THIRD SUPPLEMENT DATED 18 JANUARY 2016
TO THE BASE PROSPECTUS DATED 30 JULY 2015

Unione di Banche Italiane S.p.A.
(formerly Unione di Banche Italiane S.c.p.a.)

(incorporated as a joint stock company in the Republic of Italy under registered number 03053920165 in the Bergamo Company Register)

Euro 15,000,000,000 Debt Issuance Programme

This third Supplement (the **Supplement**) to the base prospectus dated 30 July 2015, as supplemented by a supplement dated 27 August 2015 and a supplement dated 19 October 2015 (together, the **Base Prospectus**), which comprises a base prospectus under Article 5.4 of Directive 2003/71/EC as amended (the **Prospectus Directive**), constitutes a supplementary prospectus for the purposes of Article 16 of the Prospectus Directive as implemented in Ireland by the Prospectus Directive (Directive 2003/71/EC) Regulations 2005, as amended, and is prepared in order to update the Euro 15,000,000,000 Debt Issuance Programme (the **Programme**) of Unione di Banche Italiane S.p.A. (the **Issuer** or **UBI Banca**).

The Supplement is supplemental to, and shall be read in conjunction with, the Base Prospectus and any other supplement to the Base Prospectus issued by the Issuer. Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

This Supplement has been approved by the Central Bank of Ireland (the **Central Bank**), as competent authority under the Prospectus Directive. The Central Bank only approves this Supplement as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive.

The Issuer accepts responsibility for the information in this Supplement. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The language of the Supplement is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of the Base Prospectus.

PURPOSE OF THE SUPPLEMENT

The purpose of this Supplement is to:

(a) update the disclosure in the risk factor entitled "*ECB Single Supervisory Mechanism*" on pages 19 to 20 of the Base Prospectus in the section "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme*" to reflect the updated Common Equity Tier 1 ratio requested by the ECB for the UBI Banca Group;

(b) update the disclosure in the risk factor entitled "*The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Notes*" on pages 20 to 22 of the Base Prospectus in the section "*Risk*

Factors – Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme" further to the implementation in Italy of the Bank Recovery and Resolution Directive;

(c) update the disclosure in the risk factor entitled "*Subordinated Notes may be subject to loss absorption on any application of the general bail-in tool or at the point of non-viability of the Issuer*" on pages 22 to 23 of the Base Prospectus in the section "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme*" further to the implementation in Italy of the Bank Recovery and Resolution Directive;

(d) update the disclosure in the risk factor entitled "*EU Savings Directive*" on page 27 of the Base Prospectus in the section "*Risk Factors – Risks related to the market generally*" and the section entitled "*Taxation – European Directive on the Taxation of Savings Income*" on pages 106 to 107 of the Base Prospectus further to the repeal of the Savings Directive from 1 January 2016 and 1 January 2017 in the case of Austria;

(e) update the disclosure relating to the ratings of UBI Banca and the Programme to include the first-time ratings assigned by DBRS Ratings Limited (**DBRS**) on:

i. the cover page of the Base Prospectus;

ii. the sections entitled:

I. "*Overview of the Programme – Rating*" on page 9 of the Base Prospectus;

II. "*A downgrade of any of the Issuer's credit ratings may impact the Issuer's funding ability and have an adverse effect on the Issuer's financial condition*" on page 23 of the Base Prospectus in the section "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligation under Notes issued under the Programme*"; and

III. "*UBI Banca and the UBI Banca Group – Ratings*" on page 80 of the Base Prospectus;

(f) update the disclosure in the section entitled "*Taxation – Italian Taxation*" on pages 98 to 106 of the Base Prospectus further to recent changes affecting the Italian tax treatment of the Notes;

(g) update the disclosure in the section entitled "*Taxation – FATCA withholding*" on pages 107 to 108 of the Base Prospectus further to legislative updates; and

(h) update the disclosure in the section entitled "*Taxation – The proposed European financial transaction tax ("FTT")*".

