FINECO
THE NEW BANK

Member of UniCredit

ORDINARY AND EXTRAORDINARY
SHAREHOLDERS' MEETING

# DIRECTORS' REPORTS

# <u>Ordinary Shareholders' Meeting</u>

**Items no. 3 and 4 on the Agenda**

**DIRECTORS' REPORT**

**2015 FINECOBANK COMPENSATION POLICY AND TERMINATION PAYMENTS POLICY**

Dear Shareholders,

We have called this Ordinary Shareholders' Meeting to request your approval of the "2015 FinecoBank Compensation Policy" (hereinafter also "2015 Policy"), set out in the attached document which forms an integral part of the present Report, in compliance with the provisions set by the "*Supervisory Provisions concerning Banks Organisation and Corporate Governance*" issued by Bank of Italy which prescribe that the Shareholders' Meeting approves, amongst other items, the remuneration policy for members of the Board of Directors, employees and collaborators not related to the company by an employment agreement as well as according to section 123-ter of the Legislative Decree 58/1998 (Consolidated Finance Act, known as TUF from its Italian initials). The approval of remuneration policy and incentive systems must evidence their conformity with prudent risk management and the company's long-term objectives, ensuring also an appropriate balance between the fixed and variable components of remuneration as required by regulators and, in the case of the latter, risk-weighting systems and mechanisms designed to ensure that compensation is linked to effective and lasting results.

In addition, in compliance with indications of the regulators, information is provided on the implementation of the 2014 FinecoBank Compensation Policy approved by the Shareholders' Meeting on June 5$^{th}$, 2014 ("Annual Compensation Report").

It is therefore proposed that this Shareholders' Meeting approves the annual review of the FinecoBank Compensation Policy which defines the principles and standards that FinecoBank applies and which are used to design, implement and monitor the compensation policy and systems. The proposal was formulated by the Human Resources function, with the contribution of Compliance, Risk and Finance functions on the topics under their scope. Shareholders are also invited to consult the information regarding the implementation of the Compensation Policy approved by the Shareholders' Meeting on June 5$^{th}$, 2014.

**FinecoBank Compensation Policy**

The key principles of the 2015 Policy, which are confirmed with respect to those approved by Shareholders' Meeting on June 5$^{th}$, 2014, are described in the 2015 Policy - that has been made available to Shareholders and the market – and they are summarised here below:

(a) the FinecoBank compensation approach is performance oriented, market aware and aligned with business strategy and Stakeholder interests, ensuring remuneration competitiveness and effectiveness as well as internal and external equity and transparency, by driving sustainable behaviours and performance;

(b) within FinecoBank's governance structure, rules and processes for delegation of authority and for compliance have been defined with the aim of ensuring adequate control, coherence and compliance of remuneration framework throughout the Bank;

(c) the key pillars of the 2015 Policy are:

- clear and transparent governance;
- compliance with regulatory requirements and principles of good professional conduct;
- continuous monitoring of market trends and practices;
- sustainable pay for sustainable performance;
- motivation and retention of all staff

(d) on the basis of these principles, the 2015 Policy establishes the framework for a consistent approach and an homogeneous implementation of sustainable remuneration in FinecoBank, with particular reference to Identified Staff.

In line with the new regulatory requirements provided by European Banking Authority (EBA), FinecoBank has performed the yearly assessment of the staff categories whose professional activities have a material impact on the Bank's risk profile. The self-assessment was performed at local and Group level, as requested by Bank of Italy, and is documented in the 2015 Policy. The estimated number of Identified Staff in 2015 amounted to 13 employees and 6 financial advisors.

Moreover, in line with the indications of national and international regulators, it was considered appropriate within the annual review of policy and incentive systems to make some updates, including:

i. the confirmation of the adoption of 2:1 ratio. This ratio is applicable in particular to the remuneration components of all employees belonging to Business functions, therefore Company Control Functions' employees are excluded, to whom a more conservative approach is provided;

ii. full description of the new 2015 FinecoBank Incentive System reserved for employees;

iii. full description of the new 2015 FinecoBank Incentive System reserved for financial advisors;

iv. the ex-ante definition of the 2015 Identified Staff population;

v. information about the role and activities of the Remuneration and Appointments Committee in 2014, as well as the role of Compliance, Audit and Risk functions;

vi. updates on the regulatory framework as well as the peer group for compensation benchmarking;

vii. continuous disclosure of all information requested by national regulators (Bank of Italy, Consob).

**Annual Compensation Report**

In line with national and international standards, the key implementation features and the main results of FinecoBank Compensation Policy and 2014 Incentive System, as well as evidence of the coherence of the rationale behind the long-term loyalty plans of FinecoBank with the principles of its compensation policy and with specific regulatory requests, are described in the Annual Compensation Report that has been made available for information to Shareholders and the market. The Annual Compensation Report provides a description of compensation practices adopted in FinecoBank and the implementation of incentive systems, as well as Remuneration Tables with a focus on Non-Executive Directors, the Chief Executive Officer and General Manager, Executives with strategic responsibilities and other Identified Staff with a material impact on risk, in compliance in particular with the VII Update of November 18th, 2014 of Bank of Italy Circular no. 285.

The Report provides also the disclosure as per section 84-quater of the Italian National Commission for Listed Companies (Consob) Issuers Regulation no. 11971, as amended by Resolution no. 18049 / December 23rd 2011, referring to Directors, Statutory Auditors, General Manager and Executives with strategic responsibilities. The document contains specific information regarding the approval and execution of equity plans, as requested by section 114-bis of Legislative Decree 58/1998 (TUF).

**Termination Payments Policy**

In line with the regulatory provisions contained in Title IV, Chapter 2, “Policies and practices regarding remuneration and incentives” in the VII Update of November 18th, 2014, of Bank of Italy Circular no. 285 that provide that the Ordinary Shareholders’ Meeting should approve the criteria for determining the compensation to be granted in the event of early termination of employment or early retirement from appointment, including the maximum limits laid down in this amount in terms of the annual fixed remuneration and the maximum amount that results from their application, to the “Termination Payments Policy” (hereinafter also “Severance Policy”) is submitted for approval, shown in the attached document, which forms an integral part of this Report.

