	41	259
Campania	26	244
Tuscany	31	177
Sicily	35	175
Emilia Romagna	23	166
Liguria	13	107
Veneto	33	161
Apulia	19	97
Marche	16	91
Fiuli Venezia Giulia	9	47
Umbria	6	51
Abruzzo	11	52
Calabria	6	38
Sardinia	5	28
Basilicata	5	16
Trentino Alto Adige	8	23
Aosta Valley	2	5
Molise	2	6
<b>Total</b>	<b>391</b>	<b>2,571</b>



### ***Online Channel***

The online channel is FinecoBank's main distribution channel. It consists of FinecoBank's website ([www.fineco.it](http://www.fineco.it)), which has a public section, accessible to current and potential clients without any login, and a restricted area, accessible only by clients through a dedicated login.

FinecoBank's website and the operating platforms accessible through its website are developed in-house and the Issuer believes they are a highly distinctive aspect of its offering, characterised by a high level of functionality, ease of use, and an innovative design interface. The Issuer dedicates continuous efforts to improving and optimising its website, information technology systems and underlying software applications in order to provide easier and more intuitive navigation, greater clarity of information and greater operating efficiency.

The online channel is used by all of the Issuer's clients, whether or not they are linked to a personal financial advisor. Clients use the website for information purposes (to consult and monitor their account balances, investments and the performance of the financial markets) and as a system for directly carrying out transactions for their accounts (payment and other accessory services), and investment transactions on the Issuer's platforms.

The online channel also plays an important role in supporting financial advisors through the web collaboration service, which enables a financial advisor to send an advisory proposal in real-time to a client through the restricted area of the website. The client is then able to quickly evaluate the proposal and decide in real-time whether to accept it. The web collaboration service embodies the Issuer's business vision, in which the online channel is not conceived of as independent from or competing with the network of financial advisors, but an integrated part of their services simplifying client interactions and supporting their advisory function while reducing costs (by minimising paperwork and reducing reliance on back office support).

### ***Mobile Channel***

As a result of the market success of smartphones and tablets and the applications, or "apps," developed for these devices, the mobile channel has increasingly gained relevance over the years, thanks in part to FinecoBank's internal development of apps for its banking and brokerage services that are specific to different devices and operating systems. FinecoBank clients can currently access the Issuer's mobile channel through browsers that access its website ([www.fineco.it](http://www.fineco.it)) or its mobile website ([mobile.fineco.it](http://mobile.fineco.it)), which are capable of providing all its banking and brokerage services or through the Fineco app and other applications that are specific to certain services, such as the Issuer's Logos app.

### ***Additional Service Support***

FinecoBank's distribution network also relies on a customer contact center and the UniCredit network of bank branches and ATMs for providing its clients with integrated and complementary support for their ordinary information and transaction needs. Since 2008, FinecoBank clients have been able to carry out ordinary banking transactions (such as cashing or depositing checks, cash withdrawals, sending wire transfers, and making tax or bill payments) at the approximately 2,466 branches and 2,466 "advanced" ATMs of the UniCredit Group (which offer a broader array of services than basic withdrawal-deposit ATMs), on the same financial terms that are available to them through online banking. FinecoBank clients can withdraw up to €3,000 daily from UniCredit Group ATMs.

## **FINECOBANK'S ORGANISATIONAL MODEL**

FinecoBank's current organisational model is based on a functional model, which favours economies of scale and facilitates the development of vertical skills and knowledge within each area. The model

guarantees the necessary decision-making mechanisms, whilst maintaining the "horizontal link" between the various functions. Although the current arrangement applies the concept of "functional specialisation", a project-based approach is maintained for every phase of definition and release of products and services.

The horizontal links are guaranteed by the work of specific committees that monitor business lines and the progress of the most important projects, also to guarantee the necessary synergies of distribution channels.

The organisational model envisages the identification of corporate control functions, as follows: i) compliance with laws and regulations; ii) risk control; iii) internal audit and iv) further direction, support and/or control functions, including the Chief Financial Officer, Legal, Human Resources, Corporate Identity and the control function in respect of the network of financial advisors.

Furthermore, the organisational model identifies three further functional lines, which govern:

- the sales network (Network PFA & Private Banking Department), to monitor, manage and develop the network of financial advisors;
- the business (Global Business Department), to monitor the development of products and services offered to customers;
- the operational functioning (Global Banking Services Department), for the coordination of the organisational structures in charge of overseeing the organisational and operational processes, information systems and logistics, necessary to guarantee the effective and efficient operation of the business systems.

The synergies between the distribution channels and the monitoring of decision-making processes that cut across the departments are ensured by a Management Committee.

The following organisational structures report to the Chief Executive Officer and General Manager: the PFA Network & Private Banking Department, the Global Business Department, the Chief Financial Officer's Department, the Chief Risk Officer's Department, the Network Controls, the Monitoring and Services Department, the Legal & Corporate Affairs Department, the Global Banking Services Department, the Human Resources Unit, the Compliance Unit and the Identity & Communications Team.

The Internal Audit Function reports directly to the Board of Directors, which has a strategic supervisory function.

## **GROUP MANAGEMENT SYSTEM**

FinecoBank, as the parent company, is responsible for maximising the long-term value of the FinecoBank Group as a whole, guaranteeing the unitary governance, direction and strategic control of the Group. FinecoBank has defined rules for the governance of the FinecoBank Group<sup>4</sup>, and has outlined the FinecoBank Group's managerial and functional management system and set out the key processes between FinecoBank, as parent company, and its subsidiaries.

FinecoBank ensures the coordination of the FinecoBank Group's activities with a management system based on the concept of "competence lines", through the strong functional link between the structure of FinecoBank, as parent company, and the related organisational structures of the subsidiaries.

The "competence lines" are represented by the organisational structures (functions) operating between FinecoBank and its subsidiaries which have the objective of directing, coordinating and controlling the activities and risks of the FinecoBank Group as a whole and, through the organisational structures (functions) present locally, of the individual FinecoBank Group companies. The "competence lines" operate

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<sup>4</sup> In accordance with Article 61 of Legislative Decree no. 385 of 1 September 1993 (the Italian Banking Law) and the supervisory instructions issued by the Bank of Italy.

in the following areas: Investor Relations, Finance and Treasury, Planning and Control, Regulatory Supervision, Budget and Tax, Risk Management and Loans, Legal/Corporate Affairs, Compliance, Internal Audit, Human Resources, Identity & Communication, Organisation/Business Continuity & Crisis Management, Information & Communication Technology, Security, Purchasing.

With the aim of achieving a strong functional and managerial connection at group level, within the constraints set by applicable local laws and regulations, the managers of the "competence lines" have a direct role and, in compliance with the responsibilities of the corporate bodies of the FinecoBank Group, specific powers of direction, support and control with reference to the corresponding functions of the FinecoBank Group companies (always in coordination with the top management of the respective companies), for the purpose of:

- defining budget objectives, policies, guidelines and models of competence, in agreement and after consultation with the heads of the business functions and top management of the FinecoBank Group companies;
- monitoring the implementation of policies and models of competence, through the examination of specific reports transmitted by the relevant departments of the FinecoBank Group companies;
- issuing non-binding opinions on the definition of the internal organisational structure of the relevant departments of the FinecoBank Group companies; and
- formulating recommendations and proposals for the appointment and career path and for the implementation of performance evaluation and short-term incentive systems of line managers, in agreement and after consultation with the top management of the FinecoBank Group companies and with FinecoBank's HR Manager. The recommendations and proposals must be addressed to the competent body of the FinecoBank Group companies and submitted for approval. If the line manager is the company's top manager, the recommendations are directly delegated to the assessment of FinecoBank's CEO, after gauging the opinion of the relevant heads of the "competence lines".

## **INFORMATION TECHNOLOGY**

FinecoBank's information technology, or IT systems, allow its distribution network to be completely integrated with both its internal operating structure (including the administrative, financial, accounting, and regulatory functions) and the applications that its clients use to access its banking, brokerage, and investing services. FinecoBank's IT architecture is composed of various levels that are classified as: (i) access, (ii) the "front-end", which includes the graphic interface clients use and connection applications, and (iii) the "back-end", which comprises its operating systems. Each level has its own infrastructure, software and hardware.

The access level consists of all devices and systems that grant access to FinecoBank's services from outside networks, whereas the front-end level consists of the devices, systems, and applications that enable clients to use these services. The back-end level represents FinecoBank's central information system, which manages, among other things, banking and brokerage transactions, interconnections with payment and settlement systems, general accounting, management and supervisory reporting. This is also the level where all client transactions or transactions by other users (such as financial advisors or members of the contact center) are processed.

