



**Procedure for the management of Transactions with
Associated Persons**

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1 Introduction

The governance of transactions with related parties aims to safeguard the risk that the proximity of certain persons to the decision-making centres of the Bank and its subsidiary companies can compromise the objectivity and impartiality of the decisions relating to the granting of loans and other transactions with the same entities, with possible distortions in the process of allocating resources, the Bank's exposure to risks not adequately measured or protected against, or potential damage to depositors and shareholders. Within this perspective, "related parties" are identified as, first of all, the officers, the main shareholders and other entities who could influence the management of the Bank as they are able to exercise control, including jointly with others, or a significant influence. Conflict of interest situations can also arise in respect of companies, especially of an industrial nature, controlled or subject to significant influence against which the Bank has significant exposures in the form of loans and equity interests.

A related party and the entities connected with it constitute the perimeter of "associated persons" to which the quantitative and procedural provisions of this framework apply (Procedure for the management of transactions with associated persons).

The first line of defence consists of prudential limits on the risk assets of a bank or of a banking group in dealings with associated persons. The limits are differentiated according to the different types of related parties, proportionately to the intensity of the relationships and to the relevance of the consequent risks for efficient and prudent management. In view of the greater risks relating to conflicts of interest in bank-industry relations, there are more stringent limits for risk assets in dealings with related parties classified as non-financial enterprises. Appropriate deliberative "itinerari" dedicated to transactions with associated persons integrate the prudential limits in order to safeguard the correct allocation of resources and to adequately protect third parties from expropriation conduct. These also apply to financial transactions in addition to those that generate risk assets, thus not covered by the quantitative limits.

Specific guidance on organisational structures and internal controls enable identification of the responsibilities of the bodies and duties of corporate organisational structures in relation to the objectives of prevention and management of conflicts of interest, as well as to the obligations of identification of associated persons and monitoring of exposures.

1.1 Document objectives

This document aims to regulate the procedure for the identification, approval and execution of transactions with Related Parties and relevant Related Parties entered into by the Bank directly or through subsidiary companies, in accordance with:

- a) Article 4 of Consob regulation no. 17221, in implementation of Article 2391-bis (Transactions with Related Parties) of the Italian Civil Code;
- b) Circular 263/06, Title V, Chapter 5 "risk assets and conflicts of interest of banks and banking groups in dealings with associated persons";
- c) Accounting Standard IAS 24 "Related Party Disclosures", with specific regard to the definitions of "Related Party" and "Associated Persons".

1.2 Intended audience

This procedure and the relevant amendments are published on the Bank's website¹ and are intended, to the extent applicable, for all its organisational units, its subsidiary companies and, in light of the provisions contained in Directive 2013/36/EU ("CRD IV") and of EU Regulation no. 575/2016 ("CRR"), for the parent company, La Scogliera S.p.A.

¹ The obligation for publicising remains, including through reference to the website, in the annual management report, pursuant to Article 2391-bis, Italian Civil Code.

1.3 Document management

The procedure is decided by the Bank's Board of Directors, upon the proposal of the Chief Executive Officer, subject to the favourable opinion of the Financial Reporting Officer, of the Risk Management and Internal Control Committee (solely for the independent directors) and of the Board of Statutory Auditors regarding the suitability of the same to achieve the objectives of relevant current regulations. The opinions of the independent directors and of the supervisory body are binding for the purposes of the board resolution.

Any changes in the procedure, necessary and/or appropriate as a result of normative and/or organisational updates, are approved by the Bank's Board of Directors upon a proposal by the Chief Executive Officer, subject to the favourable opinion of both the Risk Management and Internal Control Committee (solely for the independent directors) and of the Board of Statutory Auditors.

In accordance with the above provision, the responsibilities of the document management process phases are divided into the following themes:

Parent Company						Group Companies
Drafting	Validation	Suitability opinion	Approval	Circulation	Archiving	Implementation
<u>Responsibility:</u> Organisational Office <u>Operating Support:</u> Corporate Affairs Compliance <u>Agreement:</u> General Manager	CEO	Risk Management and Internal Control Committee (Independent Directors) Board of Statutory Auditors Financial Reporting Officer	Board of Directors	Organisational Office	Organisational Office	Board of Directors

2 Reference standard

The legal sources considered for the procedure are:

- the Consob Regulation concerning transactions with related parties, adopted with resolution no. 17221 of 12 March 2010 as amended;
- the Circular 263/06, Title V, Chapter 5 "risk assets and conflicts of interest of banks and banking groups in dealings with associated persons";
- the Accounting Standard IAS 24 "Related Party Disclosures".

In addition to those documents, the provisions imposed by the following were taken into account:

- the Italian Civil Code – arts. 2391 (concerning the interests of directors) and 2391-bis (relating to transactions with associated persons);
- Italian Legislative Decree 1st September 1993, no. 385, "Consolidated Banking Law" (TUB);
- Italian Legislative Decree 24th February 1998, no. 58, "Consolidated Financial Act" (TUF).

3 Definitions

For the purposes of the procedure, the following are defined:

Banking group: Banca IFIS S.p.A. and the banking group's subsidiary companies.

Strategic managers: Head of BU Commercial Credits, Chief Financial Officer, Chief Risk Officer.

Corporate officers: Directors, Statutory Auditors and General Manager.

Transactions: Transactions with associated persons that lead to the assumption of risk, transfer of resources, services or bonds, regardless of the expectation of payment, including mergers and splits (excluding strictly proportionate splits, that is, transactions carried out without regard to all the shareholders under equal conditions). The definition of Transactions with Related Parties or Associated Persons is further defined in Chapter 5 of this procedure.

Related Parties: the persons identified according to Chapter 4 of this procedure.

Non-financial Related Party: a related party mainly engaged, directly or through subsidiaries, in corporate non-financial activities as defined under the regulations of shareholdings that can be held by banks and banking groups.

Associated Persons: the persons identified in Chapter 4 of this procedure.

Close Family Members: second-degree relatives and the spouse or non-marital cohabitant of a related party, as well as the children of the latter. Second-degree relatives are grandparents, parents, children and siblings. Also considered close family members are dependants of the person or of the cohabitant.

For persons associated with subsidiary companies in the banking group, where there are proven difficulties in obtaining information, the parent company may exclude second-degree relatives from the definition of "close family members", only considering first-degree relatives; in such case, it will inform the Bank of Italy.