In the general assumption that termination payment (hereinafter also “the *severances*”) is defined in each case in the best interests of the company, such payments do not exceed the limits foreseen by the laws and/or collective labour agreements locally applicable in case of lay-off. In the absence of such regulations, termination payments, in excess of the indemnity in lieu of notice, in principle do not exceed 24 months of total compensation. With the only aim of meeting the regulatory provision introduced by the Bank of Italy, which requires the banks to set a maximum limit to the *severances* also in terms of number of fixed months' salary and in an absolute amount, it is reported that – in view of maximum 2:1 ratio between variable and fixed remuneration - 24 months of total compensation could arrive to correspond to a merely theoretical value of 72 months of fixed compensation in the case, purely hypothetical and improbable, of a subject who in the last three years prior to the termination has always received bonuses in a measure equal to 200% of his/her fixed compensation. The value of the *severance* so determined will not in any case exceed €5 million.

The value of each month's salary used to calculate the *severance* is set – in compliance with the law and the applicable collective labour agreement – considering the current fixed remuneration plus the average of the incentives actually cashed-in during the last three years prior to the termination.

Regarding the determination criteria, *severances*, due to the mechanism for the calculation of the compensation used for the determination, which includes the bonuses actually cashed-in after the application of *malus* clause, are as a matter of fact already differentiated just on the basis of the risk-adjusted individual performance. The definition of their amount also occurs on a case-by-case basis and the specific objective and subjective circumstances of the relationship resolution, considered within the specific legal and contractual framework, the following elements: duration of the employment, performance provided over time, assumption of inappropriate risks, behaviours not aligned with corporate values, personal and social impacts of the termination, willingness to take on additional commitments, interest of the company to come anyway to a consensual resolution of the relationship rather than a unilateral one.

*Severances* are paid out in forms and with timings fully consistent with the discipline, also regulatory, time by time applicable to the specific case.

□ □ □

Dear Shareholders,

If you agree with the above, you are invited to approve the proposal on the agenda and, as a result, to adopt the following resolutions:

"The Ordinary Shareholders' Meeting of FinecoBank S.p.A, having heard the Board of Directors' proposal,

RESOLVES

1. To approve the "2015 FinecoBank Compensation Policy", as contained in the attached document which forms an integral part of the present Report, in order to define the principles and standards that FinecoBank shall apply to the design, implementation and monitoring of compensation policy and remuneration plans throughout the organisation.

   To confer to the Chairman and the Chief Executive Officer and General Manager, also separately, every opportune power of attorney to make any additions and/or modifications to the above Policy that may be necessary for the implementation of the resolution, resulting from changes which are:

a. legislative and/or regulatory
b. required by the regulators
c. which could be appropriate in light of any further clarifications and recommendations that may be subsequently issued, or otherwise communicated by the regulators
d. contributed by the Shareholders' Meeting of UniCredit on May 13th, 2015 to 2015 Group Compensation Policy, which would render 2015 Policy of FinecoBank no longer consistent with that of the Group.

2. The approval of the "Termination Payment Policy", as per the attached document and which form an integral part of this Report, in order to define the general principles, the limits, the criteria and procedures for payment of compensation to be granted in the case of early termination of the employment relationship or early termination of the position.

   To confer to the Chairman and the Chief Executive Officer and General Manager, also separately, every opportune power of attorney to make any additions and/or modifications to the above Policy that may be necessary for the implementation of the resolution, resulting from changes which are:

   a. legislative and/or regulatory;
   b. required by the regulators;
   c. which might be appropriate in light of further clarifications and recommendations that may be subsequently issued, or otherwise communicated by the regulators;
   d. contributed by the Shareholders' Meeting of UniCredit on May 13th, 2015 to Termination Payments Group Policy of UniCredit, which would render the Termination Payments Policy of FinecoBank no longer consistent with that of the Group.

## <u>ORDINARY SHAREHOLDERS' MEETING</u>

**Item no. 5 on the Agenda**

**DIRECTORS' REPORT**

**2015 INCENTIVE SYSTEM**

Dear Shareholders,

We have called this Ordinary Shareholders' Meeting to request your approval of the 2015 Incentive System, providing for the allocation of an incentive, in cash and/or in free ordinary shares, to be granted in a multi-year period to selected resources of FinecoBank, in accordance with the modalities described below and subject to the achievement of specific performance conditions.

This proposal has been formulated in compliance with the provisions of section 114-bis of Decree 58 dated February 24$^{th}$, 1998, and in accordance with the provisions set forth by Consob with reference to incentive plans based on financial instruments assigned to corporate officers, employees or collaborators; for this purpose, a document describing the details of the incentive system has been prepared pursuant to section 84-bis of the Consob Regulation no. 11971/99 and subsequent amendments, and has been made available to the public under the terms of law and reference is made to detailed description of the incentive system described in this report.

The proposal is also aligned with the Compensation Policy of FinecoBank, the indications issued by Bank of Italy on remuneration and incentives policies and practices, and the direction set by the European Directive 2013/36/EU (Capital Requirements Directive, also known as CRD IV), and by EBA (European Banking Authority) guidelines. With this regards, it should be recalled that FinecoBank, in respect of these provisions, has determined the adoption of a ratio between the variable and the fixed remuneration equal to 2:1, unless of the application of a lower limit as provided by Regulators.

### 1. 2015 INCENTIVE SYSTEM

#### GOALS

The 2015 Incentive System (hereinafter also **"2015 System"**) aims to attract, motivate and retain FinecoBank beneficiaries, in compliance with the national and international regulatory requirements with the aim to define - in the interest of all stakeholders - incentive systems aligned with long- term company strategies and goals, linked to bank results, adjusted in order to consider all risks, in coherence with capital and liquidity level necessary to cover the activities in place and, in any case, able to avoid misleading incentives that could drive excessive risks taking for the bank and the system in its whole.