RISK FACTORS

The entire text of the risk factor entitled "*The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The implementation of the directive or the taking of any action under it could materially affect the value of any Notes"* on pages 20 to 22 of the Base Prospectus in the section "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme*" shall be deemed deleted and replaced with the following:

"**The Bank Recovery and Resolution Directive is intended to enable a range of actions to be taken in relation to credit institutions and investment firms considered to be at risk of failing. The taking of any such actions (or the perception that the taking of any such action may occur) could materially adversely affect the value of any Notes and/or the rights of Noteholders**

On 2 July 2014, the directive providing for the establishment of an EU-wide framework for the recovery and resolution of credit institutions and investment firms (Directive 2014/59/EU) (the **Bank Recovery and Resolution Directive** or **BRRD**) entered into force.

The BRRD provides competent authorities with comprehensive arrangements to deal with failing banks at national level, as well as cooperation arrangements to tackle cross-border banking failures.

The BRRD sets out the rules for the resolution of banks and large investment firms in all EU Member States. Banks are required to prepare recovery plans to overcome financial distress. Authorities are also granted a set of powers to intervene in the operations of banks to avoid them failing. If they do face failure, authorities are equipped with comprehensive powers and tools to restructure them, allocating losses to shareholders and creditors following a specified hierarchy. They have the powers to implement plans to resolve failing banks in a way that preserves their most critical functions and avoids taxpayers having to bail them out.

The BRRD contains four resolution tools and powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business – which enables resolution authorities to direct the sale of the institution or the whole or part of its business on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the firm to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims (including Senior Notes and Subordinated Notes) to shares or other instruments of ownership (i.e. shares, other instruments that confer ownership, instruments that are convertible into or give the right to acquire shares or other instruments of ownership, and instruments representing interests in shares or other instruments of ownership) (the **general bail-in tool**). Such shares or other instruments of ownership could also be subject to any future application of the BRRD. For more details on the implementation in Italy please refer to the paragraphs below.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools (including the general bail-in tool) to the maximum extent practicable whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the burden sharing requirements of the EU state aid framework and the BRRD.

In addition to the general bail-in tool, the BRRD provides for resolution authorities to have the further power to write-down permanently/convert into equity capital instruments such as Subordinated Notes at the point of non-viability and before any other resolution action is taken with losses being taken in accordance with the priority of claims under normal insolvency proceedings (**Non-Viability Loss Absorption**). Any shares issued to holders of Subordinated Notes upon any such conversion into equity capital instruments may also be subject to any future application of the BRRD.

For the purposes of the application of any Non-Viability Loss Absorption measure, the point of non-viability under the BRRD is the point at which the relevant authority determines that the institution meets the conditions for resolution (but no resolution action has yet been taken) or that the institution or, in certain circumstances, its group, will no longer be viable unless the relevant capital instruments (such as Subordinated Notes) are written-down/converted or extraordinary public support is to be provided and without such support the appropriate authority determines that the institution and/or, as appropriate, its group, would no longer be viable.

In the context of these resolution tools, the resolution authorities have the power to amend or alter the maturity of certain debt instruments (such as the Notes and Subordinated Notes) issued by an institution under resolution or amend the amount of interest payable under such instruments, or the date on which the interest becomes payable, including by suspending payment for a temporary period.

The BRRD has been implemented in Italy through the adoption of two Legislative Decrees by the Italian Government, namely, Legislative Decrees No. 180/2015 and 181/2015 (together, the **BRRD Decrees**), both of which were published in the Italian Official Gazette (*Gazzetta Ufficiale*) on 16 November 2015. Legislative Decree No. 180/2015 is a stand-alone law which implements the provisions of BRRD relating to resolution actions, while Legislative Decree No. 181/2015 amends the existing Banking Law (Legislative Decree No. 385 of 1 September 1993, as amended) and deals principally with recovery plans, early intervention and changes to the creditor hierarchy. The BRRD Decrees entered into force on the date of publication on the Italian Official Gazette (i.e. 16 November 2015), save that: (i) the general bail-in tool applied from 1 January 2016; and (ii) a "depositor preference" granted for deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's will apply from 1 January 2019.