Shareholder: a person who owns at least 10% of the voting rights or of the share capital.

Control, pursuant to article 23 TUB: the cases provided for in article 2359, first and second paragraphs, of the Italian Civil Code; contract and statutory provision control which has as its object or effect the ability to exercise management and coordination activities; cases of control in the dominant influence form. They also define as control the situations of joint control, understood as the contractually established sharing of control over a financial asset. In this case, the following are considered controlling: a) subjects who have the ability to exercise decisive influence over financial and operating decisions of a strategic nature of the company; b) the other entities able to influence the management of the company on the basis of the shareholdings held, under the terms in any form concluded, according to statutory provisions which have as their object or effect the ability to exercise control. Control is also recognised when it is exercised indirectly, through subsidiaries, trust companies, organisations or nominees. Companies and enterprises controlled by entities in turn jointly controlled are not considered indirectly controlled.

Significant influence: the power to participate in the financial and operating policy decisions of an investee company without having control over it. Significant influence is presumed in the case of possession of a holding, direct or indirect, equal to or greater than 20% of the share capital or of the voting rights at the ordinary Shareholders' Meeting or within any other equivalent body of the investee company, or equal to 10% in the case of companies with shares listed on regulated markets.

In case of possession of holdings below the above-mentioned thresholds, the occurrence of one or several of the following circumstances is a significant influence index:

- i. representation on the company's Board of Directors of the investee company; the mere fact of being a member of the Board of Directors representing the minority, as provided for by the regulations for issuers of shares listed on regulated markets, does not in itself constitute a significant influence index;
- ii. participation in policy-making processes, including participation in decisions regarding dividends or another type of profit distribution;
- iii. the presence of significant transactions between the investor and the investee;
- iv. the interchange of managerial personnel;
- v. the provision of essential technical information;

Significant influence is also recognised when it is exercised indirectly, through subsidiaries, trust companies, organisations or nominees. Companies invested in by entities which are, in turn, jointly controlled are not considered indirectly subject to significant influence.

Associated companies: companies in which another company exercises a significant influence are considered as associated (Article 2359, para. 3).

Supervised intermediaries: investment firms, Italian and foreign savings management companies, electronic money institutions (ELMI), financial intermediaries entered in the register imposed by Article 106 of TUB, payment institutions, which are part of a banking group and which have their own individual funds in excess of 2% of the consolidated own funds of the parent group.

Joint Venture: a Joint Venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Executive directors. These are qualified as executive directors of the issuer (the Corporate Governance Code – Application criteria – 2.C.1):

- i. the Chief Executive Officers of the issuer or a subsidiary with strategic importance, including the relevant presidents when these are granted individual management powers or when they perform a specific role in developing corporate strategies;
- ii. directors vested with management duties in the issuer or in a subsidiary with strategic importance, or in a parent company when the role also concerns the issuer;
- iii. directors who are members of the issuer's executive committee (Banca IFIS has not established an executive committee), when a CEO has not been identified or when participation in the executive committee, taking into account the frequency of meetings and the scope of the relevant resolutions, in fact entails the systematic involvement of its members in the issuer's everyday operations.

The assignment of vicarious powers or only for emergencies to directors without management powers does not, in itself, mean they become executive directors, unless such powers are actually exercised with considerable frequency.

In line with the definition provided by the Corporate Governance Code, the Circular of the Bank of Italy no. 285/13, Title IV, Chapter 1 also provides the following definition of executive director:

- a) directors who are members of the executive committee, or who are recipients of proxies or perform, even by mere fact, duties relating to company management;
- b) directors who hold executive positions at the bank, that is, who have the task of supervising certain areas of corporate management, ensuring their constant presence at the company, acquiring information from the relevant operating structures, participating in management committees and reporting to the supervisory body on the activity performed;
- c) directors who perform the duties referred to in a) or the duties stated in b) at any of the banking group companies.

Non-executive directors. These are persons that do not exhibit the characteristics referred to in para. 2.C.1 of the Corporate Governance Code. In particular, they co-participate in the decisions taken by the entire body and are required to perform an important dialectic and monitoring role in relation to the choices made by the executive officers. The authority and professionalism of non-executive directors must be appropriate to the exercise of these functions (dialectic and monitoring of the choices made by the executive officers), crucial to the efficient and prudent management of the Bank. It is therefore essential that the structure of non-executive directors possesses and expresses adequate knowledge of the banking business, of the dynamics of the economic and financial system, of the banking and financial regulations and, above all, of the methods of risk management and control. This knowledge is essential for the effective performance of the duties required of them.

The presence of an adequate number of non-executive members with well-defined roles and responsibilities, who effectively carry out the counterweight function in dealings with executives and with the bank's management, promotes dialogue within the relevant body, especially when a single body is attributed both functions (strategic supervision and management).

Non-executive members, as they are not personally involved in the operational management of the company, may offer an independent and unbiased judgement on the resolution proposals.

Independent Directors. Corporate Governance Code – Article 3 Independent Directors – *Principles*

- a) 3.P.1. An adequate number of non-executive directors are independent, meaning they do not maintain, or have not recently maintained, even indirectly, a close relationship with the issuer or with persons linked to the issuer, of such significance as to influence their independent judgement.
- b) 3.P.2. The independence of directors is evaluated by the Board of Directors after appointment and subsequently on an annual basis. The result of the evaluations of the Board is communicated to the market.

TUF – Article 147-ter, para. 4 – “... at least one of the members of the Board of Directors, or two if the Board of Directors is composed of more than seven members, must meet the independence requirements established for statutory auditors pursuant to Article 148 para. 3...”

TUF – Article 148 para. 3 – The following may not be elected as auditors and, if elected, may not assume office:

- those who fulfil the criteria referred to in article 2382 of the Italian Civil Code;
- the spouse, relatives and in-laws up to the fourth degree of directors of the company; directors, the spouse, relatives and in-laws within the fourth degree of the directors of the companies it controls, of the companies which control it and of those subject to joint control;
- those who are associated with the company or with the companies under its control or with companies that control it or with those subject to joint control, or with the directors of the company and with the entities referred to in letter b) in terms of self-employment or employee relationships or of other relationships of a financial or professional nature that might compromise their independence.