**BENEFICIARIES**

The potential beneficiaries of the 2015 System, identified in line with the criteria issued by Commission Delegated Regulation (EU) no. 604/2014 of March 4th, 2014, are the following:

- the Chief Executive Officer and General Manager (CEO/GM), the Deputy General Manager (DGM), the Executive Vice President (EVP), the Senior Vice President
- Employees with total remuneration greater than € 500.000 in the last year
- Employees included within 0,3% of staff with the highest remuneration at local level
- Employees whose remuneration is within the remuneration ranges of senior management and other Identified Staff
- Other selected roles (including new hires)

The total estimated number of beneficiaries is around 10.

**ELEMENTS OF THE 2015 SYSTEM**

(a) 2015 System provides for the same approach adopted in 2014 (based on the "bonus pool approach") for determining variable remuneration to be paid in 2016. The link between profitability, risk and reward is guaranteed by linking directly bonus pool with company results (at Group and local level), cost of capital and risk profiles relevant for the Group as stated in the Group Risk Appetite Framework.

(b) The bonus pool will be defined on the basis of local and Group performance and assigned to employees according to individual performance.

(c) The 2015 System aims to attract, retain and motivate the beneficiaries and to align FinecoBank incentive system to the most recent national and international regulatory requirements and provides for:

- allocation of a variable incentive defined based on available bonus pool, individual performance evaluation, internal benchmark for specific roles and ratio between fixed and variable component set by the Ordinary Shareholders' Meeting;
- definition of a balanced structure of upfront (done at the moment of performance evaluation) and deferred payments, in cash and/or in shares;
- distribution of share payments, coherently with the applicable regulatory requirements regarding the application of share retention periods. In fact the payment structure defined requires a retention period on shares (of 2 years for upfront shares and of 1 year for deferred shares;
- risk-adjusted metrics in order to guarantee long-term sustainability with respect to company's financial position and to ensure compliance with regulatory expectations;
- *malus* clause (Zero Factor) applies in case specific thresholds (profitability, capital and liquidity) are not met at both Group and local level. In particular, the bonus pool of 2015 will be zeroed, while previous systems deferrals could be reduced

from 50% to 100% of their value, based on final effective results and dashboards assessments done by CRO and CFO .

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

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

- In 2016 the first instalment of the overall incentive (“1st instalment”) will be paid in cash, in absence of any individual values / compliance breach, considering also the gravity of any internal/external findings (i.e. Audit, Bank of Italy, Consob and/or analogous local authorities);
- over the period 2017-2021 the remaining amount of the overall incentive will be paid in several instalments in cash and/or Fineco free ordinary shares; each further tranche will be subject to the application of the Zero Factor for the year of allocation and in absence of any individual values / compliance breach, considering also the gravity of any internal/external findings (i.e. Audit, Bank of Italy, Consob and/or analogous local authorities);

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

(g) The percentages of payments in cash and shares are defined considering beneficiary categories, as described in the following table:

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| EVP & above and other Identified Staff with bonus >500K[1] | 20% cash | 10% cash | 20% shares | 10% shares | 10% shares | 20% cash + 10% shares |
| SVP & other Identified Staff with bonus <500K | 30% cash | 10% cash | 30% shares | 10% cash + 10% shares | 10% shares | - |

*(h)* Furthermore, in coherence with 2014, it is provided the introduction of a specific minimum threshold[2] below which deferral mechanism would not apply.

(i) The 2015 System can also be offered during the hiring process of outside employees, in the event that new hires are already beneficiaries of deferral incentive plans (known as “bonus buy-out”). In this circumstances, the payment scheme that would

[1]Including direct reports to strategic supervisory, management and control bodies and other Identified Staff as required by local regulation.
[2] Equal to € 75.000.

be offered will reflect the scheme defined by previous employers, in accordance to local Regulators.

(j) The number of shares to be allocated in the respective instalments shall be defined in 2016, on the basis of the arithmetic mean of the official market price of Fineco ordinary shares during the month preceding the Board resolution that evaluates 2015 performance achievements. The allocation of a maximum number of 496.816 Fineco ordinary shares is proposed, representing about 0,08% of FinecoBank share capital, of which a maximum n° of 27.100 Fineco ordinary shares devoted to the payment of so-called "bonus buy-out".

(k) The free Fineco ordinary shares to be allotted will be freely transferable.

### CHANGES TO THE 2015 SYSTEM

In order to guarantee the compliance with regulatory and legal dispositions (also in fiscal area), to ensure the implementation of the 2015 System, the Chairman and the Chief Executive Officer will be granted every opportune power to implement, also separately, some adaptations to the 2015 System that do not change substantially the content of resolution of Board of Directors and Shareholders' Meeting, also via alternative solutions that fully comply with the principles of 2015 System and allow achievement of the same results (e.g. a different percentage distribution of the various instalments of payments; a different period of deferral; a retention on granted shares; extension of 2015 System application to other beneficiaries considered as equivalent to Identified Staff; using a trust company; paying an equivalent amount in cash in lieu of granting shares; to be determined on the basis of the market value of Fineco shares, considering the arithmetic mean of the official market price of ordinary shares during the month preceding each Board resolution to execute the actual grant).

It is understood that these amendments will be adopted in any case in accordance with the applicable provisions and in particular as provided by the Regulation "Regulations on remuneration and incentive policies and practices of banks and banking groups".

## 2. SHARES REQUESTED FOR THE 2015 INCENTIVE SYSTEM

The issue of Fineco free ordinary shares necessary for the execution of the 2015 System, as in the past, will be performed in compliance with section 2349 of the Civil Code and will be object of a delegation of power of attorney to the Board of Directors, in compliance with section 2443 of the Civil Code.

Accordingly, the extraordinary session of today's Shareholders' Meeting will be asked to approve the proposal to delegate to the Board of Directors the related power of attorney.

