

16G.06

CA Auto Bank
Regulation
“Risk assets and conflicts of interest with related parties”

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Sequences of updates

Version nr.	Date	Amendments	Approved by
1	27/11/2013	First issue	Board of Directors FCA Bank S.p.A.
2	13/2/2015	<ul style="list-style-type: none"> - Tasks attributed to the Independent Directors assigned to the Risk & Audit Committee - Fine tunings of definitions (Small amounts and Ordinary Transactions) following the July-2014 BoD decision - Fine tunings of processes (Information flows to BoD and Statutory Auditors and rules in case of transactions operated by the companies outside the Banking Group). 	Board of Directors FCA Bank S.p.A.
3	25/3/2022	<p>Update applicable Italian normative (Circ. 285/2013, update no. 33)</p> <ul style="list-style-type: none"> - Update roles R&AC/independent directors - Abstention of shareholders and directors in case of conflict of interest (ch. 3) - Integration ordinary transactions (ch. 3.6.2) - Fine tuning approval process (ch. 3.6.1 and 3.7) - Introduction new chapter 6 “Approval process summary tables” 	Board of Directors FCA Bank S.p.A.
3.1	04/04/2023	Update layout and company name	Finance HQ & Italy – Accounting and Regulatory Reporting

1. Background

1.1 Introduction

The “Provisions on risk assets and conflicts of interests of banks and banking groups with related parties” (as supplemented by the 33th update of June 23, 2020 in Circular no. 285 of December 17, 2013 - New provisions on prudential supervision for banks; Part III - Chapter 11) are designed to safeguard against the risk that the proximity of certain parties to the bank’s decision-making centres might compromise the objectivity and impartiality of the process to approve loans for, and other transactions with, these parties, thereby giving rise to distortions in the capital allocation process, exposure for the bank to inadequately measured or controlled risks and potential losses for depositors and shareholders.

To this end, special attention is paid to dealings between the bank and its related parties, such related parties being company officers, shareholders and companies or entities controlled by, or subject to the significant influence of the Parent Bank or any other company of the Banking Group.

To this end, Bank of Italy sets out the following safeguards against risks for the Banking Group and its individual members with respect to related parties:

1. **Prudential limits** for risk assets of the banking group with related parties.
2. Specific **decision-making procedures** designed to preserve the proper allocation of capital and to protect third parties against predatory conduct.
3. Specific guidance on **organizational arrangements and internal controls** that make it possible to identify the responsibilities of officers and governance bodies and the tasks of company functions to prevent and manage conflicts of interest.

CA Auto Bank S.p.A., in its capacity as Parent Company, adopts these rules to govern the procedures intended to preserve the integrity of decision-making processes in transactions with related parties (as defined herein below) carried out by CA Auto Bank and the Group’s banking and non-banking components.

Every change to the present regulation must be approved by the Board of Directors, after the issuance of a suitability opinion by the Risk and Audit Committee (R&AC) and the Board of Statutory Auditors (Collegio Sindacale), binding for the Board resolution.

In particular, the present regulation indicates:

- The related parties of the CA Auto Bank Group;
- The criteria to record the transactions;
- The prudential limits;
- The rules for the approval phase;
- Any exceptions or exemptions;

- The safeguards applicable to transactions carried out in case they give rise to losses, non-performing loans and mandatory or amicable settlements;
- Internal controls in place to monitor risk assets.

1.2 Normative framework

The rules on related party transactions address the processes of analysis and approval of the transactions, reports to officers and to the board of directors and internal controls.

The main normative applicable is contained in Circular 285 of December 17, 2013 - Part III, Chapter 11 (33th update of June 23, 2020).

Such rules are part of a broader frame of reference whose purpose is to regulate interests. Thus, account should be taken, but not be limited to, the following:

- IASB - IAS/IFRSs, particularly IAS 24, governing the recognition in the Company's statements of exposures to related parties.
- Rules on equity investments that can be held by banks (Bank of Italy and CICR).
- Article 136 TUB (Consolidated Law on Banking - Obligations of bank officers).
- Civil Code: obligations on directors' interests and related party transactions provided for by articles 2391 and 2391 bis of the Civil Code.