4 Identification of Related Parties and relative Associated Persons

The Bank identifies its Related Parties and the relative Associated Persons according to the declarations made by Company Officers, including those of the subsidiary companies, and by Strategic Managers as well as based on the information obtained from other sources identified in the Technical Annexes to this Procedure. The Company Officers and Executives with strategic responsibilities cooperate with the Bank in order to allow a correct, complete and updated identification and report promptly to the Bank all the necessary information upon the occurrence of circumstances that change the status of Related Parties or Associated Persons.

The Bank maintains a list of its Related Parties and Associated Persons; it also ensures it is updated on a regular basis.

Subsidiary companies refer to the same range of associated persons identified by the Bank for the entire Group.

Associated Parties of the Group include:

- a) the companies over which the Bank or subsidiary companies exercise, directly or indirectly (through subsidiaries, trust funds or nominees), control (including joint control) or significant influence;
- b) joint ventures in which the Bank and/or subsidiary companies participate²;
- c) the shareholder and the person, who is not the shareholder, who is able to appoint, alone, one or several members of the Management Body or of the Strategic Supervision Body, even on the basis of agreements in any form entered into or of statutory provisions which have as their object or effect the exercise of such rights or controls;
- d) the Bank’s company officers and those of subsidiary companies;
- e) the Group’s strategic managers;

² In this regard the IAS 24 accounting standard requires the following:

An entity is associated to an entity that prepares the financial statements if any of the following conditions applies:

- an entity is an associate or joint venture of the other entity (or an associate or joint venture of a group of which the other entity is a member).
- both entities are joint ventures of the same third party;
- an entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- f) the Italian or foreign complementary, collective or individual pension fund, established in favour of the employees of the Bank or of any other entity related to it.

The following are considered as being Associated Persons with the above-mentioned Related Parties:

- g) companies controlled³ by the shareholder referred to in section c), by the company officers mentioned in section d), the strategic managers stated in paragraph e);
- h) close family members of the persons referred to in sections c), d) and e);
- i) the companies over which such close family members exercise control or significant influence.

Associated Persons are those consisting of a Related Party and all persons associated with it.

5 Identification and classification of Transactions with Associated Persons

Transactions with Associated Persons are those which involve the assumption of risk assets, the transfer of resources, services or obligations between the Bank and one or several Associated Persons, regardless of whether a fee is charged, concluded directly or indirectly through subsidiaries. The following are in any case included:

- merger, split by incorporation or strictly non-proportional split operations, if carried out with related parties;
- any decision regarding the allocation of remuneration and financial benefits, in any form, to members of the administrative and control bodies and to executives with strategic responsibilities.

Transactions with Associated Persons include, but are not limited to:

- a) the granting of credit;
- b) conducting banking services (current account, savings deposits, etc.);
- c) contracts of service and/or system maintenance;
- d) asset purchases and sales and property leases;
- e) all acts relating to asset content rights.

Transactions with Associated Persons are split into:

- a) Significant transactions;
- b) Minor transactions.

5.1 Significant Transactions

The following are considered significant Transactions:

- a) all Transactions under the exclusive jurisdiction of the Shareholders' Meeting or of the Board of Directors by law or Articles of Association;
- b) all Transactions not classified as being minor transaction.

However, the Board of Directors is entitled, based on considerations of expediency, to qualify as significant, any Transaction carried out by the Bank or by its subsidiaries.

Significant Transactions are divided into:

- a) Transactions of greater significance;
- b) Transactions of lesser significance.

³ And companies also set up in non-corporate form.

5.1.1 Transactions of greater significance

The Bank considers as being of greater significance those Transactions that exceed the 5% threshold of one of the following indices, applicable depending on the specific transaction:

- a) **Counter value significance index:** this is the ratio between the counter value of the Transaction and the guarantee capital obtained from the most recent consolidated balance sheet published by the Bank.

If the financial conditions of the Transaction are determined, the counter value of the Transaction is:

- i. for the cash components, the amount paid to/by the contractual counterparty;
- ii. for the component consisting of financial instruments, the fair value determined at the date of the Transaction, in accordance with international accounting standards adopted with Regulation (EC) no.1606 / 2002;
- iii. for financing Transactions or Transactions for the granting of guarantees, the maximum amount payable.

Should the economic conditions of the Transaction depend wholly or partly on dimensions not yet known, the Transaction counter value is the maximum amount receivable or payable under the agreement.

- b) **Asset relevance index:** this is the ratio between the total assets of the entity involved in the Transaction and the Bank's total assets⁴. The data to be used must be taken from the most recent consolidated balance sheet published by the Bank; where possible, the same data must be used to determine the total assets of the entity involved in the transaction.

For Transactions of purchase and sale of holdings in companies that have effect on the consolidation area, the value of the numerator is the total assets of the investee, regardless of the percentage of capital being made available.

For Transactions of purchase and sale of holdings in companies that have no effect on the area of consolidation, the value of the numerator is:

- i. in the case of acquisitions, the counter value of the Transaction plus the liabilities of the acquired company possibly assumed by the purchaser;
- ii. in the case of sales, the price of the asset sold.

For Transactions of purchase and sale of other assets (other than the holding) the value of the numerator is:

- i. in the case of acquisitions, the greater between the fee and the book value attributed to the asset;
- ii. in the case of sales, the book value of the asset.

- c) **Liability significance index:** this is the ratio between the total liabilities of the acquired entity and the total assets of the Bank. The data to be used must be taken from the most recent consolidated balance sheet published by the Bank; where possible, the same data must be used to determine the total liabilities of the company and of the corporate branch being acquired.

5.1.2 Transactions of lesser significance

The Bank considers as being of lesser significance those Transactions with Associated Persons in which one of the indices mentioned above, applicable depending on the specific transaction, is less than or equal to the threshold of 5% and whose counter value is higher:

- than EUR 50,000 in the case of purchase of goods and/or services;
- than EUR 250,000 in the case of granting of loans.

The amount against which to determine the significance of the transaction of purchase of goods and services must be identified by adding the amount of the same to all the other purchases already made from the same

⁴ The assets must include the off-balance sheet entries.

connected supplier from 1st January of each year. The decision to grant or review credit, however, is always taken considering the overall exposure towards the associated counterparty.