For the issuance of Fineco ordinary shares to service the 2015 System the proposal will be submitted to the Extraordinary Shareholders' Meeting to transfer the powers of attorney to the Board of Directors as allowed by section 2443 of the Italian Civil Code, to proceed with the capital increase in accordance with the provisions of section 2349 of the

Civil Code for a maximum nominal amount of € 131.159,49 (attributable entirely to capital at €0,33 per share, equal to the par value), corresponding to up to 397.453 Fineco ordinary shares with a par value of €0,33 each, with the same characteristics as those in circulation with regular dividend entitlement.

Related to section 2443 of Civil Code that provides that the Directors can exercise the right to carry out a free capital increase for a maximum period of five years starting from the date when the Shareholders' Meeting resolution providing the delegation of power has been registered and therefore, until 2020, in order to assign last share instalment provided for 2021 it will be necessary to submit to a future Shareholders' Meeting approval a proposal aimed at integrating the delegation of power already provided to the Board of Directors so that the implementation of 2015 System can be completed.

The allocation of free ordinary shares needed for the execution of 2015 System shall be done using the special reserve known as "Provisions Linked to the Medium-Term Incentive System for the staff of FinecoBank" which, if case, may be restored or increased via allocation of profits or a portion of available statutory reserves, formed from the distribution of company profits that shall be identified by the Board of Directors at the moment of share issuance.

In case the amount of the "Provisions Linked to the Medium-Term Incentive System for the staff of FinecoBank" does not allow the issuance (full or partial) of Fineco ordinary shares to service the 2015 System, an equivalent amount in cash will be allocated to the beneficiaries, determined in base of arithmetic mean of the official market price of Fineco ordinary shares during the month preceding the Board resolution that evaluates performance achievements 2015.

Dear Shareholders,

If you agree with the above proposal, you are invited to approve it by adopting the following resolutions:

"The Ordinary Shareholders' Meeting of FinecoBank S.p.A., having heard the Board of Directors' proposal,

RESOLVES

1. to adopt the 2015 Incentive System which provides for the allocation of an incentive, in cash and/or Fineco free ordinary shares, to be performed by May 2021, to selected FinecoBank beneficiaries in the manner and terms described above;
2. to confer to the Chairman and the Chief Executive Officer and General Manager, also separately, every opportune power of attorney to implement the present resolution and the documents which represents part of it, also rendering any amendments and/or integrations which should be necessary to enact the present deliberations of today's Shareholders' Meeting (not changing substantially the content of the resolution).

# ORDINARY SHAREHOLDERS' MEETING

**Item no. 6 on the Agenda**

**DIRECTORS' REPORT**

**2015 INCENTIVE SYSTEM FOR THE FINANCIAL ADVISORS BELONGING TO IDENTIFIED STAFF**

Dear Shareholders,

We have called this Ordinary Shareholders' Meeting to request your approval of the 2015 Incentive System for Financial Advisors, providing for the allocation of an incentive, in cash and/or in Phantom shares, to be granted in a multi-year period to selected Financial Advisors of FinecoBank belonging to Identified Staff, in accordance with the modalities described below.

This proposal has been formulated in compliance with the provisions of section 114-bis of Decree 58 dated February 24$^{th}$, 1998, and in accordance with the provisions set forth by Consob with reference to incentive plans based on financial instruments assigned to corporate officers, employees or collaborators; for this purpose, a document describing the details of the incentive system has been prepared pursuant to section 84-bis of the Consob Regulation no. 11971/99 and subsequent amendments, and has been made available to the public under the terms of law and reference is made to detailed description of the incentive system described in this report.

The proposal is also aligned with the Compensation Policy of FinecoBank, the provisions issued by Bank of Italy on remuneration and incentives policies and practices, and the direction set by the European Directive 2013/36/EU (Capital Requirements Directive, also known as CRD IV), and by EBA (European Banking Authority) guidelines. With this regards, it should be recalled that FinecoBank, in respect of these provisions, has determined the adoption of a ratio between the non-recurring and the recurring component of the remuneration equal to 2:1 within the period specified by the transitional provisions of Bank of Italy mentioned above (first half of 2016).

## 1. 2015 INCENTIVE SYSTEM 2015 FOR THE FINANCIAL ADVISORS BELONGING TO IDENTIFIED STAFF

### GOALS

The 2015 Incentive System for Financial Advisors belonging to Identified Staff (hereinafter also the **"2015 PFA System"**) aims to retain and providing incentives to the beneficiary

Advisors, taking into account the objectives of growth in the medium and long term, in a general framework of overall sustainability.

**BENEFICIARIES**

The potential beneficiaries of the 2015 PFA System, identified in line with the criteria issued by Commission Delegated Regulation (EU) no. 604/2014 of March 4th, 2014 are:

- Financial Advisors with total remuneration (recurring and non-recurring) exceeding €750,000 in the last year and with an impact on the risk profiles of the Bank;
- Financial Advisors/Area Managers who coordinate a structure which is connected to a total portfolio equal to or greater than 5% of total assets associated with the network and with an impact on the risk profiles of the Bank;

The total estimated number of beneficiaries is 6.

**ELEMENTS OF THE 2015 PFA SYSTEM**

(l) The 2015 PFA System - in addition to attracting, retaining and motivating the beneficiaries - confirms the alignment of FinecoBank with the latest national and international regulatory requirements by providing:

- the allocation of an incentive based on mechanisms of sustainability with regard to the results;
- the definition of a balanced structure of “upfront” (done at the moment of performance evaluation) and “deferred” payments, in cash and Phantom shares (hereinafter also the “instruments”);
- the distribution of payments in Phantom shares, coherently with the applicable regulatory requirements regarding the application of instruments retention periods. In fact, the payment structure defined requires a retention period on Phantom shares (of 2 years for the “upfront” payment and of 1 year for “deferred” payment);
- a *malus* clause (Zero Factor) applies in case specific conditions for access are not met. In particular, the bonus relating to the 2015 performance will be zeroed.

