

REGULATION

ON RISK ASSETS AND CONFLICTS OF INTEREST WITH RELATED PARTIES

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The controlling version of this document is the Italian one which will always prevail in case of conflicts.

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1 BACKGROUND

1.1 Introduction

The “Provisions on risk assets and conflicts of interests of banks and banking groups with related parties” (AS supplemented in Circular no. 263 – New provisions on prudential supervision for banks; Title V – Chapter 5) 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, Banca d’Italia 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.

FCA 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 hereinbelow) carried out by FCA Bank and the group’s banking and non-banking components.

In particular, the rules indicate:

- The related parties of the FCA 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 Regulatory framework of reference

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

As mentioned, these rules are contained mainly in Circular 263, Title V, Chapter 5.

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 of exposures to related parties.
- Rules on equity investments that can be held by banks (Banca d'Italia and CICR).
- Article 136 TUB (Consolidated Law on Banking) (Obligation 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 263, Title V Chapter 5, for the purposes of these rules, the following definitions apply:

FCA Bank Group (hereinafter the "Group")

FCA 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 FCA Bank S.p.A., and

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

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

Related parties

Related parties of the FCA 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, a company of 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 FCA 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 FCA Bank and the Group companies and are all governed by the quantitative and procedural conditions provided for by Banca d’Italia.

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 include directors that fulfil the independence requirements under article 2399 of the Italian civil code, first paragraph, sub-paragraphs b) and c), and do not fall in the non-independence cases indicated under “Criteria”, in article 3 of the Corporate Governance Code for listed companies.

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 regulatory capital 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. 263.

Related-party transactions

Related-party transactions are considered as effected when they give rise to: (i) the creation of risk assets and (ii) transfers of resources, services or obligations, regardless of any consideration agreed upon, including mergers and spinoffs, as well as capital increases, excluding pre-emption rights in favour of a related party.

Transactions that do not fall within the scope of this Regulation include:

- i. those between members of a 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 performed on the basis of the parent Company's instructions, implementing instructions received in turn from Banca d'Italia, to ensure the stability of the group;
- v. transactions for smaller amounts (as defined hereinbelow).

Transactions of greater importance

Transactions with related parties where the transaction value exceeds 5% of consolidated supervisory capital, calculated using the "Equivalent-value relevance ratio", as described in Circular 263, Title V, Chapter 5, Annex B. For mergers, acquisitions and spinoffs, the "asset relevance ratio" applies, as calculated in accordance with Circular 263 of Banca d'Italia, Title V, Annex B.

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.

A transaction for a smaller amount, taken individually, does not exceed €500,000, in accordance with the requirement of 0.05% of supervisory capital.

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 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 amount; 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.

This document does 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.

Furthermore, in accordance with the Group's Code of Conduct, all the decisions made on behalf of the FCA Bank Group must be made in the best interest of the FCA Bank Group. Therefore, directors, managers, other employees and other addressees of the Code must avoid any possible conflict of interests (or even create the impression of a conflict of interests), particularly with reference to personal, financial or family interests (e.g. the existence of business or financial participating interests in suppliers, customers or competitors; improper benefits deriving from the role played within the Group; ownership or trading of securities etc.) that might influence (or appear to influence) the independence of a decision-maker in his assessment of the FCA Bank Group's best interest and the most appropriate way to pursue that interest.

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 regulatory capital.

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, FCA Bank is required to comply, at the banking consolidation level, with the percentages of consolidated supervisory capital 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 regulatory capital.

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 other persons 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 regulatory capital, as per Title V, Chapter 1, Section III.

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, so as to foster the proper allocation of capital and provide adequate protection to third parties.

They apply to all the companies of the FCA 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. 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”.

The Risk & Audit Committee is responsible for performing the tasks assigned to the Independent Directors by Banca d’Italia on related-party transactions.

3.1 Pre-approval phase

In the pre-approval phase, the Company’s independent directors 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,
- attractiveness for the company,
- impact on the interests of the parties involved,
- reasons for the application,
- the risks for the Company.

The independent directors are called upon to point to 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, the independent directors 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.

The Company institutes an operational procedure for the approval of the transactions carried out by the subsidiaries and the relevant reports to the parent.