5.1.3 Concluded Transactions pursuant to Article 136, TUB

Banca IFIS S.p.A.'s company officers (directors, auditors and the general manager) may not enter into obligations of any nature or complete sale and purchase activities, directly or indirectly, with the Bank without prior unanimous agreement from the Board of Directors and with the favourable vote of all members of the Board of Statutory Auditors. The unanimity required by Article 136, TUB is not conditional upon the presence of all the members. It is sufficient that the number of members required for a valid decision take part and that all those present, without any abstentions – apart from the interested party – vote in favour. With regard to the approval of the Board of Statutory Auditors, where, for whatever reason, one of the standing auditors is not present at the board meeting, his or her approval will be formalised in a written document to be stored in company records and will be added to the minutes in the following meeting.

Insofar as they do, the maximum limit guidelines shown in the Supervisory Instructions for Banks (Heading II, Chapter 3) also apply to assessment of questions concerning the obligations of Banca IFIS Banking Group company officers.

For transactions with related parties which must be agreed with the formalities set out by Article 136, Italian Legislative Decree 385/1993 (TUB), in light of paragraph 5 of Article 13 of Consob Regulation no. 17221 in relation to transactions with related parties, the prior opinion of the Risk Management and Internal Control Committee is not required.

6 Cases and exemption option⁵

The governance of transactions with related parties and associated persons is characterised by full or partial exemptions, described in the following paragraphs.

General exemption cases⁶

Notwithstanding the obligations to provide accounting information to the market, general exemption cases include:

- transactions carried out with/between Banking Group companies where a total control relationship exists⁷;
- fund transfer or “collateral” transactions put in place as part of a consolidated liquidity risk management system;
- transactions relating to the remuneration of Company Officers and Strategic Managers;
- transactions to be carried out based on instructions with a purpose provided by the Supervisory Authority.

Partial exemption cases

Notwithstanding the obligations to provide accounting information to the market, procedural exemption cases (investigations, deliberations, providing information to Consob and the market) include:

- minor transactions⁸;
- ordinary transactions concluded with/between Subsidiary Companies⁹ where the total number of

⁵ All transactions with Related Parties, regardless of any exemption regime applied, must be periodically reported to the Banca IFIS Board of Directors, as governed by Article 12 of this procedure.

⁶ The provisions regarding risk assumption limits do not apply to these transactions, nor do the reporting obligations.

⁷ Refer to Bank of Italy Circular no. 263 of 27th December 2006 and the Regulations for Transactions with Related Parties adopted by CONSOB resolution no. 17221 of 12th March 2010.

⁸ Minor transactions are exempted from: accounting information to the market, Risk Management and Internal Control Committee's investigation process, “reinforced” deliberation process, providing information to Consob and the market.

shares is not held;

- ordinary transactions concluded with Related Parties or Associated Persons not belonging to the Group¹⁰;
- transactions of lesser significance, other than those which are ordinary, with or between subsidiary companies (where the total number of shares is not held)¹¹.

For ordinary transactions and for those with/between subsidiary companies, and in line with the provisions of paragraph 12, an information flow has been prepared which ensures adequate monitoring of this type of transaction, including by independent directors, to provide corrective action, where necessary.

For this type of transaction, all the other obligations set out for associated persons remain in place: observance of individual and consolidated limits, the availability of adequate information flows to ensure transactions are monitored, reporting to supervisory authorities.

The notion of “significant interests”

The Bank considers **the significant interests of other Related Parties or Associated Persons of the Group** to be shareholdings other than those held by the Group, which result in the exercising of notable influence on one of the companies involved in the transaction where the shareholder is simultaneously a Related Party or Associated Person of the Group in virtue of the relationships maintained with the other company involved in the transaction.

The Bank, however, does not consider significant interests to include those arising from mere fact that one or more of the directors or other managers with strategic responsibility belonging to the Parent Company and subsidiary or associated companies hold the same role in the subsidiary company involved in the transaction.

For intragroup transactions carried out with and between subsidiary companies in which other Related Parties or other Associated Persons of the Group have significant interests, the **Supervisory Body** or the entity which has ordinary resolute power, also in light of the provisions of the Consob Regulation regarding transactions with associated parties adopted with resolution no. 17221 of 12th March 2010 as amended, submits the transaction to deliberation procedures set out for transactions with associated persons, should there be interpretive uncertainty.

6.1 Transactions relating to the remuneration of Company Officers and of Strategic Managers

These are:

- a) remuneration to members of the Board of Directors and to the Board of Statutory Auditors within the limits established by the Shareholders' Meeting pursuant to arts. 2389 (paragraphs 1 and 3) and 2402 of the Italian Civil Code;
- b) remuneration of Directors holding particular offices and of the Strategic Managers, provided they are consistent with the remuneration policy adopted by the Bank, pursuant to the provisions of Article 13, paragraph 3, letter b) of Consob Regulation no. 17221.

⁹ Ordinary transactions concluded with/between subsidiary Companies where the total number of shares is not held are exempt from: Risk Management and Internal Control Committee's investigation process, “reinforced” deliberation process, providing information to Consob and the market. The exemption from the reinforced deliberation process will cease where there are significant interests of the Group's other Related Parties or Associated Persons.

¹⁰ Ordinary transactions concluded with Related Parties or Associated Persons not belonging to the Group are exempt from: Risk Management and Internal Control Committee's investigation process, providing information to Consob and the market.

¹¹ Transactions, other than those which are ordinary, with or between subsidiary companies (where the total number of shares is not held) are exempt from providing information to Consob and the market. The exemption will cease where the transaction or the subsidiary company that is a counterpart in the transaction involve significant interests of the Group's other Related Parties or Associated Persons.

6.2 Minor transactions

These are transactions whose counter value is less than or equal:

- a) to EUR 50,000¹² in the case of purchase of goods and/or services;
- b) to EUR 250,000 in the case of granting of loans.

For the resolution of minor transactions referred to in section a), reference is made to the provisions of the document "Powers delegated relating to the purchase and sale of goods and services".

For the resolution of minor transactions referred to in section b), reference should be made to the provisions of the document "System of Group delegations for the assuming of credit risk".

6.3 Transactions to be carried out on the basis of instructions with purposes issued by the Supervisory Authorities

The provisions of this procedure, except as provided for in relation to "Public Information on transactions with related parties" (Article 5 of Consob Regulation no. 17221) do not apply to transactions to be carried out on the basis of instructions with purposes of stability given by the Supervisory Authorities, or on the basis of instructions issued by the parent company for the execution of instructions given by the Supervisory Authorities to ensure the group's stability.