In addition, because (i) Article 44(2) of the BRRD excludes certain liabilities from the application of the general bail-in tool and (ii) the BRRD provides, at Article 44(3), that the resolution authority may in specified exceptional circumstances partially or fully exclude certain further liabilities from the application of the general bail-in tool, the BRRD specifically contemplates that *pari passu* ranking liabilities may be treated unequally. Accordingly, holders of Senior Notes and Subordinated Notes of a Series may be subject to write-down/conversion upon an application of the general bail-in tool while other Series of Senior Notes or, as appropriate, Subordinated Notes (or, in each case, other *pari passu* ranking liabilities) are partially or fully excluded from such application of the general bail-in tool. Further, although the BRRD provides a safeguard in respect of shareholders and creditors upon application of resolution tools, Article 75 of the BRRD sets out that such protection is limited to the incurrence by shareholders or, as appropriate, creditors, of greater losses as a result of the application of the relevant tool than they would have incurred in a winding up under normal insolvency proceedings. It is therefore possible not only that the claims of other holders of junior or *pari passu* liabilities may have been excluded from the application of the general bail-in tool and therefore the holders of such claims receive a treatment which is more favourable than that received by holders of Senior Notes or Subordinated Notes, but also that the safeguard referred to above does not apply to ensure equal (or better) treatment compared to the holders of such fully or partially excluded claims because the safeguard is not intended to address such possible unequal treatment but rather to ensure that shareholders or creditors do not incur greater losses in a bail-in (or other application of a resolution tool) than they would have received in a winding up under normal insolvency proceedings.

Also, in respect of Senior Notes, Article 108 of the BRRD requires that Member States modify their national insolvency regimes such that deposits of natural persons and micro, small and medium sized enterprises in excess of the coverage level contemplated by deposit guarantee schemes created pursuant to Directive 2014/49/EU have a ranking in normal insolvency proceedings which is higher than the ranking which applies to claims of ordinary, unsecured, non-preferred creditors, such as holders of Senior Notes. In addition, the BRRD does not prevent Member States, including Italy, from amending national insolvency regimes to provide other types of creditors, with rankings in insolvency higher than ordinary, unsecured, non-preferred creditors. Legislative Decree No. 181/2015 has amended the creditor hierarchy in the case of admission of Italian banks and investment firms to liquidation proceedings (and therefore the hierarchy which will apply in order to assess claims pursuant the safeguard provided for in Article 75 of the BRRD as described above), by providing that, as from 1 January 2019, all deposits other than those protected by the deposit guarantee scheme and excess deposits of individuals and SME's (which benefit from the super-priority required under Article 108 of the BRRD) will benefit from priority over senior unsecured liabilities, though with a ranking which is lower than that provided for individual/SME deposits exceeding the coverage limit of the deposit guarantee scheme. This means that, as from 1 January 2019, significant amounts of liabilities in the form of large corporate and interbank deposits which under the national insolvency regime currently in force in Italy

rank pari passu with Senior Notes, will rank higher than Senior Notes in normal insolvency proceedings and therefore that, on application of the general bail-in tool, such creditors will be written-down/converted into equity capital instruments only after Senior Notes. Therefore, the safeguard set out in Article 75 of the BRRD (referred to above) would not provide any protection against this result since, as noted above, Article 75 of the BRRD only seeks to achieve compensation for losses incurred by creditors which are in excess of those which would have been incurred in a winding-up under normal insolvency proceedings.

Legislative Decree No. 181/2015 has also introduced strict limitations on the exercise of the statutory rights of set-off normally available under Italian insolvency laws, in effect prohibiting set-off by any creditor in the absence of an express agreement to the contrary. Since each holder of Subordinated Notes and, in circumstances where the waiver is selected (as applicable in the relevant Final Terms), the holders of the Senior Notes will have expressly waived any rights of set-off, counterclaim, abatement or other similar remedy which they might otherwise have, under the laws of any jurisdiction, in respect of such Senior Notes or Subordinated Notes, it is clear that the statutory right of set-off available under Italian insolvency laws will likewise not apply.