FinecoBank's IT systems are designed to ensure service continuity and maintain the same quality of service received by the end user in any situation, as well as high scalability with limited costs. FinecoBank's internal IT processes are fully automated. FinecoBank manages its entire technology infrastructure and software applications independently through its Information Communication and Technology Office (composed by 212 employees as of 31 December 2018). This eliminates the need to provide information to third parties, thereby ensuring maximum data security. The sole exception is represented by the data transmission systems that FinecoBank uses to connect to certain third-party systems (for example, the Italian Stock Exchange, the

Chicago Mercantile Exchange, etc.) and certain software acquired from third parties, with respect to which some of the maintenance is entrusted to these third parties.

In order to guarantee security of its IT systems, FinecoBank employs a series of mechanisms (firewalls, intrusion detection and protection systems, and load balancers), profiling systems, internal policies and procedures, and other measures, such as physical separation between the different networks and restricted access to its IT systems. In designing such security measures, FinecoBank continually seeks to balance the need for full accessibility (even during maintenance phases) to the front-end systems against the need to prevent unauthorised, or unmonitored access to data, or applications, by either internal personnel or persons outside FinecoBank.

FinecoBank internally designs, implements and maintains its own software applications, on which its client and financial advisor operating platforms are accessible. The operating platforms are fully integrated in FinecoBank's internal processes, and they are constantly being developed and updated to satisfy client needs. The Logos platform, in particular, is characterised by highly innovative features, especially in relation to its interface design. The software applications on which the back-end systems operate are the property of third parties, and are licensed to the Issuer, but are managed and customised in-house. For these software applications, some maintenance is carried out internally, and some by the licensors.

The Issuer internally designs and develops its website. In particular, it has designed the interface and technology infrastructure and applications. FinecoBank is able to leverage on specific internal know-how in designing and defining interfaces, and in enhancing ease of use of the operating platforms. Website innovation is an ongoing process, in which FinecoBank also considers input from clients, to improve the service provided, optimise the interfaces and the accessibility, and generally improve ease of use of the various pages composing the website.

FinecoBank pays particular attention to the security of its online channel, investing significantly in maintaining the strength of this channel's security without complicating the access to the website for clients. Currently, client access to the restricted area of FinecoBank's website is secure, but does not burden the client with complex procedures. The access occurs as follows: (i) a first level user name and password; (ii) a PIN mechanism for confirming every transaction (a distinguishing element as opposed to traditional "key token" or "battleship" systems); (iii) a PIN that is sent by SMS to the client's mobile phone to confirm wire transfers and prepaid mobile phone charges. FinecoBank complements these security mechanisms with an SMS notification system that it has implemented and developed.

In order to provide its services and store data, the Issuer uses two data centers located off-site from its main premises that are fully equipped with the back-up structures to guarantee continuity of service for clients and other users. These data centers are completely independent of each other, and the supply of electricity to them is ensured by several systems that activate automatically in case the main electricity system fails. As required by applicable regulations, FinecoBank has adopted a model that comprises organisational units dedicated to managing "Business Continuity and Crises", both in normal operating conditions and in emergency situations. FinecoBank's "Business Continuity and Crisis Management" framework includes the management plan for emergency events and the business continuity plan. These plans are an integral part of the disaster recovery plan (which establishes the measures for the restoration of applications and information technology systems affected by disasters) and of the cyber attack plan (which sets out the strategies – for systemic processes – for handling large scale computer attacks). Managing cyber risk is key for FinecoBank considering its nature as a multichannel bank. FinecoBank uses a well-established, risk-based internal security process, made up by skilled people and advanced technology infrastructure. The objective of maintaining a high standard of safety is verified, on an ongoing basis, also through benchmarking with market fraud levels, both in banking and money market. In terms of customer protection, FinecoBank has in place clear policies, frameworks and governance which cover all its processes, from the design of products and services, to training, incentives, and client interaction. The Issuer ensures the compliance with data protection rules by adopting the principles prescribed by Italian legislation, implementing Directive 95/46/EC through a new "Global Policy on Privacy". In April 2016, the Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the **GDPR**) was approved by the EU Parliament. The new data protection regime entered into

force on 25 May 2018 and became directly applicable in all Member States of the European Union without the need of implementing national legislation. As part of the Issuer's commitment to data protection, compliance risk assessment and second level controls aim to identify, monitor and manage compliance risks in this regulatory area. With specific reference to the GDPR, FinecoBank's Compliance constantly monitored the regulatory updates and supported the various functions involved (mainly Organization, ICT, Security) in the process of adjusting to the new regulation through the gradual implementation of identified software solutions. The Data Protection Officer of FinecoBank prepared the "Data Protection Officer report of FinecoBank S.p.A. - Year 2018 ", which was submitted to the Board of Directors on 5 March 2019, after having been examined by the Risk and Related Party Committee, and to the Board of Statutory Auditors; the purpose of the report is to summarize the results of the activities carried out and the initiatives undertaken to protect the personal data processed and manage any potential risk of breach, the ascertained malfunctions and the relative corrective actions taken, as well as the training of staff, in compliance with the requirements of the GDPR. The Issuer has also adopted a formal and comprehensive "Security Incident Response Plan", articulated on several levels: governance, organisation, operation and reporting.

There are essentially six elements to FinecoBank's information system:

- banking application software;
- on-line trading system (dedicated applications for the real-time sale/purchase of securities and financial instruments on the main European and American markets);
- a management system for the operations room and for institutional investors, and access to the information/order sections of Italian/foreign markets;
- a management system for investment services such as Funds, SICAVs and Bank Insurance;
- a credit and debit card management system, with the issue of cards for VISA and MasterCard circuits; and
- a personal financial advisors network management system, enabling advisors to work with all of FinecoBank's products through a single portal.

In 2018, the Information and Communications Technology structure carried out its usual activities for technological renewal, consolidation and development of the information system in order to provide new and more versatile added value services to customers. The main project activities completed include:

- offer of the new financial advice service "Plus" and of the new product "Private Insurance";
- offer of new trading products: CFD with underlying Commodities, Daily Options, CBOE Options, Lending super Intraday and new CFD with underlying shares listed on German, French and Italian markets;
- availability of professional trading platform "PowerDesk" to customers on the English market;
- enrichment of mortgages offers with new assumption "Refinancing" and the new product "Mutuo Fineco Remix";
- activation of the voice authentication system for retail customers;
- offer of the new mobile payment platform Apple Pay; and
- enrichment of the mobile apps with new services: "Plus", "Logos Day", "Extracash Instant Approval", "Instant Payment".

## **RESEARCH AND DEVELOPMENT**

FinecoBank's research and development activities are shaped by its business model. To promote technical solutions in line with FinecoBank's mission, research and development is focused on developing software that enables the provision of increasingly innovative financial advice together with exclusive own-account trading.

The Issuer focuses particular attention on development and innovation of its IT systems, both hardware and software, as these are key elements to maintain a leading position in the market for online financial services. The Issuer invests heavily in research and development, particularly for IT and design interfaces, in order to ensure excellence of its proprietary operating platforms, which represent a key success factor in the market in which it operates. FinecoBank's research and development investment also focuses on all components of its website and the other channels of its distribution network. The amounts invested for these purposes were equal to €9,726 thousand in 2017 and €10,723 thousand in 2018.

More specifically, the main software applications that have been developed over the years are:

- “Advice”: a computer program through which the Bank enables its personal financial advisors to offer a professional advisory service to customers who want a personalised financial plan;
- “Internaliser”: a computer program through which FinecoBank executes customer orders in its own account relating to trading on financial markets as an alternative counterparty to the market; and
- “Powerdesk and Webtrading”: a software that allows FinecoBank to offer customers sophisticated and efficient tools for online trading on the main international financial markets and simple solutions to complement the direct banking services.

Lastly, in 2018, activities for the development of the X-Net platform (used by personal financial advisors) have been consolidated through the implementation of information and reporting services.

## **PROPERTY**

The Issuer leases most of the property it uses in its business throughout Italy, including its headquarters located at Via Rivoluzione d'Ottobre 16, Reggio Emilia. The Issuer also has a disaster recovery site located in Milan and two data centers, one of which is located in Milan and the other is located in the Milan suburb of Pero.

On 31 January 2019, FinecoBank acquired from Immobiliare Stampa S.C.p.A. (part of the Banca Popolare di Vicenza Group) the bank's registered office in Piazza Durante 11, Milan. The building, part of which was leased up until that date, is used as office space. The transaction was completed at a price of €62 million, and the property is accounted on the financial statements also considering taxes and initial direct costs.