6.4 Ordinary transactions

Transactions are considered as ordinary where the two following criteria are satisfied: i) the transaction must relate to the operating activity or, alternatively, to the financial activity connected to it; ii) the transaction must be included in the ordinary performance of the company's operating activity or the financial activity connected to it. In particular:

- operating activity means the set of principal activities which generate income for the company¹³ and other management activities which are not classifiable as investment or financial activity;
- the reference to the financial activity connected to the operating activity applies to transactions which, even if abstractly qualifiable as financial, are principally of an accessory nature in relation to the performance of the operating activity¹⁴.

To assess if a transaction is included in the ordinary performance of the operating activity or the financial activity connected to it, the following key indicators must be assessed: counterparty, purpose of the transaction, recurrence of activity type within the Bank/Company's activity, size, the transaction's contractual terms and conditions (including with regard to the characteristics of payment). If the transactions are performed by a subsidiary, their ordinary nature must be assessed with reference to the activity the subsidiary performs.

Criteria to determine the applied conditions

The conditions of market/standard maximum are met when:

- they are similar to those performed with counterparties which are not Related Parties or Associated Persons of the Group with reference to transactions with similar characteristics concerning size, nature, type, risk, etc.¹⁵;

¹² This limit does not apply in case of the outsourcing of an Important Operational Function. In fact, in this case, the resolution for assignment of the task to the outsourcer must always be taken by the Board of Directors with the opinion of the Risk Management and Internal Control Committee. In the event that the outsourced function is classified as an unimportant operational function, the decision-making authority would be the CEO.

¹³ This means those activities described in para. 2 of the "Policy regarding control of risk activities and conflicts of interest in dealings with associated persons";

¹⁴ Pursuant to the CONSOB Communication DEM/10078683 of 24/09/2010, the increases in capital excluding option rights are not included (normally) in the ordinary performance of financial activity connected to the operating activity.

¹⁵ Based on this criterion, ordinary transactions are considered to be those concluded as part of retail funding.

- they can be identified by manuals, price-lists, product tables, framework agreements, etc. or applied based on conditions which are defined and imposed by law;
- they are practised in similar transactions by “comparables”, where available.

Any reasons why the economic and contractual conditions applied to the transaction will deviate from standard or market-best-practice must be adequately explained by the expediency and the economic convenience of performing the transaction.

The ordinary nature of the transaction must be shown by documentation accompanying the decision assumed in accordance with the management processes set out from time to time, and supported by suitable assessment by the competent technical and control department for this subject (Finance, Risk Management, Compliance, assessment structures), each responsible for its own area of expertise, with regard to verifying the accuracy of the information on the conditions and economic profitability of the transaction.

The results of the above investigation process will be submitted to the Bodies involved in the decision-making process and, particularly, to the Risk Management and Internal Control Committee which will issue its opinion on the transaction having adequate and complete information on its effective profitability and the overall relationship with the related party/associated person (also acquiring information on the economic returns of the other existing relationships).

To allow the Risk Management and Internal Control Committee, the Board of Statutory Auditors and the Control Organisational units (both 2nd and 3rd level) to monitor “ordinary transactions” concluded, the relevant organisational unit, on a quarterly basis, produces and makes available to the above bodies an information report containing all the ordinary transactions concluded in the reference period and the relative financial conditions applied. In this way, the relevant stakeholders can:

- identify any operational anomalies that have occurred;
- address the associated corrective actions.

7 Organisational controls, estimated as equivalent to the Risk Management and Internal Control Committee (for the Independent Directors), to be used where the Committee cannot operate

To assess relevant significant Transactions in the event that the Risk Management and Internal Control Committee (for the Independent Directors) cannot operate, the Bank reserves the right to:

- a) use the Independent Director member of the Risk Management and Internal Control Committee where present, if not associated;
- b) use the Board of Statutory Auditors and, if they are not available, an independent external expert.

8 Director independence requirements

Independence reinforces the assurance that the Director, in exercising their functions, serves the interests of the Bank.

The Director is independent if they possess the requirements imposed by the TUF and by the Corporate Governance Code (Article 3 Independent Directors – Principles).

9 Method of instruction and decision-making regarding Transactions with Associated Persons

9.1 Transactions of lesser significance

The organisational unit in charge of the investigation of the transaction ascertains whether the counterparty is a Related Party or a person associated to it.

With positive result, the same determines whether the Transaction falls within the exemptions set out in Chapter 6, making use of the Corporate Affairs department. If the transaction conditions are defined as equivalent to market or standard conditions, the documentation prepared contains objective comparison elements.

Where the cases of exemptions provided for by this procedure, and, more generally, by the relevant regulations, are not fulfilled, the organisational unit in charge of the investigation:

- will ask the Supervisory Reporting Body, for credit transactions, to preventively verify the observance of individual and consolidated limits vis-a-vis the proposed transaction

and, only for cases which comply with the above limits:

- sends the information relating to the transaction to the Risk Management and Internal Control Committee, through the Corporate Affairs department.

They note in particular the nature of the relationship, the execution methods of the transaction as well as the Bank's interest (economic, commercial, strategic, etc.) deriving from its performance, the conditions, including of an economic nature, of implementation thereof, the evaluation procedure followed and any risk factors for the Bank.

The information must normally be sent to the Risk Management and Internal Control Committee within three working days of the date on which the same is called upon to comment.

The Risk Management and Internal Control Committee (for the Independent Directors), on the basis of the information received, evaluates the Bank's interest deriving from the performance of the transaction and the benefits and substantial correctness of the relative conditions, and expresses to the decision-making subject, before they make a statement, a reasoned non-binding opinion.

The Risk Management and Internal Control Committee (for the Independent Directors) may request information additional to that held by the same and may be assisted – if necessary – by one or several independent experts of their choice and delegate management of the investigation activities, within its jurisdiction, to one or several of its members.

Approval of the transactions with associated persons not satisfying the cases of exemption is the responsibility, as appropriate, either of the Board of Directors or of the Shareholders' Meeting.