In relation to specific types and limited transactions related to the ordinary activities of the company (paragraph 3.6.2 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 independent directors will provide a prior reasoned 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 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 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.

3.3 Post-approval phase

Interim – quarterly reports

Initiating functions submit proposals to the Finance function, which in turn prepares a quarterly report for the Board of Directors and the Board of Statutory Auditors – with a breakdown by approving body - which provides details of the execution and main characteristics of the related-party transactions for which a prior opinion was requested to the Independent Directors.

Interim – annual reports

The initiating functions provide to the Finance function – which prepares an annual report for the Board of Directors 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 independent directors was not shared.

3.4 Framework resolutions

Sufficiently standardized, repetitive transactions may be approved through framework resolutions, which are adopted on the basis of terms and conditions indicated in advance.

In particular, for the purposes of the distinction between applicable procedures (greater and lesser importance transactions), the Group takes into account the predictable maximum cumulative amount indicated in the resolution. The single transactions conducted under such framework resolutions are not subject to the rules governing the cases described above.

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 of time 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 TUB (*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 independent directors;
- 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 Independent Directors.

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 Chief Financial Officer and Deputy General Manager is 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 the case of new contracts, and 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. To this end, the Board of Directors gave the CEO specific authority to grant the FO the relevant powers.

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 Independent Directors, in a departure from the procedures described under paragraph 3.1 and, partly, under paragraph 3.2.

As to transactions for smaller amounts by subsidiaries, the Managing Directors of such companies have the authority to sign contracts with shareholders and any related party for the above amounts (€50,000 in case of new contracts and up to €500,000 in case of renewals of existing contracts), but with the obligation to report at least every six months to the Chief Financial Officer and Deputy General Manager and the Head of Risk & Permanent Control.

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 Independent Directors, in a departure from the procedures described under paragraphs 3.1, 3.2 and 3.3.

The Board of Directors delegated to the Managing Director and the Chief Financial Officer, severally, 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 recurring operational and financial activities are considered ordinary:

- loan agreements;
- 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 FCA Group and its associates;
- purchases of cars used by Group employees or intended for business activities carried out by the Group.

In addition, adequate information must be given also to the independent directors, at least in the aggregate and once a year, 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

For transactions with or between subsidiaries and for those with companies subject to significant influence, when the transaction does not involve significant interests of other related parties, adequate information must be given to the independent directors 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 non-banking group companies, no review procedure by the Independent Directors is required, in a departure from all the procedures described in paragraphs 3.1, 3.2 and 3.3.

The Managing Directors of subsidiaries not included in the banking group have the authority to sign contracts with shareholders and any related party for the above amounts (€50,000 in case of new contracts and up to €500,000 in case of renewals of existing contracts), but with the obligation to report at least every six months to the Chief Financial Officer and Deputy General Manager and the Head of Risk & Permanent Control.

Contracts for amounts greater than the above must be approved by the Company's Board of Directors, following an approval resolution adopted by the board of directors of the subsidiary, in accordance with the rules and regulations of the country where the subsidiary is located.

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 Independent Directors for a mandatory, non-binding opinion, in the manner described in the paragraph on decision-making procedures.

5 CONTROLS, ROLES, RESPONSIBILITIES

Organizational arrangements 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 manager risks with related parties.

5.1 Roles and responsibilities

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.

The **office of the Secretary of the Board of Directors** updates the list of related parties, including their connected entities, making the information available to all the Group companies.

Risk and Permanent Control monitors global and operational limits, with support from operating departments (Dealer Financing, Credit, Accounting, 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 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 reports promptly any anomalies to the Board of Statutory Auditors and the Board of Directors; it reports periodically to management on the bank's and the banking

Group's overall exposure to risks arising from related-party transactions and other conflicts of interest.

The Chief Accounting Officer ensures compliance with the required submission of individual and consolidated supervisory returns.

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 function involved in the process, or the **initiating 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 initiating 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 initiating 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 make it possible to survey all the related parties; to record the relevant changes and to monitor the performance and total amount of the related risk assets; to ensure that the Parent Company is in a position to check compliance with the consolidated limit to risk assets with related parties; to guarantee suitable reporting both within and without the Group.