## **INTELLECTUAL PROPERTY AND LICENSING**

The Issuer avails itself of the Fineco trademarks—including the Italian figurative trademark “Fineco The New Bank” (No. 0001302953), the Italian word trademark “Fineco” (No. 0001258931) in classes 35, 36 and 45, the Italian word trademark “Fineco” (No. 0001312043) in classes 09, 16, 35, 36, 38, 41 and 42, the Italian figurative trademark “Fineco” (No. 0001631072) and the Italian figurative trademark “Fineco Bank” (No. 302016000030943), which it uses in its operations—on the basis of a deed of acknowledgment of a license agreement with UniCredit, the owner of these trademarks. The Fineco trademarks owned by UniCredit also include the names Fineco, FinecoOnline, Fin-Eco, all of which are licensed to the Issuer. The Issuer directly owns the trademarks MoneyMap, PowerBoard, PowerBook, PowerChart and PowerDesk. All of its primary trademarks are registered in Italy and many of them are registered in other countries and internationally. The Issuer's primary trademark is registered through to 2020.

The Issuer has registered and owns the rights to the domain names for its primary websites (www.fineco.it and mobile.fineco.it) and several other domain names that use derivatives of the Fineco name under the Italy-specific “.it” top-level domain name, such as www.finecobanca.it and www.finecobank.it. The Issuer

has also registered a number of its product names under the “.it” top-level domain name, including www.logostrader.it and www.cashpark.it. In addition, it has registered the domain name “fincobank” under 32 country-specific and other top-level domain names, for example, www.fincobank.de, www.fincobank.co.uk and www.fincobank.info, as well as registering other derivatives of its brand and product names. It does not, however, own the rights to several domain names that use the Fineco name, such as www.fineco.com, and this may lead to confusion with clients or other users that seek to access the Issuer’s services. See “*Risk Factors— FinecoBank may not be able to adequately protect its intellectual property rights in foreign markets.*”

## **MATERIAL CONTRACTS**

As part of FinecoBank’s exit from the UniCredit Group, with a view to continuity and in the interests of the shareholders of both banks, FinecoBank and UniCredit entered into the following agreements:

### ***Pledge Agreement***

A pledge agreement dated 10 May 2019 was entered into between UniCredit as pledgor and FinecoBank as pledgee (the **Pledge Agreement**) for the provision by UniCredit of collateral in favour of FinecoBank to mitigate, for regulatory capital and large exposure purposes in accordance with Regulation (EU) no. 575/2013, certain exposures of FinecoBank *vis-à-vis* UniCredit.

In particular, the Pledge Agreement is aimed at mitigating the exposure of FinecoBank *vis-à-vis* UniCredit deriving from: i) the subscription of certain bonds issued by UniCredit; ii) the issue of certain financial guarantees (*fideiussioni*) by FinecoBank in favour of UniCredit; and iii) the amounts deposited by FinecoBank in UniCredit accounts.

Pursuant to the Pledge Agreement, UniCredit has granted in favour of FinecoBank a pledge under Italian law over financial collateral, in the form of government bonds or certain other eligible securities, as set out in the Pledge Agreement.

The Pledge Agreement contains provisions relating to the integration of the guarantee and substitution of the pledged collateral, which are aimed at enabling FinecoBank to comply with provisions related to capital absorption and large exposures under the CRD IV Regulation and other regulations applicable from time to time.

UniCredit has the right, at any time following a period ending 365 days after the occurrence of a change of control event (as described in the Pledge Agreement) and following consultation with the relevant supervisory authority (with the participation of FinecoBank), to the release of the pledge in the event of a change of control of FinecoBank (as determined under the Pledge Agreement).

### ***Trademark Agreement***

A trademark agreement dated 10 May 2019 was entered into between FinecoBank and UniCredit (the **Trademark Agreement**), to replace the licence agreement “*Accordo ricognitivo di contratto di licenza*” entered into between UniCredit and FinecoBank on 11 June 2014. In continuity with the 2014 licence agreement, the Trademark Agreement provides for the use by FinecoBank of certain trademarks owned by UniCredit, as well as a call option in favour of FinecoBank.

UniCredit is the owner of certain word and figurative marks containing the term ‘Fineco’ and further to the Trademark Agreement, the “Fineco Trademarks in Use” and “Other Fineco Distinguishing Marks” (as defined in the Trademark Agreement) are licensed to FinecoBank, consideration free.

The Trademark Agreement also includes a call option for FinecoBank to buy the “Fineco Trademarks in Use” and “Other Fineco Distinguishing Marks” at a number of given call option windows up to 2032 at pre-determined strike prices which increase year on year.

The Trademark Agreement will, unless previously terminated, remain in force until 31 December 2023. At the first expiration date, the Trademark Agreement will be tacitly renewed until 31 December 2032, without prejudice to FinecoBank's right of termination. UniCredit also has the right to terminate the Trademark Agreement in the event of a change of control of FinecoBank (as determined under the Trademark Agreement).

### **Master Service Agreement**

A Master Service Agreement was entered into on 7 May 2019 between FinecoBank and UniCredit (the **MSA**), aimed at allowing FinecoBank to continue operating for the period of time necessary until it is able to autonomously carry out those activities and services previously provided by companies of the UniCredit Group. In particular, pursuant to the MSA, UniCredit has undertaken to: i) continue to provide certain administration and back-office activities and services, as well as other ancillary services required for the performance of FinecoBank's activities; ii) continue to provide for a certain amount of time the services and activities envisaged by existing contracts between FinecoBank and UniCredit, on the same conditions, except for the contracts relating to operations at ATMs and branches and payment systems of the UniCredit Group which have been renegotiated to extend their duration; and iii) do everything within its power to support FinecoBank *vis-a-vis* third parties outside the UniCredit Group to ensure that contracts in place between such third parties and FinecoBank (including where the contracts were entered into by the UniCredit Group on behalf of FinecoBank) continue without interruption. The duration for which the activities and services will continue to be provided differs depending on the type activity or service and, UniCredit has a right to terminate such activities and services on a change of control of FinecoBank, as set out in the MSA. In particular, the MSA includes an ATM agreement, pursuant to which FinecoBank's clients will continue to be able to access the entire Italian UniCredit network of branches and ATMs for the purposes of carrying out certain banking transactions.

The ATM Agreement will be valid until 31 May 2029, upon which (unless FinecoBank terminates the agreement) it will be automatically renewed for a further 10 years until 31 May 2039, after which both FinecoBank and UniCredit will be entitled to terminate the ATM agreement upon 12 months prior notice. UniCredit also has the right to terminate the ATM Agreement before 31 May 2039 in the event of a change of control of FinecoBank, upon 12 months prior written notice (as determined under the MSA).

Except for the above contracts and for those entered into in the ordinary course of its business, FinecoBank has not entered into any material contracts which could materially prejudice its ability to meet its obligations under the Notes.

### **PRINCIPAL SHAREHOLDERS**

As at the date of these Listing Particulars, the fully subscribed and paid up share capital of FinecoBank amounted to €200,941,488, divided into 608,913,600 ordinary shares with a nominal value of €0.33. As at the date of these Listing Particulars, on the basis of the information available to the Issuer at the date of these Listing Particulars, the principal shareholders of FinecoBank were:

<b>PRINCIPAL SHAREHOLDERS</b>	<b>% OWNED</b>
BlackRock Inc.	8.832%
Capital Research and Management Company	5.048%
JPMorgan Asset Management Holdings Inc.	3.042%
Invesco	3.034%



## INTERNAL CONTROL SYSTEM

FinecoBank's internal control system seeks to ensure sound and prudent management of its business activities, with the purpose of achieving its targets, monitoring business risks and operating in compliance with applicable laws.

FinecoBank's internal control system comprises rules, procedures and organisational structures that involve all company levels, established to achieve the objectives of effective, efficient company processes (administration, production, distribution processes etc.), safeguarding the value of assets and protecting against losses, ensuring the reliability and integrity of accounting and operating information, the compliance of operations with applicable laws, as well as with policies, plans, regulations and internal procedures, and the consistency of organisational monitoring of developments of company strategies and changes in the reference context.

Circular no. 285 of 17 December 2013, as amended, defines the principles and guidelines to which the internal control system of banks must conform. The circular defines the general principles of the organisation, identifies the role and responsibilities of governing bodies, and sets out the characteristics and roles of corporate control functions. The internal control system must provide protective measures that cover all types of business risk. The primary responsibility for these tasks lies with the bank's bodies, each in accordance with its specific duties. The structure of tasks and lines of responsibility of corporate functions and bodies must be clearly specified. Banks must apply the provisions according to the proportionality principle, i.e. taking into account the operating scale and organisational complexity, the nature of the activities carried out, and the type of services provided. As part of the supervisory review and evaluation process, the European Central bank or the Bank of Italy verify the internal control system in terms of completeness, suitability, functionality (in terms of efficiency and effectiveness) and reliability of banks.