Where there is correlation¹⁶:

- with a director not forming part of the Risk Management and Internal Control Committee or, more generally, with a non-independent director of the Bank or with a person associated through the latter, the director concerned must promptly inform the other directors and auditors of the nature, terms, origin and extent of their interest. They must also abstain from voting on the resolution of the transaction at the board meeting¹⁷;
- with an independent director of the Risk Management and Internal Control Committee or with a person associated through the latter, the director concerned must promptly inform the other directors and auditors of the nature, terms, origin and extent of their interest. In addition, they must refrain both from voting on the resolution at the board meeting and from participating in the formulation of the opinion (within the Risk Management and Internal Control Committee);
- with an auditor or with a subject connected through the latter, the auditor concerned must promptly

¹⁶ During deliberations on proposals for the distribution of profits, non-independent directors, who hold interests in the share capital of the Bank in excess of the minimum threshold imposed for communications to Consob of significant holdings pursuant to Article 120 of the TUF, are required to abstain.

¹⁷ These are transactions with a company officer that fall within the context of provisions of Article 136 TUB.

inform the other directors and auditors of the nature, terms, origin and extent of their interest. In the event that the proposed transaction is to be performed between the Bank and the auditor, then the latter must refrain from expressing their vote on the transaction at the meeting of the Board of Statutory Auditors.

Resolutions relating to transactions with Associated Persons must contain an adequate explanation of the reasons and benefits of the transaction for the Bank, as well as adequate motivations with regard to the reasons for any discrepancies in terms of economic and contractual conditions and of other characteristic profiles of the transaction, compared to the standard or market ones; elements appropriate to support this reasoning must be contained in documentation accompanying the resolution.

In case of negative opinion on the transaction expressed by the Risk Management and Internal Control Committee (for the Independent Directors), except for those for which the Shareholders' Meeting is responsible, the Board of Directors may approve it, formalising suitable motivation for the decision taken and specifying the reasons for which it did not agree with the opinion of the Risk Management and Internal Control Committee (for the Independent Directors).

All the transactions, for which the Risk Management and Internal Control Committee (for the Independent Directors) expressed a contrary or conditioned opinion, are individually communicated as soon as approved, to the Board of Statutory Auditors, where at least one member of the Board of Statutory Auditors did not attend the meeting of the Risk Management and Internal Control Committee. The latter will then inform the other members of the Board.

9.2 Transactions of greater significance

For Transactions of greater significance, the procedural rules specified in paragraph 9.1 (Transactions of lesser significance) apply, in addition to those set out below.

As part of the Transactions of greater significance, the Risk Management and Internal Control Committee (for the Independent Directors) is involved in the negotiation and investigation processes through the receipt of a complete and timely flow of information and has the power to request information and to formulate observations to the delegated bodies and to the subjects in charge of negotiations and investigations.

The described flow of information, sent by the organisational unit responsible for the investigations of the transaction by means of the Corporate Affairs department, contains information regarding:

- a) the conditions and modes of transaction execution;
- b) the evaluation procedure followed.

For transactions of greater significance, the opinion expressed by the Risk Management and Internal Control Committee (for the Independent Directors) is binding and must be issued in time for the meeting of the Board of Directors convened to take the relevant resolution.

If the Independent Directors' opinion is negative or conditioned, prior opinion will be required from the Board of Statutory Auditors, to whom appropriate information will be made available regarding the timescale and content of the transaction¹⁸. The opinion will compare the interests of the Bank with the completion of the transaction and its benefits, and on the substantive accuracy of the related conditions

During such transactions, the bank prepares, in accordance with Article 114, para. 5 of the TUF, a dedicated information document which, prior to publication, it submits to the Risk Management and Internal Control Committee for relevant sharing. For more details, please see paragraph 9.4.

9.3 Shareholders' Meeting Jurisdiction Transactions

9.3.1 Transactions of lesser significance

When a transaction of lesser significance with Associated Persons falls within the jurisdiction of the

¹⁸ Transactions for which the independent directors have expressed a contrary or conditioned opinion are to be communicated individually to the Board of Statutory Auditors by the decision-making body as soon as the same transactions have been decided. Completed transactions for which the independent directors or the Board of Statutory Auditors have expressed a negative opinion or have formulated remarks are brought to the attention, at least annually, of the Shareholders' Meeting.

Shareholders' Meeting, at the investigation process and at the phase of approval of the resolution proposal to be submitted to the Shareholders' Meeting, the provisions of paragraph 9.1 are applied.

In case of a negative opinion of the Risk Management and Internal Control Committee (for the Independent Directors), these transactions may still be approved by the Shareholders' Meeting, which meets and votes in accordance with its own ordinary operational rules.

9.3.2 Transactions of greater significance

When a transaction of greater significance with Associated Persons falls within the jurisdiction of the Shareholders' Meeting, at the investigation process and at the phase of approval of the resolution proposal to be submitted to the Shareholders' Meeting, the provisions of paragraph 9.2 are applied.

In case of a negative opinion of the Risk Management and Internal Control Committee (for the Independent Directors), the transaction cannot be approved by the Shareholders' Meeting where there is adverse voting from the majority of non-associated voting shareholders (which must represent at least ten per cent of the shareholders entitled to vote).

9.4 Public Information on transactions of greater significance with Associated Persons

For transactions of greater significance¹⁹, the Bank prepares, pursuant to Article 114, para. 5 of the TUF²⁰, a disclosure document in accordance with what is described in section 9.4.1 "Minimum contents of the disclosure document relating to transactions of greater significance with associated persons".

Without prejudice to Article 114, para. 1 of the TUF²¹, the above-mentioned disclosure document is made available to the public at the registered office of the bank and is published (including its annexes) on the bank's website within seven days of approval of the transaction by the Board of Directors. In cases where resolution of the transaction falls within the jurisdiction of the Shareholders' Meeting, the disclosure document is made available within seven days from approval by the Board of the proposal to be submitted to the Shareholders' Meeting.

The Bank contemporaneously with its dissemination to the public, also sends the documents and opinions referred to above to Consob, by means of connection to the authorised storage mechanism pursuant to Article 65-septies para. 3 of the Issuers' Regulation.

The Bank prepares the cited disclosure document even if, during the year, it concludes transactions with the same Associated Person that are homogeneous or performed to implement a unified plan which, while not qualifying individually as transactions of greater significance, exceed the threshold of greater relevance when considered cumulatively. In this case, the disclosure document is made available to the public within 15 days of approval of the transaction that determines exceeding of the threshold of greater relevance, and contains information on all the transactions considered for cumulation purposes.

The Bank attaches to the disclosure document the binding opinion of the Risk Management and Internal Control Committee (for the Independent Directors) and possibly an additional opinion of the latter requested from an independent expert regarding the compliance of the terms of the transaction with the market values of similar transactions.