1.3 Definitions

Pursuant to Circular 285, Part III, Chapter 11, for the purposes of this Regulation, the following definitions apply:

CA Auto Bank Group (hereinafter the “Group”)

CA Auto Bank S.p.A. (hereinafter the “Company”) and the companies directly and indirectly controlled by it.

Banking Group

The perimeter of the banking group, which includes CA Auto Bank S.p.A., and:

- Subsidiary banking and financial companies (whether supervised or not);
- The special purpose vehicles (SPVs) used for securitization transactions.

The banking group does not include the non-financial companies (insurance, reinsurance and commercial companies).

Related parties

Related parties of the CA Auto Bank Group include:

- a) Company officers,
- b) The shareholder,
- c) The person/entity, other than the shareholder, capable of appointing, alone, one or more members of the management board or the supervisory board, also on the basis of any agreement, howsoever entered into, or bylaws clauses regarding the exercise of such rights or powers;
- d) A company or a firm, including those that are not incorporated, which is controlled by, or subject to the significant influence of, the Company or a company belonging to the Banking Group.

Non-financial related party

A related party engaged mainly, directly or through subsidiaries, in non-financial business activities, as defined by rules and regulations on equity interests that can be held by banks and banking groups. A non-financial business is a related party whenever assets other than banking, financial and insurance assets exceed 50% of total assets.

This concept applies also to the shareholder and any related party that is an investment company which might be qualified as a non-financial company pursuant to the above rules and regulations on equity interests that can be held by banks.

Other related parties - Connected entities and persons

Connected persons and entities include parties related to CA Auto Bank and/or another Group company:

- Companies and entities, including those that are not incorporated, controlled by a related party;
- Entities controlling a related party or direct or indirect subsidiaries of this related party;
- Close family members of a related party and companies or businesses controlled by such close family members.

Associated parties

A related party and its connected entities and persons are referred to “associated parties” to CA Auto Bank and the Group companies and are all governed by the quantitative and procedural conditions provided for by Bank of Italy.

Control

Pursuant to article 23 TUB: the cases provided for by article 2359, first and second paragraphs, of the Italian civil code; control deriving from contracts or bylaws provisions on, or resulting in, the power to exercise direction and coordination; cases of control in the form of dominant influence.

Control includes situations of joint control, which is understood to mean joint control of a business activity as determined by contract. In this case, controlling entities include:

- a) Entities that can exercise decisive influence over the company’s financial and strategic decisions;
- b) Other entities capable of influencing the management of the company on the basis of the equity interests held, arrangements entered into in any way, bylaws clauses relating to, or resulting in, the possibility to exercise control.

Control matters also when it is exercised indirectly, through subsidiaries, fiduciary companies, bodies or nominees. Companies and firms controlled by jointly controlled entities are not considered indirectly controlled.

Significant influence

The power to participate in the decision-making process over the financial and operating policies of an investee without controlling it.

Significant influence is assumed whenever an investor has a direct or indirect equity interest of at least 20 percent of the shares outstanding or the voting rights in shareholder meetings or other equivalent body of the investee, or 10% in the case of companies listed on a regulated exchange.

In case of equity interests lower than the above thresholds, specific research is required to determine the existence of a significant influence, in the presence of the indicators illustrated below and taking account of any other significant circumstances:

- i. The investor is represented in senior management or the board of directors of the investee; in accordance with the rules on issuers of shares listed on regulated exchanges, representation by a director elected by non-controlling interests is not an indicator of significant influence;
- ii. Participation in the strategic decision-making activities of a company, especially when the investor’s voting rights are a key factor in the decisions of the body of shareholders on financial statements, profit allocation, reserve distribution, without giving rise to a joint control situation;
- iii. The existence of significant transactions - within the meaning of “transactions of greater importance” as defined in this Section -, the exchange of management personnel, the provision of essential technical information.

Significant influence matters also when it is exercised indirectly, through subsidiaries, fiduciary companies, bodies or nominees.

Companies and firms controlled by jointly controlled entities are not considered subject to significant influence.