As the BRRD has only recently been implemented in Italy and other Member States, there is material uncertainty as to the effects of any application of it in practice.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. Holders of Senior Notes and Subordinated Notes may be subject to write-down or conversion into equity capital instruments on any application of the general bail-in tool and, in the case of Subordinated Notes, Non-Viability Loss Absorption, which may result in such holders losing some or all of their investment. The exercise of these, or any other power, under the BRRD, or any suggestion, or perceived suggestion, of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in any Notes and/or the ability of the Issuer to satisfy its obligations under any Notes.

As of 2016 (1 January 2016 in Italy) or, if earlier, the date of national implementation of the BRRD, European banks will also have to comply with a Minimum Requirement for Own Funds and Eligible Liabilities (the **MREL**). The BRRD does not foresee an absolute minimum, but attributes the competence to set a minimum amount for each bank to national resolution authorities (for banks not being part of the European banking union (the **Banking Union**) or to the Single Resolution Board (the **SRB**) for banks being part of the Banking Union. The EBA has issued its final draft regulatory technical standards which further define the way in which resolution authorities/the SRB shall calculate MREL. As from 1 January 2016, the resolution authority for the Issuer is the SRB and the Issuer will be subject to the authority of the SRB for the purposes of determination of its MREL requirement. The draft regulatory technical standards published by the EBA contemplate that a maximum transitional period of 48 months may be applied for the purposes of meeting the full MREL requirement."

ECB Single Supervisory Mechanism

In the risk factor entitled "*ECB Single Supervisory Mechanism*" on pages 19 to 20 of the Base Prospectus in the section "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme*" a new paragraph shall be inserted after the bullet points under paragraph four on page 20 of the Base Prospectus, as follows:

"The Common Equity Tier 1 ratio was reduced from 9.50% to 9.25% further to the updated specific capital requirements requested at consolidated level by the ECB for the Group as of 27 November 2015."

Subordinated Notes may be subject to loss absorption on any application of the general bail-in tool or at the point of non-viability of the Issuer

In the risk factor entitled "*Subordinated Notes may be subject to loss absorption on any application of the general bail-in tool or at the point of non-viability of the Issuer*" on pages 22 to 23 of the Base Prospectus in

the section "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme*" the last sentence shall be replaced in its entirety with the following:

"The BRRD or the taking of any action under it could materially affect the value of any Notes."

EU Savings Directive

The entire text of the risk factor entitled "*EU Savings Directive*" on page 27 of the Base Prospectus in the section "*Risk Factors – Risks related to the market generally*" shall be deemed deleted and replaced with the following:

"Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid or secured by a person established in a EU Member State to or for the benefit of an individual resident in another EU Member State or certain limited types of entities established in another EU Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 10 November 2015, the Council of the European Union approved Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) repealing the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU).

If a payment were to be made in or collected through a EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the relevant Issuer, the Guarantor, the Principal Paying Agent, nor any of the Paying Agents (as defined in the Conditions of the Notes), nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The relevant Issuer is required to maintain a Paying Agent in an EU Member State that is not obliged to withhold or deduct tax pursuant to the Savings Directive."

TAXATION

Italian Taxation

Further to recent changes affecting the Italian tax treatment of the Notes, the section entitled "*Taxation – Italian Taxation*" on pages 98 to 106 of the Base Prospectus is no longer correct and shall be deemed deleted and replaced with the amended "*Taxation – Italian Taxation*" section set out in Schedule 1 to this Supplement.

European Directive on the Taxation of Savings Income

Further to the Council of the European Union adopting a directive to repeal the Savings Directive from 1 January 2016, and 1 January 2017 in the case of Austria, the entire text in the section entitled, "*Taxation – European Directive on the Taxation of Savings Income*" on pages 106 to 107 of the Base Prospectus is no

longer correct and shall be deemed deleted and replaced with the amended "*Taxation – European Directive on the Taxation of Savings Income*" section set out in Schedule 1 to this Supplement.