The Corporate Affairs department prepares the above disclosure document using the operational support of the assigned organisational unit, depending on the type of transaction and the associated investigation and

¹⁹ Excluding operations with subsidiary companies, where there are no significant interests of other Related Parties or Associated Persons of the Group in the subsidiary company involved in the transaction.

²⁰ Consob may, in general, request from issuers, from persons who control them, from listed issuers with Italy as their Member State of origin, from the members of the administrative and control bodies, from managers, and from persons who hold a relevant holding pursuant to article 120, or who participate in an agreement provided for in article 122, the information and documents necessary for public information to be made public in the manner laid down by the same. In the event of non-compliance, Consob will directly fine the defaulting party.

²¹ Without prejudice to the obligations for publicising established by specific provisions of law, listed issuers must disclose to the public, without delay, the inside information referred to in article 181 that directly concerns such issuers and the subsidiaries. Consob establishes, with regulations, the terms and procedures for communicating the information, notwithstanding the need for publication through information media in national daily newspapers; it issues measures to coordinate the functions to manage the market attributed to the company with its own functions and may identify tasks to entrust to it for correct performance of the functions provided for in article 64, paragraph 1, letter b).

evaluation process. In particular, the Corporate Affairs department, in compliance with the above-specified deadlines and following the transaction resolution of the Board of Directors (or, in cases where the transaction falls within the jurisdiction of the Shareholders' Meeting, following approval by the Board of Directors of the relevant resolution proposal), collects the information required for preparation of the disclosure document, ensures its drafting also accompanying it with annexes (opinion of the Risk Management and Internal Control Committee and possible opinion of the Independent Expert):

- deposits it at the registered office of the Bank;
- sends it to the Communications and Investor Relations department for publication on the Bank's website;
- sends it, using the tools envisaged by the law on the subject, to Consob.

9.4.1 *The minimum content of the disclosure document relating to transactions of greater significance with associated persons*

In cases where the Bank engages in transactions of greater significance with associated persons, the disclosure document that the Corporate Affairs department prepares must contain at least the following information:

- summary evidence of the risks associated to potential conflicts of interest arising from the transaction in question;
- a description of the transaction contents. In particular:
 - a description of the characteristics, methods, terms and conditions of the transaction;
 - an indication of the related parties with which the transaction was established, the nature of the correlation and the extent of the interests of these parties in the transaction;
 - an indication of the economic rationale and the benefits for the Bank (or for subsidiary companies) deriving from the transaction;
 - a description of the method of determining the consideration for the transaction and the evaluations regarding its compliance with market values for similar operations. For any additional elements of information detail to be provided in case of use of independent expert opinions, reference should be made to the relevant provisions of Annex 4 of Consob Regulation no. 17221;
 - illustration of the economic, equity and financial effects of the transaction, providing at least the applicable relevance ratios;
 - a description of the relevant changes, if the amount of the remuneration of the directors of the Bank or of the members of the Board of the subsidiary companies is intended to change as a result of the transaction. If no changes are foreseen, the inclusion, in any case, of a statement to that effect;
 - in the case of transactions where the related parties involved are corporate officers or strategic managers, provide information concerning the financial instruments of the same issuer held by these same subjects and the interests of the latter in extraordinary transactions, set out in paragraphs 14.2 and 17.2 of annex I to Regulation no. 809/2004/EC.
 - an indication of the directors who led or participated in negotiations and/or instructed and/or approved the transaction, specifying their roles, particularly with regard to independent directors. With reference to the resolutions approving the transaction, specify the names of those who voted for or against the transaction or who abstained, specifying the reasons for any dissents or abstentions. Indicate that, pursuant to article 5 of the Issuers' Regulation, the opinion of the independent directors is attached to the disclosure document or published on the Bank's website.

9.5 Transactions giving rise to losses, non-performing loans, in-court or out-of-court settlements

Write-offs, the analytical value adjustments and settlements (both in-court and out-of-court) performed in

respect of exposures that the Bank has assumed with Associated Persons are approved, irrespective of the amount, by the Board of Directors.

Specifically, the Non-performing loans department performs an evaluation thereof and, after consulting the General Manager, submits the results to the Risk Management and Internal Control Committee (for the Independent Directors) to which, through the Corporate Affairs department, sends a dedicated report.

The Risk Management and Internal Control Committee (for the Independent Directors) analyses this information and provides a non-binding reasoned opinion to the Board of Directors before the latter acts on the matter.

In particular, the subject of the opinion concerns:

- write-offs and analytical adjustments of value, the adequacy of the relevant estimates;
- settlement agreements, both the interest of the Bank regarding fulfilment of the same and the benefits and substantial correctness of the relative conditions.

The power to decide on the non-performing loans classification lies with the person identified on the basis of the delegated powers system adopted by the Bank and by the Group companies.

10 Consolidated and individual limits

The Bank is required to comply with limits²² both on an individual and on a consolidated basis, relating to the assumption of risk assets in respect of Associated Persons²³.

Compliance with those limits must be assured continuously. Should one or several thresholds be exceeded, the risk assets must be brought back within the limits as soon as possible. For this purpose, the Bank, within 45 days after exceeding of the limit, will prepare a recovery plan approved by the Board of Directors upon the proposal of the CEO in consultation with the Board of Statutory Auditors. The recovery plan is submitted to the Bank of Italy within 20 days of approval, together with reports containing the resolutions of the corporate bodies.

Until the risk assets are brought back within the limits, the excess contributes to calculation of the total equity requirement.

If exceeding of the limits concerns a related party by virtue of their holding in the Bank, the administrative rights associated with the holding are suspended.

For a more detailed description, reference should be made to the provisions of the Policy regarding controls of risk assets and conflicts of interest in dealings with related parties.

10.1 Roles and tasks of subsidiary companies

In order to enable the Bank to ensure full compliance with the consolidated limit regarding risk assets, the subsidiary companies prepare and send to the Parent Company's Risk Management department adequate information flows on the transactions performed with associated persons.

The information referred to in those flows are attributable, at least:

- a) to the identity of the associated persons, indicating the nature of the link between the related party and subsidiary companies, as well as the links between the related party and the relative associated persons;
- b) the nominal and weighted amount of the risk assets for associated persons;
- c) the conditions applied.