Officers and directors

Persons who perform management, direction and control activities in the Company. In the current system of traditional management and control, the definition includes directors and statutory auditors, as well as the general manager and anybody who serves in a position equivalent to that of general manager.

Close family members

Second-degree relatives, spouse or live-in partner of a related party, and the related party's children.

Independent directors

These are the Directors who are not counterparties or related parties or who have no interests in transactions with related parties, pursuant to art. 2391 of the Italian Civil Code, and who are in possession of the requirement of independence as defined in the D.M.E.F. 23/11/2020 nr. 169 in implementation of Article 26 of the TUB.

Risk assets

Net exposures as defined by pursuant to the rules on risk concentration.

Exposures

Exposure is the sum of all assets (on-balance-sheet and off-balance-sheet) with a customer or a group of related customers, as defined by rules and regulations on credit and counterparty risks, without the application of the risk weights provided for therein. Exposures do not include assets deducted from Own Funds and trading book assets which, for supervisory purposes, are subject to market risk capital requirements.

Concerning assets not subject to limitations (as per Circular no. 263, Title V, Chapter 1, Section II), limits to concentration risk do not apply to financing, including lease contracts, approved and not yet finalized or otherwise to financing contracts that are not yet effective.

Moreover, limits do not apply to temporary risk assets arising from fund transfers, set-off, settlement and custody of financial instruments (see Supervision Rules, Section II, Paragraph 2, which recall the provisions on concentration risks under Title V, Chapter 1, Section II, paragraph 4 of the same Circular).

The exemption applies also to intraday exposures to supervised intermediaries and other entities headquartered in another State of the European Union subject to market supervision, as per Circular no. 285.

Related party transactions

Related party transaction is considered the transaction with related party when it gives rise to the creation of risk assets, transfer of resources, services or obligations, regardless of a compensation, including mergers and spinoffs.

Transactions **excluded** from the scope of the present procedure (in accordance with the Regulation) include:

- i. those between members of the banking group when there is a full control relationship between them, including joint control;
- ii. the compensation paid to the corporate officers, when this is in compliance with the supervisory provisions on bank incentive and compensation mechanisms;
- iii. Intra-group transfers of funds and collateral used to manage consolidated liquidity risk;
- iv. the transactions to be carried out on the basis of instructions for stability purposes issued by the European Central Bank or the Bank of Italy, or on the basis of the parent Company's instructions, implementing instructions received from the European Central Bank or the Bank of Italy, to ensure the stability of the Group.

Transactions of greater importance

Transactions with related parties where the transaction value exceeds 5% of consolidated own funds, calculated using the "Equivalent-value relevance ratio" (as described in Circular 285, Part III, Chapter 11, Annex B), and for mergers, acquisitions and spinoffs, according to the procedures indicated in the item "asset relevance ratio" of the before mentioned annex.

Where transactions are homogenous or they are part of a single plan and performed during the fiscal year with the same related party, then the company calculates their value on a cumulative basis for the purposes of computing the relevance threshold.

Transactions for smaller amounts

These are transactions that do not entail any significant risk for investors, even though they are carried out with a related party.

In particular, a transaction for a smaller amount, taken individually, does not exceed €500.000, in accordance with the requirement of 0,05% of Own Funds.

Transactions of lesser importance

Related party transactions other than those of greater importance and those for smaller amounts.

Ordinary transactions

Ordinary transactions are transactions of lesser importance with related parties that form part of the bank's ordinary operations, that are concluded at market conditions or at standard conditions, and that are performed at arm's length.

To identify such transactions, account is taken of the following: the transaction is part of the bank's ordinary transactions, the objective nature of the applicable terms and conditions, simplicity of the contract's terms and conditions, small quantitative relevance of the transaction, type of counterparty.

The specific criteria for ordinary transactions are set by the Board of Directors.

1.4 Scope of the Regulation

These rules address the transactions carried out with related parties, as defined in paragraph 1.3, including off-balance-sheet transactions, such as supply contracts and business relations.

Specifically, the quantitative limits (Chapter 2) apply to transactions that give rise to risk assets while the decision-making procedures (Chapter 3) regulate all types of related party transactions.