(m) Incentive payout shall be made over a multi-year period (2016-2020), as indicated below, and provided that the agency relationship of the beneficiaries is in place at the time of each payment:

- In 2016 the first instalment of the overall incentive (“1st instalment”) will be paid in cash, in absence of any individual values / compliance breach , considering also the gravity of any internal/external findings (i.e. Audit, Bank of Italy, Consob and/or analogous local authorities);
- over the period 2017-2020 the remaining amount of the overall incentive will be paid in several instalments in cash and/or Phantom shares; each further instalments will be subject to the application of the Zero Factor for the year of

allocation and in absence of any individual values / compliance breach, considering also the gravity of any internal/external findings (i.e. Audit, Bank of Italy, Consob and/or analogous local authorities);

(n) The percentages of payments in cash and Phantom shares are defined as illustrated in the following table:

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Financial Advisors belonging to Identified Staff | 30% cash | 10% cash | 30% Phantom shares | 10% cash + 10% Phantom shares | 10% Phantom shares |

(o) It's foreseen a specific minimum threshold[3] below which deferrals and instruments will not be applied.

(p) The number of Phantom shares to be allocated with the third, fourth and fifth instalments will be defined in the year 2016, on the basis of the arithmetic mean of the official closing price of the shares on each trading day at the electronic stock market organised and managed by Borsa Italiana S.p.A. in the period from the day preceding the date of the resolution by the Board of Directors that evaluates 2015 performance achievements to the same day in the previous month (both inclusive).

(q) In addition at the time of effective payment of each instalment, the number of Phantom shares granted will be converted to cash based on the arithmetic mean of the official closing price of the shares of each trading day at the electronic stock market organised and managed by Borsa Italiana S.p.A. in the month prior to the resolution by the Board of Directors approving the payment.

(r) The estimated IAS cost of the Plan is about €1.5 million over the entire period assuming a performance reaching a maximum level. This cost could decrease to 0 or increase in light of the movement in the share price relative to the Phantom share proportion.

### CHANGES TO THE 2015 PFA SYSTEM

In order to guarantee the compliance with the regulatory and legal dispositions (also in fiscal area), to ensure the implementation of the 2015 PFA System, the Chairman and the Chief Executive Officer will be granted every opportune power to implement, also separately, some adaptions to the 2015 PFA System that do not change substantially the content of the resolution of Board of Directors and Shareholders' Meeting, also via alternative solutions that fully comply with the principles of 2015 PFA System and allow achievement of the same results (e.g. a different percentage distribution of the various instalments of payments; a different period of deferral; a retention on granted shares;

[3] Equal to € 75.000.

extension of 2015 PFA System application to other beneficiaries considered as equivalent to Identified Staff).

It is understood that these amendments will be adopted in any case in accordance with the applicable provisions and in particular as provided by the New Regulations.

\- - -

Dear Shareholders,

If you are agree with the above proposal, you are invited to approve it by adopting the following resolutions:

“The Ordinary Shareholders’ Meeting of FinecoBank S.p.A., having heard the Board of Directors’ proposal,

RESOLVES

3. to adopt the 2015 Incentive System for Financial Advisors belonging to Identified Staff which provides for the allocation of an incentive, in cash and/or Phantom shares, to be performed by July 2020, to selected beneficiaries among the Financial Advisors of FinecoBank, in the manner and terms described above;
4. to confer to the Chairman and the Chief Executive Officer and General Manager, also separately, every opportune power of attorney to implement the present resolution and the documents which represents part of it, also rendering any amendments and/or integrations which should be necessary to enact the present deliberations of today’s Shareholders’ Meeting (not changing substantially the content of the resolution).

# <u>EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING</u>

**Items no. 1 and 2 on the Agenda**

**DIRECTORS' REPORT**

1. **Amendments to Article 6 of the Articles of Association in accordance with the Supervisory Provisions on remuneration policies and practices in Banks.**
2. **Delegation to the Board of Directors, under the provisions of section 2443 of the Civil Code, of the authority to resolve, on one or more occasions for a maximum period of five years starting from the date of the Shareholders' resolution, to carry out a free capital increase, as allowed by section 2349 of the Civil Code, for a maximum amount of Euro 131,159.49 (to be allocated in full to share capital at Euro 0.33 per share, corresponding to the nominal value per share), corresponding to up to 397,453 Fineco ordinary shares with a nominal value of Euro 0.33 each, with the same characteristics as those in circulation and with regular dividend entitlement, to be granted to the Personnel of FinecoBank in execution of the 2015 Incentive System; corresponding updates of the Articles of Association.**

Dear Shareholders,

We have called this Extraordinary Shareholders' Meeting to submit for your approval the proposal to amend Article 6 of the Articles of Association of FinecoBank in conformity with the new Bank of Italy supervisory provisions on remuneration and incentives policies and practices implementing Directive 2013/36/EU of June 26th, 2013 (Capital Requirements Directive or CRD IV).

Moreover, you are summoned to an Extraordinary Shareholders' Meeting to submit for your approval the proposal to delegate authority to the Board of Directors, pursuant to section 2443 of the Civil Code, to increase the share capital pursuant under section 2349 of the Civil Code (granting of free ordinary shares to employees of FinecoBank) in order to implement the 2015 Incentive System (hereinafter the "2015 System") submitted to the approval of today's ordinary session of the Shareholders' Meeting. We also submit for your approval the consequent amendments required to the Articles of Association.

## 1. AMENDMENTS TO ARTICLE 6 OF THE ARTICLES OF ASSOCIATION

On November 18th, 2014, Bank of Italy issued the new supervisory provisions on "Remuneration and incentive policies and practices" for banks and banking groups (VII Update of November 18th, 2014, of Bank of Italy Circular no. 285) aiming at implementing the new provision to transpose the new provisions introduced by Directive 2013/36/EU and the international regulatory inputs.