²² Bank of Italy – Provisions for risk assets and conflict of interest of banks and of banking groups in dealings with associated parties - Section II – Risk assets limitations.

²³ In order to calculate the risk assets assumed towards the set of associated persons referring to a company officer, companies over which the same officer or a close family member has a significant influence must not be considered.

11 Financial statement disclosure on transactions with associated persons

The purpose of “financial statement disclosure on transactions with associated persons” (as per IAS 24) is to ensure that the Bank’s financial statements contain the additional information necessary to highlight the possibility that its equity and financial position and its economic result may have been influenced by the existence of associated persons and by transactions and outstanding balances with such persons, including commitments.

In particular, the Bank must supply information regarding remuneration of company officers²⁴ and executives with strategic responsibilities²⁵, in total and divided into each of the following categories:

- short-term employee benefits;
- post-employment benefits;
- other long-term benefits;
- termination benefits; and
- share-based payment.

If the Bank has performed transactions with associated persons during the reference period of the financial statements, in order to be able to understand their potential economic and financial effects, it must indicate the nature of the relationship and provide information on completed transactions and on outstanding balances. In particular, these disclosures must include at least:

- the amount of the transactions;
- the amount of outstanding balances, including commitments, and:
 - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided upon settlement; and
 - details of any guarantees given or received;
- provisions for doubtful debts associated to the amount of outstanding balances; and
- the expense recognised during the period in respect of bad or doubtful debts due from related parties.

Such additional information shall be provided separately for each of the following categories:

- the parent company;
- entities with joint control of, or significance influence over, the entity;
- subsidiaries;
- associates;
- joint ventures in which the entity is a shareholder;
- company officers;
- strategic managers;
- other associated persons.

In addition, consistent with the provisions of Article 5 of Consob Regulation 17221, the Bank, as an Italian issuer of listed shares, provides information, in the intermediate management report and the annual management report:

- on individual transactions of greater significance concluded during the reference period;
- any other individual transactions with associated persons concluded during the reference period that have significantly affected the equity position or results of the company;
- of any change or development of transactions with associated persons described in the last annual

²⁴ This information is retrieved independently by the Finance department for appropriate records.

²⁵ This information is provided by the Human Resources department and sent to the Finance department for appropriate records.

report that had a significant effect on the equity situation or on the results of the Bank during the reference period.

Within the disclosure in the financial statements, the Bank also provides information concluded in the reference period and falling within the exemption system.

To prepare the financial statement information:

- the relevant organisational unit extracts, well in advance of the dates set for the preparation of the mentioned reports as well as of the financial statements, the above information from the relevant management systems and sends the results of calculations made to the Accounting and Balance Sheets department;
- the latter verifies the consistency by comparing the amounts shown on the summary accounting system with the detailed ones in the management system used, with the support of the organisational units which work directly with these management systems. In the event of favourable feedback, it uses this information to prepare the reports, as well as the financial statements. In case of negative feedback, however, it consults the relevant organisational unit to define the most appropriate actions to be taken to identify and correct any anomalies.

12 Management Reports

The relevant organisational unit will, on a quarterly basis, produce and issue a report to the Risk Management and Internal Control Committee, the Board of Statutory Auditors, the Corporate Affairs department and the Control Organisational Units which summarises the broad spectrum of transactions carried out with associated persons. This is to ensure a complete picture of the set of transactions carried out, and the volumes and characteristics of the principal delegated transactions, in line with what is set out by Article 150, TUF, the Consob Regulation and the Bank of Italy Provision. Particularly, it will indicate the concluded transactions which are subject to exemption, specifying the reference case consistent with what is set out in paragraph 6 of the Policy regarding controls of risk assets and conflicts of interest in dealings with associated persons.

13 Transactions with associated persons carried out by subsidiary companies

Transactions that subsidiary companies intend to carry out with the Group's associated persons must be approved by its own:

- CEO / Managing Director / General Manager if it involves an amount of less than EUR 50,000 for the purchase of goods and services, or EUR 250,000 for the granting of loans;
- Board of Directors if, instead, depending on the areas, it is greater than or equal to those amounts;
- Shareholders' Meeting, if the transactions referred to in the previous point fall under its jurisdiction as per the law.

In the latter two cases, the CEO / Managing Director / General Manager of the subsidiary companies provide the investigation file to the relative Board of Directors which, having analysed the contents of the transaction, will issue its opinion.

If the decision is favourable²⁶, the transaction of lesser significance must be submitted:

- to the Parent Company's Risk Management and Internal Control Committee (for the Independent Directors), which expresses a non-binding opinion on the benefits for the Group of carrying out the transaction and the substantial correctness of the relevant conditions²⁷;
- to the Parent Company's Board of Directors which, taking into account the opinion referred to above, expresses its approval or denial regarding the transaction.

²⁶ For transactions pursuant to Article 136, TUB, a unanimous vote is required.

²⁷ For transactions pursuant to Article 136, TUB, the Board of Statutory Auditors will give a binding preventive opinion.

For transactions of greater significance, the opinion of the Risk Management and Internal Control Committee (for the Independent Directors) will be binding and, in addition, the CEO / Managing Director / General Manager of the subsidiary company will involve it by sending specific information flows at the investigation and negotiation processes.

14 Definition of associated persons

The Bank, through the Corporate Affairs department, identifies the related parties and within the limits of ordinary diligence identifies the associated persons. For this purpose, it submits to the company officers and strategic managers Annexes 1, 2 and 3, and requests that these be compiled. Furthermore, for the purposes of FINREP and COREP compliance, the Corporate Affairs department defines of the associated persons relating to La Scogliera S.p.A., gathering the relevant information via attachments 5 and 6.

The Bank also defines a related party's close family members as being those persons who are related to them up to the second-degree, even if these are not considered as associated persons within the meaning of this regulation, and holds such information available for any requests of the Bank of Italy.

Subjects that qualify as related parties in accordance with this regulation cooperate with the Bank in order to allow the latter to carry out its correct and full definition, in particular regarding the identification of associated persons. It is the duty of related parties to promptly communicate news of circumstances that have arisen of which they have become aware that could cause changes in the range of the associated parties. The Bank identifies and implements appropriate solutions to acquire the necessary information, to keep customers informed of its duties and to inform the same of the possible profiles of responsibility (e.g. pursuant to Article 137 of the Consolidated Banking Law).

For more strictly operational aspects, reference should be made to Annex no. 4.