In this context, in compliance with the Group Code of Conduct, the organizational structures of the group and the internal control system must firstly ensure compliance with the prudential limits and decision-making procedures established by this regulation, and secondly pursue the objective of preventing and correctly managing potential conflicts of interest in any relationship with related parties.

With regard to this aspect, individuals are particularly relevant such as: corporate officers, "key personnel" pursuant to the group incentive and remuneration policy, employees and company collaborators, with reference to their possible personal, financial or family interests, or to political exposure.

Without prejudice to the above, the provisions of this Regulation do not apply to loans extended due to specific employment arrangements, such as assignment of II and III car and “tax loans for secondment abroad”.

These loans provided by the Bank qualify as ordinary transactions, as they are characterized, among others, by standard terms and conditions extended to certain employee categories of the Group, simplicity of the contract and the small amount financed.

All subsidiaries are required to adopt this Regulation, with the appropriate adjustments, to make it consistent with prevailing local conditions and the applicable rules.

2. Limits in the assumption of risk assets with related parties

2.1 Prudential limits

The assumption of risk assets in a related party transaction should be kept within the quantitative limits set by the applicable regulations in terms of percentage of the Banking Group's consolidated Own Funds.

These limits are:

- Differentiated depending on the types of related parties;
- Proportionate to the closeness of the relationship and the extent of the resulting risks in terms of sound and prudent management;
- Stricter for non-financial related parties, due to the greater degree of risk implicit in the conflicts of interest between bank and industry.

In taking on risk assets in a related party transaction, CA Auto Bank is required to comply, at the banking consolidated level, with the percentages of consolidated Own Funds, indicated below:

- Transaction with a non-financial related party, including any connected entity:
 - a) 5 per cent if the related party is:
 - a company officer;
 - a controlling shareholder or a person/entity capable of exercising significant influence;
 - b) 7.5 per cent if the related party is:
 - a shareholder other than those under a);
 - a person, other than the shareholder, capable, alone, of appointing one or more officers or members of the governance bodies;
 - c) 15 per cent in the other cases.
- Transaction with another related party, including any connected entity:
 - d) 5 per cent if the related party is a company officer;
 - e) 7.5 per cent if the related party is a controlling shareholder or a person capable of exercising significant influence;
 - f) 10 per cent if the related party is a:

- a shareholder other than those under e);
 - a person, other than the shareholder, capable, alone, of appointing one or more officers or members of the governance bodies;
- g) 20 per cent in the other cases.

Within the limits established, the Company may take risk assets against the same set of related parties - regardless of financial or non-financial related party - within the limit of 20 percent of the individual Own Funds.

For the calculation of the individual limit, the Company considers its risk assets to the set of related parties identified at the Group level.

	Company officers	Controlling shareholders or persons/entities capable of exercising significant influence	Other shareholders and persons other than shareholders	Entities subject to control or significant influence
Consolidated limits	5%	Non-financial related parties		
		5%	7.50%	15%
		Other related parties		
		7.50%	10%	20%
Single limit	20%			

2.2 Calculation procedure

Risk assets are weighted on the basis of factors that take into account the risk associated with the counterparty's nature and any credit protection mechanisms.

Use is made of risk weights and the conditions to adopt risk mitigation techniques indicated in the rules on risk concentration apply; these rules are intended to limit instability risks deriving from the default of a single customer or a group of related customers with which a bank has a significant exposure relative to its Own Funds, as per Part III, Chapter 11, Section II.

Risk assets related to transactions between companies belonging to the Banking Group are excluded.

3. Decision-making procedures

This Regulation establishes specific decision-making procedures designed to supplement prudential limits, aimed at preserving the correct allocation of capital and providing adequate protection to third parties.

They apply to all the companies of the CA Auto Bank Group and all the types of business transactions.

In particular, the companies that are part of the Banking Group are required to apply the rules provided for in paragraphs 3.1 - 3.6 and summarized at purely illustrative character in chapter 6.