FATCA Withholding

Further to recent updates to the FATCA withholding regime, the entire text in the section entitled, "*Taxation – FATCA Withholding*" on pages 107 to 108 of the Base Prospectus is no longer correct and shall be deemed deleted and replaced with the amended "*Taxation – FATCA Withholding*" section set out in Schedule 1 to this Supplement.

DBRS RATINGS

On 25 November 2015, the Issuer published a press release with the first-time ratings assigned to the Issuer by DBRS. Consequently, the ratings assigned by DBRS shall be included in the Base Prospectus as follows:

(a) The fourth paragraph on the cover page of the Base Prospectus shall be deemed deleted and replaced with the following:

"The Programme has been rated "BBB-" (Senior unsecured debt) and "BB" (Subordinated debt) by Standard & Poor's Credit Market Services Italy S.r.l. (**S&P**), "Baa2" (Senior unsecured) and "Ba2" (Subordinated) by Moody's Investors Service España, S.A. (**Moody's**), "BBB" (Senior unsecured debt) by Fitch Italia S.p.A. (**Fitch**) and "BBB (high)" (Senior Long-Term Debt) by DBRS Ratings Limited (**DBRS**). For further information on the ratings assigned to UBI Banca see "*UBI Banca and the UBI Banca Group – Ratings*". S&P, Moody's, Fitch and DBRS are established in the European Union and registered under Regulation (EC) No. 1060/2009 (the **CRA Regulation**). The European Securities and Markets Authority (**ESMA**) is obliged to maintain on its website www.esma.europa.eu/page/Listregistered-and-certified-CRAs, a list of credit rating agencies registered and certified in accordance with the CRA Regulation. Tranches of Notes (as defined in "Overview of the Programme") may be rated or unrated. Where a Tranche of Notes is to be rated, the rating assigned will be specified in the relevant Final Terms and will not necessarily be the same as the rating assigned to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency."

(b) The first sentence in the section entitled "*Overview of the Programme – Rating*" on page 9 of the Base Prospectus shall be deemed deleted and replaced with the following:

"The Programme has been rated by S&P, Moody's, Fitch and DBRS."

(c) The entire text of the risk factor entitled "*A downgrade of any of the Issuer's credit ratings may impact the Issuer's funding ability and have an adverse effect on the Issuer's financial condition*" on page 23 of the Base Prospectus in the section "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligation under Notes issued under the Programme*" shall be deemed deleted and replaced with the following:

"The current long- and short-term counterparty credit ratings of the Issuer are, respectively, "BBB" from Fitch, "Baa2" from Moody's ,"BBB-" from S&P and "BBB (high)" from DBRS and "F3" from Fitch, "Prime-2" from Moody's, "A-3" from S&P and "R-1 (low)" from DBRS as further described under "*UBI Banca and the UBI Banca Group – Ratings*". Fitch, Moody's, S&P and DBRS are established in the European Union and are registered under the CRA Regulation. A downgrade of any of the Issuer's ratings (for whatever reason) might result in higher funding and refinancing costs for the Issuer in the capital markets. In addition, a downgrade of any of the Issuer's ratings may limit the Issuer's opportunities to extend mortgage loans and may have a particularly adverse effect on the

Issuer's image as a participant in the capital markets, as well as in the eyes of its clients. These factors may have an adverse effect on the Issuer's financial condition and/or results of operations."

(d) The section entitled "*UBI Banca and the UBI Banca Group – Ratings*" on page 80 of the Base Prospectus shall be amended by inserting the ratings assigned to the Issuer by DBRS under the ratings assigned by Fitch as set out below:

- "DBRS

Issuer rating	BBB (high)
Senior Long-Term Debt and Deposit Rating	BBB (high)
Short Term Debt and Deposit Rating	R-1 (low)
Commercial Paper / French Certificate of deposit programmes	R-1 (low)
Trend	Stable on all ratings
Intrinsic Assessment	BBB (high)"

(e) The sentence, "S&P, Moody's and Fitch are established in the European Union and are registered under the CRA Regulation" under the section entitled "*UBI Banca and the UBI Banca Group – Ratings*" on page 80 of the Base Prospectus shall be deemed deleted and replaced with the following:

"S&P, Moody's, Fitch and DBRS are established in the European Union and are registered under the CRA Regulation".