In accordance with the provisions laid down by the Supervisory Authority, FinecoBank's internal control system consists of a set of rules, functions, organisational structures, resources, processes and procedures aimed at ensuring the achievement of the following objectives, in compliance with the principles of sound and prudent management:

- verifying the implementation of FinecoBank's strategies and policies;
- containing risk within the limits set out in FinecoBank's Risk Appetite Framework;
- preventing FinecoBank's involvement, even if unintentional, in unlawful activities (with specific reference to money laundering, usury and the financing of terrorism);
- protecting the value of assets and preventing losses;
- ensuring the effectiveness and efficiency of corporate processes;
- ensuring the security and reliability of FinecoBank's information and ICT procedures; and
- ensuring compliance of transactions with the law and supervisory regulations, as well as internal policies, procedures and regulations issued by FinecoBank.

In terms of the methods applied, FinecoBank's internal control system is based on four types of controls:

- level one controls ("line controls"): these are controls for individual activities and are carried out according to specific operational procedures based on a specific internal regulation. Monitoring and continuously updating these processes is entrusted to "process supervisors" who are charged with devising controls able to ensure the proper performance of daily activities by the staff concerned, as well as the observance of any delegated powers. The processes subject to control relate to units that have contact with customers, as well as completely internal bank units;
- 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/return objectives; the Compliance unit is

responsible for controls on non-compliance risks; for regulatory areas which already have types of control performed by the bank's specialised structures, monitoring of compliance risk is assigned to these structures based on the "Indirect Coverage" operating model;

- level three controls: these controls are based on analysis of information obtained from databases or company reports, as well as on-site controls. The purpose of these controls is identifying violations of procedures and regulations as well as periodically assessing the completeness, adequacy, functionality (in terms of efficiency and effectiveness) and reliability of the internal control system and information system (ICT audit), on a regular basis, in relation to the nature and intensity of the risks. These controls are assigned to the Internal Audit function; and
- institutional supervisory controls: these refer to controls by the bank's bodies, including in particular the Board of Statutory Auditors and the Supervisory Body pursuant to Legislative Decree no. 231 of 8 June 2001.

Considering the functions and units involved, the Internal Control System is based on:

- control bodies and functions including, according to their respective responsibilities, the Board of Directors, the Risk and Related Parties Committee, the Remuneration Committee, the Appointments and Sustainability Committee, the Chief Executive Officer and General Manager, the Board of Statutory Auditors, the Supervisory Body set up pursuant to Legislative Decree 231/01 and the corporate control functions (Risk Management, Compliance, Internal Audit) as well as other company functions with specific internal control duties;
- procedures for the coordination of entities involved in the internal control and risk management system, which provide for:
  - cooperation and coordination among control functions, through specific information flows that are formalised in internal regulations and through managerial committees dedicated to control issues;
  - application of the Group coordination model defined as part of the management and coordination activity carried out by FinecoBank; and
  - definition of information flows between corporate bodies and control functions within FinecoBank.

In July 2017, FinecoBank was admitted to the Italian Revenue Agency's Cooperative Compliance Scheme pursuant to articles 3-7 of Legislative Decree 128/2015, which allows FinecoBank to take part in a register of taxpayers (published on the Italian Revenue Agency's official website) operating in full transparency with the Italian tax authorities. This is a fundamental milestone to keep FinecoBank's tax risk control system constantly shared with the tax administration in order to monitor its effectiveness and adequacy. Indeed, since 2017, FinecoBank has formalised - by resolution of its Board of Directors - the tax strategy with the guidelines and principles adopted in the management of tax issues in accordance with the OECD's recommendations.

## **CORPORATE GOVERNANCE**

The corporate governance system adopted by FinecoBank is designed to promote a clear and responsible development of banking operations, contributing in the creation of long-term sustainable value. In particular, it is based on the principles recognised by international best practice as fundamental for good governance: the central role of the Board of Directors, the correct management of conflict of interests, the efficiency of the internal control system and the transparency towards the market, with particular reference to the communication of corporate management choices.

The overall framework of FinecoBank's corporate governance has been defined in accordance with existing provisions of laws and regulations, taking into account, also, the recommendations included in the code of self-regulation for listed companies promoted by Borsa Italiana S.p.A. (the **Code of Self-Regulation**).

In this context, FinecoBank adopts the so-called traditional governance system, based on the presence of two bodies appointed by the shareholders' meeting: the Board of Directors, with functions of strategic supervision and management company, and the Statutory Auditors, with control functions. The statutory audit is entrusted to an external auditing firm, in accordance with applicable legislation.

In order to foster an efficient system of information and advisory which allows the Board of Directors to better assess certain matters within its competence, in conformity with the supervisory provisions issued by Banca d'Italia and the recommendations of the Code of Self-Regulation, there are three committees with proactive, advisory and coordination functions:

- Remuneration Committee
- Appointments and Sustainability Committee
- Risk and Related Parties Committee

## MANAGEMENT

### Board of Directors

FinecoBank's Board of Directors consists of 8 members<sup>5</sup>, including the Chairman and Chief Executive Officer. It was appointed by the ordinary Shareholders' Meeting of FinecoBank held on 11 April 2017 and will remain in office until the next Shareholders' Meeting called to approve the annual financial statements for the year ending 31 December 2019<sup>6</sup>.

The composition of the Board in office is quantitatively and qualitatively consistent with the theoretical profile approved by the Board of Directors, including with regard to the limits on the number of offices held. In addition, the Board of Directors meets the requirements of integrity, experience and independence (including suitability) set forth in the Issuer's articles of association and current regulations.

In addition to the powers afforded under the Issuer's articles of association, FinecoBank's Board of Directors is tasked with setting the strategic policies and the guidelines for the organisational and operational structures, overseeing and monitoring their timely execution within the assigned risk profiles. The Board of Directors is responsible for establishing and approving the methods through which risks are detected and assessed and for approving the risk management strategic direction and policies. The Board of Directors also verifies that the internal control structure is consistent with the risk tolerance established and approves policies for the management of risks.

The Chief Executive Officer and General Manager has been assigned specific powers by the Board of Directors in all of the Issuer's areas of activity. The Chief Executive Officer and General Manager puts in place the necessary measures to ensure the establishment and maintenance of an efficient and effective internal control system.

The following table sets forth the current members of FinecoBank's Board of Directors.

<b>Name</b>	<b>Position</b>
Enrico Cotta Ramusino	Chairman

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<sup>5</sup> Originally, the Board of Directors consisted of 9 members, appointed by the shareholders' meeting of 11 April 2017. As at the date of these Listing Particulars, the Board of Directors consists of 8 members, following the resignation of Manuela D'Onofrio with effect from 10 May 2019, due to FinecoBank's exit from the UniCredit Group.

<sup>6</sup> The members of the Board of Directors (and of the Board of Statutory Auditors) are appointed by the Shareholders' Meeting according to the list voting mechanism. This voting system, which uses lists of competing candidates, ensures that representatives of minority shareholders are appointed.

<b>Name</b>	<b>Position</b>
Francesco Saita	Vice Chairman
Alessandro Foti	Chief Executive Officer and General Manager
Elena Biffi	Director
Gianmarco Montanari	Director
Maria Chiara Malaguti	Director
Maurizio Santacroce	Director
Patrizia Albano	Director

The business address for each of the above Directors is Piazza Durante 11, Milan 20131, Italy.

Other principal activities performed by the above members of the Board of Directors which are significant with respect to FinecoBank are listed below:

Enrico Cotta Ramusino

- member of the board of directors of the Italian Banking Association (*Associazione Bancaria Italiana – ABI*) and of “*Fondazione universitaria Maria Corti*”
- professor of the Department of Economics and Management (*Dipartimento di Scienze Economiche e Aziendali*) at the University of Pavia
- provides advice to several banks and financial institutions on financial, credit and commercial matters and advises companies on financial and strategic planning issues

Francesco Saita

- member of the board of directors of Aessedomus S.r.l.
- professor of the Department of Finance (*Dipartimento di Finanza*) at the Bocconi University of Milan
- member of the committee (*Comitato di Redazione*) of the Research Division of CONSOB and of other relevant scientific committees

Alessandro Foti

- member of the board of directors of Borsa Italiana, of ASSORETI (*Associazione delle Società per la Consulenza agli Investimenti*) and of the Bocconi University of Milan

Elena Biffi

- member of the board of directors of Arnoldo Mondadori Editore S.p.A. and of Certified Sustainable Insurance Partners (CSIP) in California, USA
- commissioner liquidator (*commissario liquidatore*) of La Concordia S.p.A in administrative compulsory winding up (*liquidazione coatta amministrativa*)

Gianmarco Montanari

- member of the management committee (*Consiglio di Gestione*) of the Italian Revenue Agency (*Agenzia delle entrate*)
- general director of the “*Istituto Italiano di Tecnologia*”

- member of the board of directors of the University of Turin and of “*Istituti riuniti salotto e fiorito – scuole paritarie*”
- member of the management committee of AGID (*Agenzia per l’Italia digitale*)

Maria Chiara Malaguti

- professor of International Law (*Diritto Internazionale*) of the Catholic University of the Sacred Heart (Milan/Rome)
- associate of the law firm Mazzoni Regoli Studio Legale

Maurizio Santacroce

- chief executive officer of 24Business School S.p.A.