On the other hand, related party transactions carried out by the subsidiaries that do not belong to the Banking Group are governed by paragraph 3.7 “*Related party transactions by subsidiaries not belonging to the banking Group*”.

Shareholders and directors must refrain from resolutions in which they have a conflicting interest, on their own behalf or on behalf of third parties (see Article 53, paragraph 4, of the TUB).

The Board of Statutory Auditors must comply with the tasks and duties established in general by the civil and banking regulations for the Board itself and, in particular, with the obligation to report immediately to the Bank of Italy the acts or facts of which it becomes aware in the exercise of their duties that may constitute an irregularity in the management of the bank or a violation of the rules governing banking activities (see Article 52 of the TUB).

3.1 Pre-approval phase

In the pre-approval phase, the Company’s Risk & Audit Committee are given, at a very early stage in the process, full and adequate information on the different aspects of the transaction to be reviewed. The information package must show:

- Counterparty,
- Type of transaction,
- Terms and conditions,
- Advantages for the company,
- Impact on the interests of the parties involved,
- Reasons for the application,
- The risks for the Company.

The R&AC is called upon to point out any shortcoming or inadequacy that came to the fore during the pre-approval phase to the competent decision makers.

In the case of transactions of greater importance, only the independent directors (and not the whole Risk & Audit Committee) are involved in the negotiation phase and in the credit analysis phase by receiving full and timely reports, thanks also to the authority to request information and to make remarks to the competent functions and to the persons in charge of negotiations or credit analysis.

3.2 Decision-making phase

The decision-making body for the transactions hereunder – whether of greater or lesser importance - is the **Company’s Board of Directors**. The Company’s Board of Directors approves also such related party transactions as are entered into by subsidiaries - provided that such transactions are authorized by the board of directors of the subsidiary - in accordance with this Regulation and in keeping with the applicable laws of the countries where the subsidiaries are located.

In relation to specific types and limited transactions related to the ordinary activities of the company (paragraph “*Ordinary transactions*”), the Board of Directors may delegate its decision-making duties to other persons, with the obligation of providing a full report.

Following the review of the information package on the related party transaction, the **Risk & Audit Committee** (or, in case of operation of greater amount, only the **independent directors**) will provide a prior, reasoned and non-blinded opinion on the company’s interest in the transaction, on the attractiveness and substantive fairness of its terms and conditions to the Company’s Board of Directors.

The resolution with the approval of the transaction must include:

- The reason why this is a related party transaction;
- The appropriateness and attractiveness of the transaction for the bank;
- Any other related party transaction entered into with the counterparty recently;
- Any risk profile;
- The reasons for any changes in terms and conditions and other typical aspects of the transaction, compared to standard or market terms and conditions;
- Documentary evidence supporting the reason for adopting the resolution.

In case of a negative or a qualified opinion by the Risk and Audit Committee (or in case of operations of greater importance, of independent directors), the following apply:

- The resolution must include a detailed explanation of the reasons why the transaction is approved anyway and must contain an accurate description of the Risk & Audit Committee or, in the cases when it’s foreseen, only of the independent directors’ remarks;
- For *transactions of greater importance*:

- A prior opinion should be requested also to the Board of Statutory Auditors, which should be given sufficient and timely information on the transaction. If also this Board provides a negative or a qualified opinion, the resolution must include a detailed explanation of the reasons why the transaction is approved anyway and must contain an accurate description of the remarks.
- In addition, the related party transactions of greater importance which received a negative or qualified opinion by the independent directors or the board of statutory auditors are brought to the knowledge of the Shareholders during the general meeting at least once a year.

The Company issued the “04G.01.12. *Approval process for Related Party transactions procedure*” that defines the approval process for related parties transactions and the relevant reports to the parent Company.

3.3 Post-approval phase

Interim - annual reports

The requiring functions provide to the Finance function - which prepares an annual report for the Board of Directors, the R&AC and the Board of Statutory Auditors - a report with aggregate figures:

- On the execution of related party transactions which, due to their ordinary status, did not undergo the approval procedure under chapter 3;
- On the execution of transactions with or between subsidiaries and companies subject to significant influence, which did not undergo the approval procedure under chapter 3 as the transaction did not involve significant interests of other related parties.