These provisions include some re-wordings to the text published by the Authority for consultation purpose on December 2013 and the re-wording of some of the powers entrusted to the Ordinary Shareholders' Meeting. In particular, the current regulation provides that: (i) the Shareholders, within the ordinary session, shall approve the criteria for determining the compensation to be granted in the event of early termination of employment or early retirement from office, (ii) the Articles of Association shall state the quorum required for the approval by the Ordinary Shareholders' Meeting of the proposal to set a higher ratio than 1:1 (but no more than 2:1) between the variable and the fixed component of staff remuneration.

In light of the above, it is proposed to amend Article 6 of the Articles of Association, including also small formal changes. Changes submitted to Shareholders' approval are shown in the synoptic table below.

| CURRENT TEXT | PROPOSED AMENDMENT |
|---|---|
| **TITLE IV of the Shareholders' General Meeting** | |
| Article 6 | Article 6 |
| 1. The Shareholders' General Meeting, duly constituted, is the body that expresses the Company's will through its resolutions. | 1. The Shareholders' General Meeting, duly constituted, is the body that expresses the Company's will through its resolutions. |
| 2. The Shareholders' General Meeting meets in ordinary or extraordinary sessions, according to the law and may be held at the company headquarters or another place that is indicated in the notice convening the meeting, provided it is within the territory of the Italian state. | 2. The Shareholders' General Meeting meets in ordinary or extraordinary sessions, in accordance with the law and may be held at the company headquarters or another place that is indicated in the notice convening the meeting, provided it is within the territory of the Italian state. |
| 3. The operating modes of the Shareholders' General Meeting are governed by specific Regulations. | 3. The operating modes of the Shareholders' General Meeting are governed by specific Regulations. |
| 4. The Ordinary Shareholders' General Meeting is convened at least once a year within one hundred and twenty days from the end of the company's financial year to deliberate on issues for which the law and the Articles of Association make it responsible. | 4. The Ordinary Shareholders' General Meeting is convened at least once a year within one hundred and twenty days from the end of the company's financial year to deliberate on issues for which the law and the Articles of Association make it responsible. |
| 5. In particular, the Ordinary Shareholders' General Meeting, besides establishing the remuneration of members of the bodies it has appointed, approves: (i) the remuneration policies in favour of the Board of Directors, employees and other staff not bound to the Company by an | 5. In particular, the Ordinary Shareholders' General Meeting, besides establishing the remuneration of members of the bodies it has appointed, approves: (i) the policies on remuneration and **incentives for members of the bodies with strategic supervision,** |

| | |
|---|---|
| employment agreement; (ii) any compensation plans based on financial instruments; (iii) the compensation agreed in the event of early termination of employment or early retirement from office, including the limits laid down in those fees in terms of the annual fixed remuneration. | **management and control functions and for other personnel**; (ii) **remuneration plans based on financial instruments**; (iii) **the criteria for determining the compensation to be granted in the event of early termination of employment or early retirement from office, including the limits laid down on this amount in terms of the annual fixed remuneration and the maximum amount that results from their application.** |
| 6. The Ordinary Shareholders' General Meeting, upon approval of the remuneration policies, has the faculty to determine a ratio between the variable and fixed remuneration of individual staff members higher than 1:1 but not exceeding the ratio of 2:1, namely the lowest ratio fixed by law or regulation, in force at the time. The Shareholders' General Meeting may exercise such powers after verifying the existence of the conditions provided by law for the approval of the decision and with the majority provided by the applicable law. | 6. Also, the Ordinary Shareholders' General Meeting, upon approval of the remuneration policies, has the faculty to determine a ratio between the variable and fixed remuneration of individual staff members higher than 1:1 but not exceeding the ratio of 2:1 **provided that the proposal can be considered validly adopted:**<br>• **with the favourable vote of at least 2/3 of the company share capital represented at the meeting, in the event that the Shareholders' General Meeting is constituted with at least half of the company share capital;**<br>• **with the favourable vote of at least 3/4 of the company share capital represented at the meeting, regardless of the company share capital with which the Shareholders' General Meeting is constituted.** |
| 7. The Shareholders' General Meeting must be provided with adequate information on the implementation of remuneration policies. | 7. The Shareholders' General Meeting must be provided with adequate information on the implementation of remuneration policies.<br><br>**8. The Extraordinary Shareholders' General Meeting is convened whenever necessary to resolve upon any of the** |

| | |
|---|---|
| | **matters reserved for it by law.** |

This proposed amendment to the Articles of Association shall not constitute condition for the exercise of withdrawal rights by ordinary and preferred Shareholders, pursuant to section 2437 of the Civil Code.

## 2. DELEGATION FOR CAPITAL INCREASE TO SUPPORT THE 2015 INCENTIVE SYSTEM

It has been submitted to the approval of today's Ordinary Shareholders' Meeting the 2015 System based on financial instruments, in order to align shareholders' and management interests, reward long term value creation, share price appreciation and motivate and retain key resources of FinecoBank.

The 2015 System aims to incentive in a multi-year period the following employees: Chief Executive Officer and General Manager (CEO/GM), Deputy General Manager (DGM), Executive Vice President (EVP), Senior Vice President (SVP), employees with total remuneration greater than € 500,000 in the last year, employees included within 0.3% of staff with the highest remuneration, employees whose remuneration is within the remuneration ranges of senior management and/or other Identified Staff and other selected roles (including new hires). The total estimated number of beneficiaries is around 10.

Individual bonuses will be allocated to the beneficiaries of 2015 System based on available bonus pool, individual performance evaluation, bonus reference for specific roles and bonus cap as defined by the Ordinary Shareholders' Meeting.