Patrizia Albano

- member of the board of directors of Piaggio & C S.p.A.
- standing member of the board of statutory auditors of Artemide Group S.p.A. and Artemide S.p.A.
- chairman of the board of statutory auditors of Artemide Italia S.r.l.

### Senior Management

The following table sets out the name, title and principal activities outside FinecoBank of each of the senior managers of FinecoBank:

<b>Name</b>	<b>Title</b>	<b>Other principal activities performed by the Senior Managers which are significant with respect to FinecoBank</b>
Alessandro Foti	Chief Executive Officer and General Manager	Please see Management – Board of Directors
Lorena Pellicciari	Chief Financial Officer and <i>Dirigente Preposto</i> (Manager charged with preparing the company financial reports)	-
Paolo Di Grazia	Deputy General Manager and Head of Global Business	Vice President Assosim ( <i>Associazione Italiana Intermediari Mobiliari</i> ) until 30 June 2019
Fabio Milanesi	Deputy General Manager and Head of Global Banking Services	-
Mauro Albanese	Head of Network PFA & Private Banking	-

The business address for each of the above members of FinecoBank’s senior management is Piazza Durante 11, Milan 20131, Italy.

### Board of Statutory Auditors

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 bylaws (*statuto*), as well as the proper administration and adequacy of organisational and accounting

arrangements of the Issuer, of the risk management and control system, as well as the functioning of the overall internal control system. The Board of Statutory Auditors meets the requirements of integrity, experience and independence (including suitability) set forth in the current regulations.

The Board of Statutory Auditors, in carrying out its duties, works with the Internal Audit function and Risk and Related Parties Committee, on the basis of a continuous dialogue and the proactive exchange of information. The Board Statutory of Auditors also works with the Issuer's external auditors, the Compliance Manager and the Anti-Money Laundering Function Manager.

The current Board of Statutory Auditors was appointed by FinecoBank's Shareholders' Meeting of 11 April 2017 and will remain in office until the next Shareholders' Meeting called to approve the annual financial statements for the year ending 31 December 2019.

The following table sets out the current members of FinecoBank's Board of Statutory Auditors:

<b>Name</b>	<b>Position</b>
Elena Spagnol <sup>7</sup>	Chairman
Barbara Aloisi	Standing Auditor
Marziano Viozzi	Standing Auditor
Federica Bonato	Alternate Auditor
Gianfranco Consorti <sup>8</sup>	Alternate Auditor

All of the members of the Board of Statutory Auditors in office are enrolled with the Register of Chartered Accounting Auditors of the Italian Ministry of Economy and Finance. The business address for each of the above members of the Board of Statutory Auditors is Piazza Durante 11, Milan 20131, Italy.

Other principal activities performed by the Statutory Auditors of FinecoBank which are significant for FinecoBank are listed below:

Elena Spagnol

- standing member of the board of statutory auditors of ERG S.p.A. and FILA S.p.A.

Barbara Aloisi

- standing member of the board of statutory auditors of Cordusio Fiduciaria S.p.A., Cordusio SIM S.p.A., SIAD S.p.A., Faster S.p.A., Biolchim S.p.A., Cifo S.r.l. (100% owned by Biolchim S.p.A.), Alessandro Calligaris & C S.a.p.A.

Marziano Viozzi

- chairman of the board of statutory auditors of CLL Commercio Leghe Leggere S.p.A. and of DIPE S.r.l.
- standing member of the board of statutory auditors of G.B.S. S.p.A.

<sup>7</sup> On 4 September 2017, Stefano Fiorini – appointed as Standing Auditor and Chairman of the Board of Statutory Auditors by FinecoBank's Shareholders' Meeting of 11 April 2017 – resigned from his office and Elena Spagnol took office on the same date as Statutory Auditor and Chairman of FinecoBank's Board of Statutory Auditors. The appointment of Elena Spagnol as Standing Member of the Board of Statutory Auditors was confirmed by FinecoBank's Shareholders' Meeting of 11 April 2018.

<sup>8</sup> On 11 April 2018, Gianfranco Consorti was appointed as Alternate Auditor by FinecoBank's Shareholders' Meeting.

Federica Bonato

- standing member of the board of statutory auditors of Società Cattolica di Assicurazione Società Cooperativa, Tecno Rulli S.r.l. and Melegatti 1894 S.p.A.
- alternate member of the board of statutory auditors of ABC Assicura S.p.A., Cattolica Services S.p.A., I-Faber S.p.A., ING. Polin e C. S.p.A. and Trieste Adriatic Maritime Initiatives S.r.l.

Gianfranco Consorti

- member of the board of directors of Pedicone Holding S.r.l.
- standing member of the board of statutory auditors BredaMenarinibus S.p.A., Dorna Italy Holding S.r.l., Dorna WSBK Organization S.r.l., Consorzio CRAT, Fincentrale S.p.A., Fila S.p.A.
- alternate member of the board of statutory auditors of Banca Generali S.p.A., Geos S.p.A.
- member of the Supervisory Board of Almaviva S.p.A., Almaviva Contact S.p.A., Lombardia Gestione S.r.l., Pervoice S.p.A., Almavive S.r.l., BredaMenarinibus S.p.A.

## EMPLOYEES

The following table breaks down the Issuer's employees by employment category as of 31 December 2017, 31 December 2018, as well as of 31 March 2018 and 31 March 2019.

<b>Employees</b>	<b>31 December 2017</b>	<b>31 December 2018</b>	<b>31 March 2018</b>	<b>31 March 2019</b>
Executives	27	26	27	26
Managers	337	359	335	350
Other Employees	755	772	748	774
<b>Total</b>	<b>1.119</b>	<b>1.157</b>	<b>1.110</b>	<b>1.150</b>
Agency and temporary workers and interns	1	3	3	5
<b>Employees FAM</b>	<b>0</b>	<b>13</b>	<b>5</b>	<b>18</b>

The increase in the number of employees during the periods presented is due to the growth of the Issuer and certain developments in its business, departments that provide organisational support and risk management functions. As of the date of these Listing Particulars, the total number of employees has not substantially changed from that as of 31 March 2019.

The Issuer provides its employees certain insurance benefits required by applicable laws and the National Collective Bargaining Agreement for Credit Institutions (CCNL), where applicable.

As of 31 December 2018, FinecoBank had accrued €4,560,830 in provisions for severance indemnities. During the year ended 31 December 2018, the amount set aside for the INPS fund (Italian social security fund) was equal to €826,572, while the amount set aside for the Complementary Pension Funds was equal to €2,173,717.

Credit institutions may, upon meeting certain requirements, have access to the "Fund for Income, Employment and Professional Re-qualification Fund for Credit Institutions Employees". With respect to the years ended on 31 December 2017 and 31 December 2018 and up to the date of these Listing Particulars, FinecoBank accessed this fund for only a few employees, and always bore the relevant costs in the context of the reorganisation process involving the UniCredit Group.

## SIGNIFICANT TRANSACTIONS AND RECENT DEVELOPMENTS

### *ATI Issuance*

On 23 January 2018, in order to strengthen FinecoBank's capital structure in response to the diversification of its investment portfolio (in particular, increased purchases of government securities), FinecoBank's Board of Directors approved the issuance on 31 January 2018 of an Additional Tier 1 bond loan, perpetual and non-callable until June 2023, for an amount of €200 million, fully subscribed, through private placement, by UniCredit. The coupon for the first 5.5 years was set at 4.82%.

### *Fineco Asset Management DAC*

On 17 May 2018, FinecoBank's subsidiary, Fineco AM, was authorised by the Central Bank of Ireland to carry out asset management activities. On 1 June 2018, Fineco AM obtained the necessary authorisations from the *Commission de Surveillance du Secteur Financier* to replace Amundi Luxembourg S.A. in the management of pre-existing Luxembourg-based mutual investment funds known as "CoreSeries" and, starting from 2 July 2018, Fineco AM has been fully operational.