This report must include:

- The description of the main characteristics, aspects, terms and conditions of the transactions;
- Details of the related parties with which transactions were entered into;
- The reasons for - and the operating, financial and cash flow impact of - the transactions;
- The opinion provided by independent experts;
- The reasons why, on a given transaction, any negative opinion of the Risk & Audit Committee was not shared, or in the cases provided for by the independent directors.

3.4 Framework resolutions

In case of the adoption of framework resolutions relating to several homogeneous and sufficiently determined transactions, the rules established in the preceding paragraphs apply to the framework resolutions and not to the individual transactions.

A full report on the implementation of the framework resolutions must be given to the Board of Directors at least every quarter.

Framework resolutions cannot cover a period longer than one year.

3.5 Transactions under art. 136 TUB (Obligations of bank officers and directors)

Transactions falling within the scope of article 136 TUB¹ (Obligations of bank officers and directors) are subject to:

- i. In the pre-approval phase, the rules under paragraph 3.1 *Pre-approval phase* on the preliminary information provided to Risk & Audit Committee;
- ii. In the approval phase, to the rules on the content of the resolution under paragraph 3.2. *Approval phase*, in addition to the formal requirements provided for by article 136 TUB, without any prior opinion of the Risk & Audit Committee.

3.6 Exemptions and exceptions

The types of transaction listed below are exempted, in whole or in part, from the procedures described in paragraphs from 3.1. to 3.3.

3.6.1. Transactions for smaller amounts

As indicated in paragraph 1.3., transactions for smaller amounts are transactions, taken singularly, for amounts not greater than €500,000.00 (five hundred thousand/00).

The **CEO & General Manager** and the **Chief Financial Officer**, disjointly from each other, are authorized to sign, on behalf of the Company, contracts with shareholders and all of the Company's related parties for amounts not exceeding €50,000 per single contract in case of new contracts, and

¹ Article 136 TUB, paragraph 1: "Anyone who carries out administrative, management and control functions at a bank may not contract obligations of any kind or carry out transactions, directly or indirectly, with the bank that administers, directs or controls, unless after a resolution of the administrative body taken unanimously with the exclusion of the vote of the representative concerned and with the favorable vote of all the members of the control body, without prejudice to the obligations provided for by the civil code regarding the interests of directors and related party transactions. The board of directors has the right to delegate the approval of the transactions referred to in the previous periods in compliance with the procedures provided therein".

not exceeding €500,000 in case of renewals of existing contracts, as well as to take any appropriate or necessary step, with an obligation to report every years to the Board of Directors.

Even though they qualify as transactions for smaller amounts, new contracts for sums exceeding €50.000 and lower than €500.000 are approved by the **Board of Directors**.

Transactions for smaller amounts approved by the Board of Directors are not subject to any review obligation by the Risk & Audit Committee, in a departure from the procedures described under paragraph 3.1 and, partly, under paragraph 3.2.

With reference to transactions for smaller amounts proposed by **subsidiaries**, the CEO Legal Entity / Branch Manager of such companies has the authority to sign contracts with shareholders and any related party for the above amounts (less than €50.000 in case of new contracts and less than €500,000 in case of renewals of existing contracts), with the obligation to report at least every six months to the Chief Financial Officer and to the Head of Risk & Permanent Control.

The decision-making body for new contracts exceeding €50.000 and lower than €500.000 is the body with the strategic supervision function of the subsidiary, without prejudice to the need for a binding favorable assessment, expressed with a specific resolution by the Board of Directors of the Company (as Parent Company), according to the regulations of the country in which it is located.

3.6.2. Ordinary transactions

For ordinary transactions, as defined in paragraph 1.3, the approval phase provides that the Board of Director is required to adopt a resolution on the “ordinary” nature of the transaction.

Ordinary transactions do not require the prior opinion of the Risk & Audit Committee, in a departure from the procedures described under paragraphs from 3.1 to 3.3.