Overall incentive payout shall be done over a multi-year period (2016-2021) in a balanced structure of "upfront" (following the moment of performance evaluation) and deferred payments, in cash and in shares, subject to continuous employment at each date of payment:

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|
| EVP & above and other Identified Staff with bonus >€500K[4] | 20% cash | 10% cash | 20% shares | 10% shares | 10% shares | 20% cash + 10% shares |
| SVP & other Identified Staff with bonus <€500K | 30% cash | 10% cash | 30% shares | 10% cash + 10% shares | 10% shares | - |

The number of shares to be allocated in the respective instalments shall be defined in 2016, on the basis of the arithmetic mean of the official market price of Fineco ordinary shares during the month preceding the Board resolution that evaluates 2015 performance achievements (the maximum number of shares to service the 2015 System is estimated at 496,816).

[4]Including direct reports by the bodies with strategic supervision, management and control functions and other Identified Staff if required by local regulations

Considering the number of beneficiaries and the total number of financial instruments to be allocated, the optimal method identified to service the 2015 System is the resolution – on one or more occasions - by the Board of Directors upon power of attorney delegated by this Shareholders' Meeting under section 2443 of the Civil Code, of a free capital increase, as allowed by section 2349 of the Civil Code, within five years of the date of the Shareholders' resolution, for a maximum amount of € 131,159.49 (attributable entirely to capital at € 0.33 per share, equal to the par value), corresponding to up to 397,453 Fineco ordinary shares with a nominal value of € 0.33 each, with the same characteristics as those in circulation, with a regular dividend entitlement, to be granted to the above mentioned employees of FinecoBank, in execution of the 2015 System. In compliance with section 2349 of the Civil Code, the consequent amendments to the Articles of Association are submitted to today's Shareholders' Meeting.

Being understood that, under the provision of section 2443 of the Civil Code, the power of attorney to the Board of Directors for capital increase can't have a duration higher than five years from the date of the registration of relevant Shareholders' resolution, in order to complete the execution of 2015 System - having a 6-years duration - it will be submitted to one of the future Shareholders' Meetings approval the proposed assignment of a further power of attorney to the Board of Directors for capital increase to service the above mentioned 2015 System through the allocation of a maximum overall number of 99,363 of Fineco ordinary shares, corresponding to a capital increase of a maximum of € 32,789.79.

It is highlighted that a maximum number of Fineco ordinary shares equal to 27,100 will be destined to so called "bonus buy-out" to be paid to possible new hires who are entitled to receive previous incentive plans assigned by previous Employer. The payout scheme offered in such cases will mirror the one as defined by the previous Employer and in any case in compliance with actual regulations.

The capital increases would be carried out using the special reserve known as "Provisions Linked to the Medium-Term Incentive System for the staff of FinecoBank" set up for this purpose which, if case, may be increased via allocation of profits or a portion of available statutory reserves, formed from the distribution of company profits that shall be identified by the Board of Directors at the moment of share issuance.

In case it would not be possible to proceed with the issuance (full or partial) of the Fineco ordinary shares to service the 2015 System (including the case in which the amount of the "Provisions Linked to the Medium-Term Incentive System for the staff of FinecoBank" would not be sufficient), an equivalent amount in cash will be allocated to the beneficiaries, determined on base of arithmetic mean of the official market price of Fineco ordinary shares during the month preceding the Board resolution that evaluates results achieved in 2015.

Should the aforementioned delegation of power of attorney be exercised to its maximum amount, the newly issued shares would represent an overall 0.08% of existing share capital (0.08% considering the maximum number of shares equal to 496,816 which include also the 99,363 shares for the allocation of the last instalments in shares in 2021).

| CURRENT TEXT | PROPOSED AMENDMENT |
|---|---|
| **TITLE II SHARE CAPITAL - SHARES - BONDS** | |
| Article 5 | Article 5 |
| 1. The fully subscribed and paid-up share capital amounts to Euro 200,150,191.89 (two hundred million, one hundred and fifty thousand, one hundred and ninety-one euros, eighty-nine cents), divided into 606,515,733 (six hundred and six million, five hundred and fifteen thousand, seven hundred and thirty-three) ordinary shares with a nominal value of Euro 0.33 (thirty-three cents) each. | 1. (unchanged text) |
| 2. The share capital may be increased by way of a shareholders' resolution, through the issuance of shares, also bearing various rights, in compliance with legal requirements. In the event of an increase in share capital through a rights issue, the pre-emptive rights of shareholders may be excluded, limited to ten percent of the pre-existing share capital, provided that the issue price of the new shares corresponds to the market value of those already outstanding and that this is confirmed by a special report prepared by the appointed independent auditors. | 2. (unchanged text) |
| 3. Ordinary shares are registered shares. | 3. (unchanged text) |
| 4. The shares are indivisible and in the event of joint ownership they shall be regulated according to law. | 4. (unchanged text) |
| 5. The extraordinary Shareholders' Meeting may resolve upon the allocation of profits to the employees of the Company in accordance with current regulations. | 5. (unchanged text) |

| | |
|---|---|
| 6. The Shareholders' service address for their dealings with the Company shall be the address stated in the Shareholders' registry. | 6. (unchanged text) |
| 7. The status of shareholder implies unconditional acceptance of the deed of incorporation and of the articles of association. | 7. (unchanged text) |
| 8. The Board of Directors, shall be empowered, pursuant to Article 2443 of the Civil Code, for a period of five years starting from the beginning of the negotiation on the Italian regulated market, to increase the share capital, free of charge – in one or more tranches – to implement the employee incentive schemes approved by the ordinary Shareholders' Meeting held on June 5, 2014, for a maximum amount of Euro 1,155,000.00 (entirely attributable to capital for Euro 0.33 per share, equal to the nominal unit value), issuing a maximum number of 3,500,000 new ordinary shares having a nominal value of Euro 0.33 each, with the same characteristics as those outstanding, with regular dividend rights, by assigning the corresponding maximum amount of profit and/or profit reserves resulting from the last financial statements in question approved pursuant to Article 2349 of the Civil Code, according to the terms, conditions and methods provided for in the incentive schemes. The Board of Directors, in partial execution of the authority granted in accordance with Article 2443 of the Civil Code by the Extraordinary Shareholders’ Meeting of 5 June 2014, resolved on 9 February 2015 to increase the share capital by a nominal Euro 79,761 (seventy-nine thousand, seven hundred and sixty-one) corresponding to | 8. (unchanged text) |