### *Acquisition of FinecoBank's Registered Office*

On 31 January 2019, FinecoBank acquired from Immobiliare Stampa S.C.p.A. (part of the Banca Popolare di Vicenza Group) the bank's registered office in Piazza Durante 11, Milan. The building, part of which was leased up until that date, is used as office space. The transaction was completed at a price of €62 million, and the property is accounted on the financial statements also considering taxes and initial direct costs.

### *FinecoBank's exit from the UniCredit Group*

On 10 May 2019, following the settlement date for UniCredit's sale of approximately 103.5 million existing ordinary shares of FinecoBank, FinecoBank ceased to be subject to direction and control by UniCredit or part of UniCredit's consolidation group for the purposes of Directive 2013/36/EU and Regulation 575/2013/EU (the **Exit**). In relation to the Exit, UniCredit and FinecoBank have implemented certain actions and procedures in order to allow FinecoBank to operate as an independent entity from a regulatory, liquidity and operational standpoint outside the UniCredit Group. For more information, please refer to the risk factor "*FinecoBank is dependent upon UniCredit and its subsidiaries for a number of services that are important to its operations and any termination or disruption of those services could have a material adverse impact on its business*" and the section "*Description of the Issuer-Material Contracts*".

## LITIGATION AND OTHER PROCEEDINGS

FinecoBank is involved in a number of legal proceedings in the normal course of its business. The most significant cases it is involved in are those proceedings related to: (i) claims by its clients alleging unlawful conduct by its financial advisors, for which the Issuer may incur statutory joint and several liability; (ii) claims by its clients alleging breaches by the Issuer of applicable banking and financial rules of conduct or other contractual breaches; (iii) claims by its former financial advisors for the payment of severance pay; and (iv) tax claims.

## RELATED PARTY TRANSACTIONS

FinecoBank's Board of Directors, in order to ensure continued compliance with applicable legal and regulatory provisions on corporate disclosure on transactions with related parties and persons in conflict of interest, during the meeting held on 31 July 2018 and with the prior favourable opinion of the Risk and Related Parties Committee and the Board of Statutory Auditors, approved the last update of "*Procedures for managing transactions with subjects in conflict of interest*" (the **Procedures**).

The aforementioned Procedures include the provisions to be complied with when managing:



- related parties transactions pursuant to the CONSOB Regulation adopted by resolution on 12 March 2010, no. 17221, as subsequently amended;
- transactions with associated persons pursuant to the regulations on "*Risk activities and conflicts of interest with Associated Persons*", laid down by Bank of Italy Circular on 27 December 2006, no. 263, Title V, Chapter 5 ("*New regulations for the prudential supervision of banks*", as amended);
- obligations of bank officers pursuant to Article 136 of Legislative Decree 385 on 1 September 1993, showing the "*Consolidated Law on Banking*".

Considering the above, the following significant transactions resolved by the Board of Directors during 2018 and at the end of May 2019 were recorded:

- on 23 January 2018, with the favourable opinion of the Risks and Related Parties Committee, the Board of Directors authorised the issue of an Additional Tier 1 bond totalling €200 million, fully subscribed by means of a private placement by UniCredit; the duration of the loan is perpetual, linked to the statutory duration of FinecoBank, and the coupon for the first 5.5 years was set at 4.82%. The transaction is an "Ordinary Significant Transaction at market conditions";
- on 6 February 2018, with the favourable opinion of the Risks and Related Parties Committee, the Board of Directors approved the renewal of the "*Framework Resolution related to the entering into of hedging derivative contracts with the Parent Company or companies in the UniCredit Group*", an "Ordinary Significant Transaction at market conditions" with validity up until 6 February 2019, which enabled FinecoBank to enter into hedging derivatives with UniCredit and with UniCredit Bank AG for commercial assets or liabilities that, for ALM purposes, require interest rate hedging, with a plafond of €1,000 million with UniCredit and €1,300 million with UniCredit Bank AG;
- On 8 May 2018, with the favourable opinion by the Risk and Related Parties Committee, the Board of Directors approved the renewal of the:
  - "*Framework Resolution - Repurchase Agreements and Term Deposits with the Parent Company*", an "Ordinary Significant Transaction at market conditions" (which expired on 8 May 2019), concerning (i) Repurchase Agreements with UniCredit for an amount of €7.1 billion, calculated as the sum of the individual transactions in absolute value (either repos or reverse repos) and (ii) Term deposits with UniCredit for an amount of €6.3 billion, calculated as the sum of the individual transactions in absolute value;
  - "*Framework Resolution for the transactions on current accounts held with UniCredit*", an "Ordinary Significant Transaction at market conditions" (which expired on 8 May 2019), enabling FinecoBank to manage transaction through specific current accounts with UniCredit for a maximum amount of €1,000 million understood as a single transaction (single payment and single withdrawal);
- on 12 June 2018, with the favourable opinion of the Risks and Related Parties Committee, the Board of Directors approved the renewal of the "*Framework Resolution – Trading of financial instruments with institutional counterparties and with UniCredit, on their own account and on behalf of third parties, respectively by the Treasury and Markets functions*", an "Ordinary Significant Transaction at market conditions" (which expired on 11 June 2019), enabling FinecoBank to carry out trading in derivatives with related parties institutional counterparties, up to a permitted limit of: (i) €2.7 billion with UniCredit Bank AG, (ii) €250 million with Mediobanca S.p.A. and (iii) €1 billion with UniCredit;
- on 18 September 2018, with the favourable opinion of the Risks and Related Parties Committee, the Board of Directors approved the renewal of the "*Framework resolution Stock Lending Activities with institutional customers*", an "Ordinary Significant Transaction at market conditions" effective until 17 September 2019, related to share securities lending transactions, through which FinecoBank may

implement, until the above expiry date, those transactions with a plafond of €700 million for transactions with UniCredit Bank AG and €200 million for transactions with Mediobanca S.p.A.;

- on 6 November 2018, with the favourable opinion of the Risks and Related Parties Committee, the Board of Directors approved the renewal of the “*Framework resolution - Trading of financial instruments of the Parent Company*”, an “Ordinary Significant Transaction at market conditions” effective until 6 November 2019 related to the purchase or sale of financial instruments issued by UniCredit with limit of €1,530 million;
- on 5 December 2017, the Board of Directors, with the favourable opinion of the Risk and Related Parties Committee, approved the signing of a new life insurance brokerage contract between FinecoBank and Aviva S.p.A. (related party), to replace the agreement originally signed in 2002 by UniCredit Xelion Banca S.p.A., which was replaced by FinecoBank as a result of the merger. The projected figures as at 31 December 2017 (€13.4 million net to be paid to FinecoBank) classified the transaction as “Significant Typical Transaction carried out at arm’s length”. The contract was finalised on 5 April 2018. In the meanwhile, as part of the same agreement, in March 2018 the placement of the Aviva “Multiramo Extra” product was included, which combines with and supplements the range of other “Multi-line” products already in the catalogue.
- the Risks and Related Parties Committee and the Board of Directors, respectively on 10 and 11 December 2018, issued positive opinions, in compliance with the aforementioned Procedures, on the completion of an “Ordinary Significant Transaction at market conditions” proposed by the subsidiary Fineco AM and related to the “*Framework Resolution - FAM DAC term deposits with UniCredit Bank Ireland Plc*”, concerning the term deposit transactions with a credit plafond of €55 million which Fineco AM will be able to carry out with UniCredit Bank Ireland Plc until 10 December 2019.
- on 5 February 2019, the Board of Directors, after receiving the favourable opinion of the Risks and Related Parties Committee, decided to renew the “*Framework Resolution on the stipulation of hedging derivative contracts with the Parent Company or companies in the UniCredit Group*”, an “Ordinary Significant Transaction at market conditions”. It allows FinecoBank, until 5 February 2020, to agree hedging derivatives with UniCredit and with UniCredit Bank AG, for commercial assets or liabilities that, for ALM purposes, require interest rate hedging for a maximum amount of €1,000 million with UniCredit and €1,300 million with UniCredit Bank AG.

In relation to the above transactions, FinecoBank provided a simplified disclosure to CONSOB pursuant to Art. 13, paragraph 3, letter c) of CONSOB Regulation on March 12, 2010, no. 17221.