The Board of Directors delegated the CEO & General Manager and the Chief Financial Officer, disjointly from each other, with the authority to sub-delegate, the power to execute ordinary transactions and transactions of lesser importance with related parties, with the obligation to report periodically to the Board of Directors.

All transactions carried out in the Bank’s and its subsidiaries’ recurring operational and financial activities are considered ordinary:

- Loan agreements;
- Incoming and payment services;
- Derivative contracts to hedge and manage currency and interest rate risks;
- Factoring contracts;
- Transactions to implement securitization transactions;

- Transactions related to promotional campaigns launched by companies of the Group and of CA Consumer Finance Group;
- Purchases of vehicles used by Group employees or intended for business activities carried out by the Group;
- Operative leasing agreements for vehicles with associated companies when they imply a potential loss on residual value lesser than Euro 2 million;
- Vehicles rental agreements with associated companies as part of company car benefit programs.

In addition, adequate information must be given also to the Risk & Audit Committee, at least once a year, also in aggregate form, to ensure adequate monitoring of these transactions, for any corrective steps.

3.6.3. Transactions with or between subsidiaries and with companies subject to significant influence when there are no significant interests of other related parties in the transaction

For these transactions adequate information must be given to the Risk & Audit Committee once a year, to ensure their adequate monitoring and allow any corrective steps.

3.7. Related party transactions by subsidiaries not belonging to the banking Group

With reference to related party transactions carried out by companies not belonging to the banking group, there are not procedural obligations on the part of Risk & Audit Committee (or when the case of independent directors) and the procedures described in paragraphs from 3.1 to 3.3 don't apply, as required by Circular 285.

In compliance with the principles expressed in the JV Agreement, the **CEO Legal Entity / Branch Manager** has the power to sign contracts with shareholders and any related party, for amounts less than €50.000 in the case of new contracts and less than €500.000 in the case of renewals of existing contracts, as well as contracts relating to ordinary transactions as described above (paragraph 3.6.2), regardless of the amount but within the limits of the approved budget.

For all other transactions (contracts exceeding €50.000 per single contract in case of new contracts and exceeding €500.000 in case of renewals of existing contracts), the decision-making body is the one with the **strategic supervision function of the subsidiary**, without prejudice to the need for a binding favourable evaluation, expressed with a specific resolution, by the Board of Directors of the

Company (in its function as Parent Company), according to the regulations of the country in which it is located.

For all transactions, disclosure is required at least every six months to the Chief Financial and to the Head of Risk & Permanent Control.

4. Completed transactions which give rise to losses, non-performing loans, mandatory or amicable settlements

For related party transactions that give rise to losses, non-performing loans, court proceedings, mandatory or amicable settlements, specific safeguards are put in place to ensure the integrity and transparency of the decisions made. Specifically, the position is submitted to the Risk & Audit Committee for a mandatory, non-binding opinion, in the manner described in the paragraph on decision-making procedures.

5. Controls, roles and responsibilities

Organizational structures and the internal control system guarantee constant compliance with the prudential limits and the decision-making procedures established by law.

They also have to pursue the objective, in keeping with a sound and prudent management approach, of preventing and managing properly any potential conflict of interest in related party dealings.

The Parent Company approves and reviews at least every three years the internal policies on controls over risk assets and conflicts of interest with related parties.

In particular, internal control policies:

- Identify the activities and the types of transaction which can give rise to conflicts of interest;
- Set level of risk propensity consistent with the Group's strategic profile and organizational characteristics;
- Create and regulate the organizational processes intended to identify and survey all related parties, including their connected entities, and to identify and quantify the relevant transactions at every stage of development;
- Create and regulate control processes intended to measure and manage risks with related parties.

5.1 Roles and responsibilities

The correct measurement and management of the risks assumed towards the related parties, are subject to verification by the first, second and third level control structures, based on the skills attributed by the company regulations and procedures.

Within the scope of the control activities over risk assets and conflicts of interest with related parties, the roles and responsibilities outlined below will apply.

Corporate Affairs & Process Governance updates the list of related parties, making the information available to all the concerned departments.