GENERAL INFORMATION

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Base Prospectus by this Supplement and (b) any other statement in, or incorporated by reference into, the Base Prospectus, the statements in (a) above will prevail.

Save as disclosed in this Supplement, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus since the publication of the Base Prospectus.

Schedule 1

1 Italian Taxation

Tax treatment of the Notes qualifying as bonds or similar securities

Notes issued by certain categories of issuer

Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented (**Decree No. 239**), regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as **Interest**) from Notes issued, *inter alia*, by Italian resident banks. The provisions of Decree No. 239 only apply to Notes which qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (**Decree No. 917**). Pursuant to Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not less than that therein indicated and (ii) attribute to the holders no direct or indirect right to control or participate in the management of the Issuer.

The tax regime set forth by Decree No. 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Italian Resident Noteholders

Where an Italian resident Noteholder is: (i) an individual not engaged in a business activity to which the Notes are effectively connected (unless the same individual has opted for the application of the Risparmio Gestito regime – see under "Capital Gains" below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, a trust not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, or (iv) an investor exempt from Italian corporate income taxation, Interest payments (accrued during the relevant holding period) relating to the Notes are subject to a tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. either when the Interest is paid by the Issuer, or when payment thereof is obtained by the Noteholder on a sale of the relevant Notes. The *imposta sostitutiva* may not be recovered as a deduction from the income tax due.

In case the Notes are held by an individual or a non-commercial private or public institution engaged in a business activity and are effectively connected with the same business activity, the *imposta sostitutiva* applies as a provisional tax and the relevant Interest will be included in their relevant income tax return. As a consequence, the Interest will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (**SIMs**), *società di gestione del risparmio* (**SGRs**), fiduciary companies, stock exchange agents and other entities identified by the relevant decrees of the Ministry of Finance (the **Intermediaries**).

An Intermediary must satisfy the following conditions: (i) it must be: (a) resident in Italy; or (b) a permanent establishment in Italy of an Intermediary resident outside Italy; or (c) an organisation or company non-resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which include Euroclear having appointed an Italian representative for the purposes of Decree No. 239; and (ii) it must intervene,

in any way, in the collection of Interest or in the transfer of the Notes. For the purpose of the application of *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes. In order to apply the *imposta sostitutiva*, an Intermediary opens an account (the **single account** or *conto unico*) to which it credits or debits (as the case may be) the *imposta sostitutiva* in proportion to Interest accrued.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applicable and withheld by any Italian bank or any Italian agent paying interest to a Noteholder. Where the Interest are paid by the Issuer directly to the Noteholders, the obligation described herein concerning the levying of the *imposta sostitutiva* must be executed directly by the Issuer.

The *imposta sostitutiva* regime described herein does not apply in cases where the Notes are held in a discretionary investment portfolio managed by an authorised intermediary pursuant to the so-called discretionary investment portfolio regime (***Risparmio Gestito*** regime as described under the paragraph "Capital Gains", below). In such a case, Interest will not be subject to *imposta sostitutiva* but will concur in determining the annual net accrued result of the portfolio, which is subject to an ad hoc substitutive tax of 26 per cent.

The *imposta sostitutiva* also does not apply to the following subjects to the extent that the Notes and the related Coupons are deposited in a timely manner, directly or indirectly, with an Intermediary:

(a) *Corporate investors*

Where an Italian resident Noteholder is a corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected), Interest accrued on the Notes must be included in: (i) the relevant Noteholder's yearly taxable income subject to corporate income tax purposes (**IRES**) at the ordinary rate of 27.5 per cent. (it should be noted that, as of the fiscal year starting 1 January 2017, the ordinary IRES rate will be reduced to 24 per cent. according to Law No. 208 of 28 December 2015. Moreover, such rule provides for an additional rate of 3.5 per cent. for banks and other credit/financial institutions) and (ii) in certain circumstances, depending on the status of the Noteholder, also in its "net value of production" for the purposes of the regional tax on productive activities (**IRAP**), generally applying at the relevant rate of 3.9 per cent. Banks and financial intermediaries are subject to IRAP at the rate of 4.65 per cent., while for insurance companies IRAP rate equals to 5.9 per cent.. Regional Authorities may increase or decrease the standard rate by up to 0.92 percentage point;