- on 6 May 2019, the Board of Directors, after receiving the favourable opinion of the Risks and Related Parties Committee, approved the signing of a set of contractual agreements between FinecoBank and UniCredit, aimed at: (i) allowing an orderly transition of FinecoBank outside the UniCredit Group, with a view to continuity and in the interests of the shareholders of both banks, with particular reference to the coverage of FinecoBank's exposures, the use of trademarks and other distinctive signs, the carryout by UniCredit in favour of FinecoBank of some services not yet contractualized as well as the continuation of the supply of services already governed by existing agreements; and, ultimately (ii) assuring that FinecoBank, after exiting the UniCredit Group, can operate as a fully independent company from a regulatory, liquidity and operational point of view.

In relation to the above transaction, FinecoBank provided an Information Document pursuant to Article 5 and in compliance with the format set out in Annex 4 of CONSOB Regulation on 12 March 2010, no. 17221.

During the year ended on 31 December 2018 and during the period from 1 January 2019 until the end of May 2019, no other transactions were undertaken with related parties that could significantly affect FinecoBank's asset situation and results, or atypical and/or unusual transactions, including intercompany and related party transactions.

Lastly, with regard to transactions of significant financial and economic relevance, during 2012, FinecoBank issued 5 bank guarantees in favour of the Italian Revenue Agency upon (guaranteed) request by UniCredit, with indefinite duration (specifically, valid until the Italian Revenue Agency issues a declaration of receipt of the payment by UniCredit at the end of the collection process, in the event of an unfavourable outcome for UniCredit, or until a ruling is issued in favour of the Bank by means of final judgement), for a total amount of €256 million, plus interest accrued and accruing until request for payment from the Italian Revenue Agency. The bank guarantees were issued to secure the obligations assumed by UniCredit in relation to five VAT refund suspension orders issued by the Italian Revenue Agency, and entail the assumption by FinecoBank of an irrevocable payment commitment on demand, within 30 days and without any exceptions. In 2013, following the settlement of an overall assessment notice issued by the Regional Department of Liguria, for €4.5 million, replaced by another assessment notice issued by the same Department up to the amount settled, a guarantee already issued by FinecoBank was replaced, with amounts unchanged; this transaction did not change the commitments undertaken according to the forms, procedures and risks already assessed during 2012, which are still unchanged; in this regard it is specified, however, following the consolidation of the definition of pending charges linked to the aforementioned bank guarantees, in December 2018 UniCredit required the almost total release (about €224.5 million) to the competent office of the Regional Department of Liguria and FinecoBank is waiting for the corresponding reply.

For detailed information on transactions with group companies and other related parties see the comments in this regard in Part H of the Notes to the Consolidated Accounts as at 31 December 2018.

## TAXATION

*The statements herein regarding taxation are based on the laws in force as at the date of these Listing Particulars and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.*

*Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.*

### **Taxation in the Republic of Italy**

#### ***Tax treatment of the Notes***

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, (**Decree 239**) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), issued, *inter alia*, by Italian banks.

The tax regime set forth by Decree 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks (other than shares and assimilated instruments), as set out by Article 2, paragraph 22, of Law Decree No. 138 of 13 August 2011, as converted with amendments by Law No. 148 of 14 September 2011 and as further amended and clarified by Law No. 147 of 27 December 2013, and by Article 9 of Law Decree No. 34 of 30 April 2019, awaiting to be converted into law.

#### ***Italian resident Noteholders***

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution or (iv) an investor exempt from Italian corporate income taxation (unless the Noteholders under (i), (ii) or (iii) above opted for the application of the *risparmio gestito* regime – see “*Capital gains tax*” below), interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a substitute tax, referred to as “*imposta sostitutiva*”, levied at the rate of 26 per cent. In the event that the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of Law No. 232 of 11 December 2016, as subsequently amended (the **Finance Act 2017**) and in Article 1(210-215) of Law No. 145 of 30 December 2018 (the **Finance Act 2019**), as implemented by the Ministerial Decree of 30 April 2019.

Where an Italian resident Noteholder is a company or similar commercial entity, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s income tax return and are

therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the “status” of the Noteholder, also to the regional tax on productive activities (**IRAP**)).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree 351**), and Article 9, par. 1, Legislative Decree No. 44 of 4 March 2014, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 (the **Financial Services Act**) or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, and Italian real estate investment companies with fixed capital (the **Real Estate SICAFs** and, together with the Italian resident real estate investment funds, the **Real Estate Funds**) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund is subject to taxation in the hands of the unitholder or shareholder regardless of distribution.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF (an investment company with fixed capital other than a Real Estate SICAF) or a SICAV (an investment company with variable capital) established in Italy (together, the **Fund**) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, nor to any other income tax in the hands of the Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent. (the **Collective Investment Fund Withholding Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period to be subject to a 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of Finance Act 2017 and in Article 1(210-215) of Finance Act 2019, as implemented by the Ministerial Decree of 30 April 2019.

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, Italian investment companies (*società di intermediazione mobiliare*) (**SIMs**), fiduciary companies, Italian asset management companies (*società di gestione del risparmio*) (**SGRs**), stockbrokers and other entities identified by a decree of the Ministry of Finance (each an **Intermediary**).

An Intermediary must (a) be (i) resident in Italy or (ii) be a permanent establishment in Italy of a non-Italian resident financial intermediary or (iii) an entity or company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree 239; and (b) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

### ***Non-Italian resident Noteholders***

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies, provided that the non-Italian resident beneficial owner is either: (i) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and possibly further amended according to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No. 147 of 14 September 2015) (the **White List**); or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) an institutional investor which is established in a country included in the White List, even if it does not possess the status of taxpayer therein.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (i) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance and (ii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

### ***Capital gains tax***

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership or (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of Finance Act 2017 and in Article 1(210-215) of Finance Act 2019, as implemented by the Ministerial Decree of 30 April 2019.

In respect of the application of *imposta sostitutiva*, taxpayers may choose one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Noteholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the investor in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. The relevant Noteholder must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Italian resident Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries) and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident Noteholders under (i) to (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a substitute tax at a rate of 26 per cent., to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is a Real Estate Fund will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund is subject to taxation in the hands of the unitholder or the shareholder regardless of distribution.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Withholding Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(88-114) of Finance Act 2017 and in Article 1(210-215) of Finance Act 2019, as implemented by the Ministerial Decree of 30 April 2019.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (i) is resident in a country which allows for a satisfactory exchange of information with Italy, as listed in the White List; or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (iv) is an institutional investor which is established in a country included in the White List even if it does not possess the status of taxpayer therein.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of the Notes.

### ***Inheritance and gift taxes***

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- (c) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) on the value exceeding, for each beneficiary, €1,500,000.

### ***Transfer tax***

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200.00; and (ii) private deeds are subject to registration tax only in the case of voluntary registration.

### ***Stamp duty***

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.20 per cent. and cannot exceed €14,000 for taxpayers other than individuals. This stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount or in the case the



nominal or redemption values cannot be determined, on the purchase value of the Notes held. Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

### ***Wealth Tax on securities deposited abroad***

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent (**IVAFE**).

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value or in the case the nominal or redemption values cannot be determined, on the purchase value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

### **Luxembourg Taxation**

*The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

*Please note that the residence concept referred to under the headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.*

### ***Withholding Tax***

#### **(a) Non-resident holders of Notes**

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

#### **(b) Resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Relibi Law**), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax of 20 per cent.

## **U.S. Foreign Account Tax Compliance Act (FATCA)**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “**foreign financial institution**” (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register. In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

## SUBSCRIPTION AND SALE

BNP Paribas, UBS Europe SE and UniCredit Bank AG (together, the **Joint Lead Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 16 July 2019, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 100 per cent. of the principal amount of the Notes, in accordance with the terms and conditions contained therein. The Issuer will pay to the Joint Lead Managers the commissions set forth in the Subscription Agreement and it will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations promulgated thereunder.

Each Joint Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer and sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons. Each Joint Lead Manager has further agreed that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

### United Kingdom

Each Joint Lead Manager has represented, agreed and undertaken that:

- (a) it has complied and will comply with the rules set out in the PI Instrument with such Joint Lead Manager deemed to be a "firm" for these purposes;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the UK Financial Services and Markets Act 2000, as amended (**FSMA**)) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## Prohibition of sales to EEA Retail Investors

Each of the Joint Lead Managers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision, the expression "**retail investor**" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

## Republic of Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of these Listing Particulars or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and Article 34-ter, first paragraph, letter (b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time (**Regulation No. 11971**); or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of these Listing Particulars or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Italian Banking Act**); and
- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Italian Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

## Switzerland

Each Joint Lead Manager has acknowledged that the Listing Particulars are not intended to constitute an offer or solicitation to purchase or invest in the Notes. Accordingly, each of the Joint Lead Managers has represented and agreed that it has not publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland any Notes and that the Notes may not be and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither the Listing Particulars nor any other offering or marketing material relating to the Notes constitutes an issue prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss code of obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or a simplified prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and neither the Listing Particulars nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. Neither the Listing Particulars nor any other offering or marketing material relating to the offering, the Issuer or the Notes have been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by the Swiss Financial Markets Supervisory Authority (**FINMA**), and investors in the Notes will not benefit from protection or supervision by FINMA.

