

INDUCEMENTS POLICY

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INTRODUCTION

In accordance with art. 26 of the 2006/73/EU Directive and with art. 52 of the Regulations for Intermediaries adopted by Consob with Resolution no. 16190 of 29 October 2007, to ensure that the Bank, in relation to the provision of an investment or ancillary service to the client, acting honestly, fairly and professionally in accordance with the best interests of a client, is prohibited that the Bank pays or is paid any fee or commission, or provides or is provided with any non monetary benefit (Inducements), other than the following:

- A fee, commission or non monetary benefit paid or provided to or by the client or a person on behalf of the client
- A fee, commission or no monetary benefit paid or provided to or by a third party or a person acting on behalf of a third party, where the following conditions are satisfied:
 - The existence, nature and amount of the fee, commission or benefit, or, where the amount cannot be ascertained, the method of calculating that amount, must be clearly disclosed to the client, in a manner that is comprehensive, accurate and understandable, prior to the provision of the relevant investment or ancillary service
 - The payment of the fee or commission, or the provision of the non-monetary benefit must be designed to enhance the quality of the relevant service to the client and not impair compliance with the firm's duty to act in the best interests of the client
- Proper fees which enable or are necessary for the provision of investment services, such as custody costs, settlement and exchange fees, regulatory levies or legal fees, and which, by their nature, cannot give rise to conflicts with the firm's duties to act honestly, fairly and professionally in accordance with the best interests of its clients.

Based on the clarifications given by CESR in the document - "Inducements: Report on good and poor practices" – the internal payment within the firm does not fall within the inducements rules. The internal payment could fall within the conflict of interests rules.

Pursuant to art. 15 section 2 lett. c) of the regulation adopted by Consob Resolution no. 16190 dated 29 October 2007 and subsequent amendments and additions, MPS Capital Services Banca per le Imprese S.p.A. (MPS Capital Services or the Bank) identifies and manages the inducements related to the provision of an investment or ancillary service to the client and, if necessary, discloses to the client the existence, nature and amount of the fee, commission or benefit, prior to the provision of the services.

GUIDELINES FOR INDUCEMENTS MANAGEMENT

Pursuant to article 26 of the 2006/73/EU Directive, the investment firms may disclose the essential terms of the arrangements relating to the fee, commission or non monetary benefit in summary form, provided that it undertakes to disclose further details at the request of the client and provided that it honours that undertaking.

The investment firms will have to define, prior the provision of each investment or ancillary service, the following aspects:

- The modality to disclose the necessary information to the client
- The information to disclose to the client

Complying with the disclosure rule, MPS Capital Services has identified the relevant internal functions that have the responsibility of identification and management of the inducements.

The Functions involved in the provision of the service to the client, promptly the Compliance Office. The Compliance function will assess the existence of the above mentioned conditions and, in the case of positive assessment, will determine the disclosure modality to the client in a comprehensive, accurate and understandable manner, prior to the provision of the relevant investment or ancillary service.

In particular, if there is the presence of inducements paid or provided to or by third party, the assessment consists to verify that these inducements are designed to enhance the quality of the relevant service to the client and not to impair compliance with the firm's duty to act in the best interests of the client.

To assess that the inducements are designed to enhance the quality of the relevant service to the client, the Bank takes into account, as minimum, the following elements:

- The presence of a wide range of financial instruments at disposal of the Client, even in relation to products of the same typology but with different features
- The increase of expertise and knowledge of the bank's operator that provide the service, thanks to the dedicated training course
- The provision to the client concerning assistance and support in all the period of the relationship
- The provision of the advice service

EXECUTIVE STRATEGY OF THE BANK

The Bank guarantees the best possible transparency in the relationship with the Clients, and provides adequate disclosure about commissions, independently from the role covered in the payment flow of these one.

MANAGEMENT'S MEASURES

To demonstrate the legitimacy of inducements relating to the provision of some investment or ancillary services, the Bank has adopted the following measures:

- A) **ENHANCED QUALITY OF THE RELEVANT SERVICE**
- Attention to increase the range of products with relation to the needs of the Clients
 - Continuous professional updating of the Bank's operator, even thanks to internal and external training courses
 - Assistance and support to the Clients throughout the relationship
 - Provision of the advice service in connection to other investment service

B) COMPLIANCE WITH THE FIRM'S DUTY TO ACT IN THE BEST INTERESTS OF THE CLIENT

- Compliance with Banca Montepaschi's guide line concerning commissions in relation to products and services;
- Commercial policies aimed to select financial instruments for clients, which are suitable to their risk profile and independent from potential inducements;
- adoption of a policy on conflict of interest and diffusion of detailed instructions to the employees;
- formalization of operative procedures complying with conduct rules.

NOTICE TO THE CLIENTS

MPS Capital Services has implemented policies and procedures to make clients aware of the existence, nature and amount or calculation method for potential inducements due to investment services offered by the Bank.

The notice to the public defines:

- Nature and description of the inducements;
- Amount and calculation method for the inducements.

In order to comply with its policies the Bank applies following approaches:

- In relation to the placement of securities – bonds, issued by Gruppo Montepaschi, potential or prospective inducements are described in the Financial Instrument Form or in the Prospect whenever required;
- In relation to the placement of securities – bonds, not issued by Gruppo Montepaschi, potential or prospective inducements are described in the Financial Instrument Form or in the Prospect whenever required;
- In relation to the placement of securities – equities, not issued by Gruppo Montepaschi, (where MPS Capital Services has a syndication role, i.e. Ipo, capital increase, etc.) potential or prospective inducements are described in the Financial Instrument Form or in the Prospect whenever required;
- In relation to the structuring and trading of financial instruments – OTC derivatives, among clients and the Bank on its own account potential or prospective inducements are described in the Financial Instrument Form delivered to the client before negotiating the instruments.

Anyway, the payment or the receipt of inducements is managed according to the best market practices in order to increase the quality of the service offered to the client and without limiting clients interest.

MONITORING

The Bank develops and performs a monitoring activity on a continuing basis to verify the correctness of the commissions applied and their compliance with the Policy.

In particular, when new services/products are structured, the functions that determines the applicable commissions also verify their compliance with the rules hereby explained.