| | |
|---|---|
| 241,700 (two hundred and forty-one thousand, seven hundred) ordinary shares with a nominal value of Euro 0.33 (thirty-three cents) each, to service the implementation of employee incentive plans. | 9. The Board of Directors has the right, pursuant to Article 2443 of the Civil Code, to resolve - one or more times and for a maximum period of five years from the date of the shareholders' resolution dated ________ 2015, a free increase in share capital, pursuant to Article 2349 of the Civil Code, for a maximum amount of € 131,159.49 (attributable entirely to capital at € 0.33 per share, equal to the par value), with the issue of up to 397,453 new Fineco ordinary shares with a nominal value of € 0.33 each, with the same characteristics as those in circulation, with regular dividend entitlement, to be granted to the Staff of FinecoBank, which covers key positions for the achievement of the overall objectives in execution of the 2015 System" |

It should be noted that the amendments to the Articles of Association of FinecoBank submitted to the approval of today Shareholders' Meeting are subject to the measure of examination by the Bank of Italy pursuant to the provisions of Article 56 of Legislative Decree no. 385/93.

Dear Shareholders,

in relation to the above, considering as approved by today's ordinary Shareholders' Meeting the adoption of the 2015 Incentive System, you are invited to approve the following resolution:

"The Extraordinary Shareholders' Meeting of FinecoBank S.p.A., having heard the Board of Directors' proposal,

RESOLVES

1. to approve the amendment to Article 6 of the Articles of Association with the following new text:

*"1. The Shareholders' General Meeting, duly constituted, is the body that expresses the Company's will through its resolutions.*

*2. The Shareholders' General Meeting meets in ordinary or extraordinary sessions, according to the law and may be held at the company headquarters or another place that is indicated in the notice convening the meeting, provided it is within the territory of the Italian state.*

*3. The operating modes of the Shareholders' General Meeting are governed by specific Regulations.*

*4. The Ordinary Shareholders' General Meeting is convened at least once a year within one hundred and twenty days from the end of the company's financial year to deliberate on issues for which the law and the Articles of Association make it responsible.*

*5. In particular, the Ordinary Shareholders' General Meeting, besides establishing the remuneration paid to the bodies it has appointed, approves: (i) the policies on remuneration and incentives in favour of members of the bodies with functions of strategic supervision, management and control and other personnel; (ii) remuneration plans based on financial instruments; (iii) the criteria for determining the compensation to be granted in the case of early termination of employment or early retirement from office, including limits set on this amount in terms of annual fixed remuneration and the maximum amount that results from their application.*

*6. Also, the Ordinary Shareholders' General Meeting, upon approval of the remuneration policies, has the authority to agree a relationship between the variable and fixed component of the remuneration of individual staff members higher than 1:1 but not exceeding the ratio of 2:1 provided that the proposal is considered to be validly adopted:*

- *with the favourable vote of at least 2/3 of the share capital represented at the Shareholders' General Meeting, in the event that the Shareholders' General Meeting is constituted with at least half of the share capital;*
- *with the favourable vote of at least 3/4 of the share capital represented at the Shareholders' General Meeting, regardless of the share capital with which it is constituted.*

*7. The Shareholders' General Meeting must be provided with adequate information on the implementation of remuneration policies.*

*8. The Extraordinary General Meeting is convened whenever necessary to resolve upon any of the matters reserved for it by the law in force."*

2. to grant the Board of Directors, under the provisions of section 2443 of the Civil Code, the authority to resolve, on one or more occasions for a maximum period of five years from the date of Shareholders' resolution, to carry out a free capital increase, as allowed by section 2349 of the Civil Code, for a maximum amount of € 131,159.49 (attributable entirely to capital at Euro 0.33 per share, equal to the par value), corresponding to up to 397,453 Fineco ordinary shares with a nominal value of Euro 0.33 each, with the same characteristics as those outstanding, with regular dividend entitlement, to be granted to

employees of FinecoBank, who hold positions of particular importance for the purposes of achieving the Bank's overall objectives in execution of the 2015 System approved by today's Ordinary Shareholders' Meeting. Such an increase in capital shall be carried out using the special reserve known as "*Provisions Linked to the Medium-Term Incentive System for the staff of FinecoBank*" set up for this purpose which, if case, may be increased via allocation of a portion of profits or available statutory reserves, formed from the distribution of company profits that shall be identified by the Board of Directors at the moment of share issuance;

3. further to the resolution passed in point 2, to insert a new paragraph in clause 5 of the Articles of Association with the following text:

   "The Board of Directors has the power, under the provisions of section 2443 of the Civil Code, to resolve, on one or more occasions for a maximum period of five years starting from the Shareholders' resolution dated ________ 2015, to carry out a free capital increase, as allowed by section 2349 of the Civil Code, for a maximum amount of € 131,159.49 (attributable entirely to capital at € 0.33 per share, equal to the par value), corresponding to up to 397,453 Fineco ordinary shares with a nominal value of € 0.33 each, with the same characteristics as those in circulation, with regular dividend entitlement, to be granted to employees of FinecoBank, who hold positions of particular importance for the purposes of achieving the Bank's overall objectives in execution of 2015 System";

4. to delegate to the Board of Directors all the necessary powers for issuing the new shares;

5. give to the Chairman and to the Chief Executive Officer and General Manager, also separately, every opportune powers of attorney to:

   (i) provide for implementing the above resolutions under terms of law;

   (ii) accept or adopt all amendments and additions (not changing substantially the content of the resolutions) which should be necessary for registration at the Register of Companies;

   (iii) proceed with the deposit and registration, under terms of law, with explicit and advanced approval and ratification;

   (iv) make the consequent amendments to Article 5 of the Articles of Association, relating to the amount of share capital, as well as to count the new paragraph of clause 5 of the Articles of Association passed in point 3 above.