**General**

No action has been or will be taken in any jurisdiction by any Joint Lead Manager or the Issuer that would or is intended to permit a public offering of the Notes, or possession or distribution of any offering documents or any amendment or supplement thereto or any other offering or publicity material relating to the Notes, in any country or jurisdiction where action for that purpose is required.

## GENERAL INFORMATION

### Listing and admission to trading

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and to trading on the Global Exchange Market, which is the exchange regulated market of Euronext Dublin, with effect from the Issue Date. The Global Exchange Market is not a regulated market for the purposes of MiFID II.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the Global Exchange Market of Euronext Dublin.

### Authorisation

The issue of the Notes has been authorised by a resolution of the Board of Directors of the Issuer dated 4 July 2019.

### LEI

The Legal Entity Identifier (LEI) of the Issuer is 549300L7YCATGO57ZE10.

### Clearing systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg under ISIN XS2029623191 and common code 202962319. The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### Significant or Material Adverse Change

Save as set out in “*Description of the Issuer- Significant Transactions and Recent Developments – FinecoBank’s exit from the UniCredit Group*” on page 136 of these Listing Particulars, there has been no significant change in the financial or trading position of FinecoBank and the FinecoBank Group since 31 March 2019.

There has been no material adverse change in the prospects of the Issuer since 31 December 2018.

### Conflicts of Interest

As at the date of these Listing Particulars, and to the best of FinecoBank’s knowledge, no member of FinecoBank’s managing and controlling bodies has any private interest conflicting with the obligations arising from the office or position held within FinecoBank, except for those that may concern operations put before the relevant bodies of FinecoBank, in accordance with the applicable procedures and in strict compliance with existing laws and regulations. Members of the FinecoBank managing and controlling bodies must comply with the following provisions aimed at regulating instances where there exists a specific interest concerning the implementation of an operation:

- Article 53 of the Italian Banking Act sets forth the obligations envisaged by paragraph 1 of Article 2391 of the Italian Civil Code, hereinafter quoted, confirming the duty to abstain from voting for the Directors having a conflicting interest, on their own behalf or on behalf of a third party;
- Article 136 of the Italian Banking Act, which requires a particular authorisation procedure (a unanimous decision by the supervisory body with the exclusion of the concerned officers’ vote and the favourable vote of all members of the controlling body) should a bank enter into obligations of any kind or enter, directly or indirectly, into purchase or sale agreements with its company officers;

- Article 2391 of the Italian Civil Code, which obliges directors to notify fellow directors and the Board of Statutory Auditors of any interest that they may have, on their own behalf or on behalf of a third party, in a specific company transaction, with the concerned member of the Board of Directors having to abstain from carrying out the transaction if he/she is also the CEO; and
- Article 2391-bis of the Italian Civil Code, CONSOB Regulation No. 17221 dated 12 March 2010 (and subsequent updates) concerning transactions with related parties, as well as the provisions issued by the Bank of Italy for the prudential supervision of banks concerning risk activities and conflicts of interest of banks and banking groups with associated persons (Circular No. 263/2006 of the Bank of Italy and subsequent updates).

In accordance with the aforementioned provisions, the transactions of greater relevance with related parties or with associated persons fall within the exclusive responsibility of the FinecoBank Board of Directors, with the exception of the transactions falling under the responsibility of the FinecoBank Shareholders' Meeting. For information on related-party transactions, please see Part H of the Notes to the Consolidated Accounts of the Issuer as at 31 December 2018, incorporated by reference herein. Notwithstanding the obligations of Article 2391 of the Italian Civil Code, FinecoBank and its corporate bodies have adopted measures and procedures to ensure compliance with the provisions relating to transactions with its Corporate Officers, as well as transactions with related parties and affiliated entities.

### **Legal and arbitration proceedings**

Neither the Issuer nor any other member of the FinecoBank Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the previous 12 months, which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or the FinecoBank Group.

### **Auditors**

FinecoBank's consolidated and non-consolidated annual financial statements must be audited by external auditors appointed by its shareholders, under reasoned proposal by FinecoBank's Board of Statutory Auditors. The shareholders' resolution and the Board of Statutory Auditors' reasoned proposal are communicated to CONSOB. The external auditors examine FinecoBank's consolidated and non-consolidated annual financial statements and issue an opinion regarding whether its consolidated and non-consolidated annual financial statements comply with the IAS/IFRS issued by the International Accounting Standards Board as endorsed by the European Union governing their preparation and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and art. 43 of Italian Legislative Decree no. 136/15; which is to say whether they give a true and fair view of the financial position and results and cash flows of, respectively, the FinecoBank Group and FinecoBank. Their opinion is made available to FinecoBank's shareholders prior to the annual general shareholders' meeting.

Since 2007, following a modification of the Financial Services Act, listed companies may not appoint the same auditors for more than nine years.

At the shareholders' meeting of FinecoBank held on 16 April 2013, Deloitte & Touche S.p.A. (**Deloitte**) was appointed to act as FinecoBank's external auditor for the years from 31 December 2013 to 31 December 2021, pursuant to Article 13, paragraph 1, of Legislative Decree No. 39/2010 and to CONSOB Communication 97001574 dated 20 February 1997.

Deloitte is a company incorporated under the laws of Italy, enrolled with the Companies' Register of Milan under number 03049560166 and registered with the Register of Statutory Auditors (*Registro dei Revisori Legali*) maintained by Minister of Economy and Finance with registration number: 132587, having its registered office at Via Tortona 25, 20144 Milan, Italy.

## Availability of documents

For as long as the Notes are listed on the Official List of Euronext Dublin and admitted to trading on the Global Exchange Market, copies of the following documents will, when published, be available for inspection in physical format during normal business hours from the specified office of the Paying Agent in each case at the address given at the end of these Listing Particulars:

- (a) copies of the articles of association of the Issuer (with an English translation thereof);
- (b) the FinecoBank Annual Financial Statements as at and for each of the financial years ended 31 December 2018, 31 December 2017, 31 December 2016, 31 December 2015 and 31 December 2014;
- (c) the 1Q19 Press Release;
- (d) the Agency Agreement (which includes, *inter alia*, the forms of Notes in definitive form, Coupons and Talons); and
- (e) these Listing Particulars and any other documents incorporated therein by reference.

## Yield

There is no explicit yield to maturity. The Notes do not carry a fixed date for redemption and the Issuer is not obliged, and under certain circumstances is not permitted, to make payments on the Notes at the full stated rate. The interest rate is also subject to periodic resetting.

For information purposes only, the yield of the Notes calculated on the basis of the Issue Price and the Initial Rate of Interest from, and including the Issue Date up to but excluding, the First Call Date and assuming no Write-Down during such period, would be 5.963 per cent. per annum. It is not an indication of the actual yield for such period or of any future yield.

## Joint Lead Managers engaging in business activities with the Issuer

Save for any fees and commissions payable to the Joint Lead Managers under the Subscription Agreement, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. Certain Joint Lead Managers and/or their affiliates (including their holding companies) have engaged and could in the future engage in commercial banking and/or investment activities with the Issuer and/or its affiliates and could, in the ordinary course of their business, provide services to the Issuer and/or to its affiliates. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates (including their holding companies) may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Joint Lead Managers or their affiliates (including their holding companies) that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates (including their holding companies) would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Joint Lead Managers and their affiliates (including their holding companies) may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Furthermore, UniCredit, the parent company of UniCredit Bank AG (which acts in the role of Joint Bookrunner and Joint Lead Manager), as of the date of these Listing Particulars, has several commercial, financial and operational relationships with the Issuer. In particular, as of the date of these Listing Particulars, (a) UniCredit is the issuer of the bonds and the depositary bank of interest-earning deposits in



which a significant portion of FinecoBank’s liquidity is invested (see “*Description of the Issuer – Business Areas – FinecoBank’s Liquidity Investment Policy*”); and (b) the pledgor under the Pledge Agreement entered into in connection with the Exit (see “*Description of the Issuer – Material Contracts – Pledge Agreement*”).

**REGISTERED OFFICE OF THE ISSUER**

**FinecoBank S.p.A.**

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