Risk and Permanent Control monitors global and operational limits, with support from operating departments (Dealer Financing, Credit, Finance - ALM & Finance Projects, Finance - Consolidated & Regulatory Reporting, Finance - Treasury) to gather the necessary information, in order to measure and control the Group's exposure to the different types of risk falling within their purview; in addition, it checks compliance, at the 2.2 degree, of the limits assigned to the different structures and operational units.

Compliance, Supervisory Relations & Data Protection checks the existence and reliability of procedures and systems suited to ensure compliance with all regulatory requirements and all the obligations provided for by internal rules and regulations requiring, where necessary, the change/supplementation of the processes in place.

Internal Audit verifies compliance with internal policies, reports promptly any anomalies in the body with control function and in the bodies top management of the bank, and periodically reports to the corporate bodies about the exposure of the bank or banking group to the risks deriving from transactions with related parties and other conflicts of interest, if necessary suggests revisions of the internal policies and organizational and control structures deemed suitable for strengthening the monitoring of these risks.

The Chief Accounting Officer (CAO) ensures compliance with the obligations regarding supervisory reporting at consolidated and individual level.

In addition, the Chief Accounting Officer is responsible for collecting all the requests for related party transactions coming from the various functions and for managing the approval process, in accordance with the provisions of this Regulation.

Every function and organizational unit involved in the process, or the **requiring function**, is required, in performing its activities, to check first of all whether the transactions that it is reviewing entail the

assumption of risk assets and/or transactions with related parties. The requiring function has to determine whether such asset complies with the prudential limits indicated above or is otherwise allowed on the basis of the risk propensity set for the Group.

In addition, the requiring function is responsible for starting the process to authorize related party transactions, providing adequate documentation to the Chief Accounting Officer, according to the operational procedures.

In terms of procedures, **all the Group companies** establish suitable operational procedures that allow monitoring all the related parties, record the relevant changes and monitor the performance and total amount of the related risk assets, ensure that the Parent Company is in a position to check compliance with the consolidated limit on risk assets with related parties; ensure suitable reporting both within and outside the Group.

6. Approval process summary tables

1. Related party transactions by subsidiaries belonging to the banking Group (Circular 285 of December 17, 2013 - Part III, Chapter 11)

TYPE OF TRANSACTIONS		THRESHOLD MIN (K/000)	THRESHOLD MAX (K/000)	APPROVAL FUNCTION	OPINION R&AC	OPINION INDEP. DIRECTORS
TRANSACTIONS OF GREATER IMPORTANCE		>= 5% Cons. Own Funds	N.A	BoD HQ	NO	YES + involvement in negotiations
TRANSACTIONS OF LESSER IMPORTANCE	NOT ORDINARY	>500	<5% Cons. Own Funds	BoD HQ	YES	NO
	ORDINARY (as per BoD resolution)	>500	<5% Cons. Own Funds	- CEO or CFO (HQ) - CEO Legal Entity / Branch Manager	NO	NO
TRANSACTIONS OF SMALLER AMOUNT	NEW CONTRACTS	>50	<=500	BoD HQ or BoD Legal Entity*	NO	NO
	NEW CONTRACTS	0	<=50	- CEO or CFO (HQ) - CEO Legal Entity / Branch Manager	NO	NO
	RENEWAL	0	<=500	- CEO or CFO (HQ) - CEO Legal Entity / Branch Manager	NO	NO

* need for a binding favorable assessment, expressed with a specific resolution by the Board of Directors of the Company (as Parent Company).

2. Related party transactions by subsidiaries NOT belonging to the banking Group (JV Agreement)

TRANSACTIONS	THRESHOLD MIN (K/000)	THRESHOLD MAX (K/000)	APPROVAL FUNCTION	OPINION R&AC	OPINION INDEP. DIRECTORS
NEW CONTRACTS	>50		CdA Legal Entity*	NO	NO
	0	<=50	CEO Legal Entity / Branch Manager	NO	NO
RENEWAL	>500		CdA Legal Entity*	NO	NO
	0	<=500	CEO Legal Entity / Branch Manager	NO	NO

* need for a binding favorable assessment, expressed with a specific resolution by the Board of Directors of the Company (as Parent Company).