(b) *Funds*

Where an Italian resident Noteholder is an open-ended or a closed-ended investment fund (a **Fund**), a SICAF (an Italian investment company with fixed share capital) or a SICAV (an Italian investment company with variable capital) established in Italy and either (i) the Fund, the SICAF or the SICAV or (ii) their manager is subject to the supervision of a regulatory authority and the Notes are deposited with an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund, the SICAF or the SICAV. The Fund, the SICAF or the SICAV will not be subject to taxation on such result, but a withholding or substitute tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Tax**)*;*

(c) *Pension funds*

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005), Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax. As of 1 January 2015, Italian pension funds benefit from a tax credit equal to 9% of the result of the relevant portfolio accrued at the end of the tax period, provided that such pension funds invest in certain medium long term financial assets as identified by the Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015;

(d) *Real Estate Investment Funds*

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into law, with amendments, by Law No. 410 of 23 November 2001, as amended from time to time, as clarified by the Italian Revenue Agency (*Agenzia delle Entrate*) through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of Interest in respect of the Notes to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 or Article 14-bis of Law No. 86 of 25 January 1994 and to Italian real estate SICAFs (the **Real Estate Investment Funds**) are not subject to the *imposta sostitutiva*. The income of the Real Estate Investment Fund is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Non-Italian Resident Noteholders

An exemption from *imposta sostitutiva* is provided with respect to certain beneficial owners of the Notes resident outside of Italy. In particular, pursuant to Decree 239, the aforesaid exemption will apply to any beneficial owner of an Interest payment relating to the Notes who: (i) is resident, for tax purposes, in a country which recognises the Italian Tax Authorities' right to an adequate exchange of information as listed in ministerial decree 4 September 1996, as amended and supplemented from time to time (the **White List**), or in a decree to be issued under the authority of Article 11(4)(c) of Decree No. 239 (as amended by Legislative Decree No. 147 of 14 September 2015) or any other decree or regulation that will be issued in the future to provide the list of such countries (the **New White List**); or (ii) is an international body or entity incorporated in accordance with international agreements which have entered into force in Italy; or (iii) is an institutional investor incorporated in a country included in the White List (or the New White List once effective), even if it does not possess the status of taxpayer in its own country of incorporation; or (iv) is the Central Bank or an entity also authorised to manage the official reserves of a state.

The exemption procedure for Noteholders who are non-resident in Italy and are resident in qualifying countries identifies two categories of intermediaries:

(a) an Italian or foreign bank or financial institution (the **First Level Bank**), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); and

(b) an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via telematic link, with the Italian tax authorities (the **Second Level Bank**). Organisations and companies non-resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which includes Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of 24 February 1998) for the purposes of the application of Decree No. 239.

In the event that a non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as First Level Bank and Second Level Bank.

The exemption from *imposta sostitutiva* for Noteholders who are non-resident in Italy is conditional upon:

(i) the deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and

(ii) the submission to the First Level Bank or the Second Level Bank, as the case may be, of a statement of the relevant Noteholder, to be provided only once, in which it declares that it is eligible to benefit from the exemption from the *imposta sostitutiva*. Such statement must comply with the requirements set forth by a Ministerial Decree dated 12 December 2001, is valid until withdrawn or revoked and does not need to be submitted where a certificate, declaration or other similar document for the same or equivalent purpose was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements entered into force in Italy or Central Banks or entities also authorised to manage the official reserves of a State.

The First Level Bank is obliged to send the above statement to the Second Level Bank within 15 days from receipt, together with any necessary affidavit in the event that other intermediaries intervene between the Noteholder and the First Level Bank.

As provided for by Ministerial Decree No. 632 dated 4 December 1996, the Second Level Bank files the data relating to the non-resident Noteholder together with the data relating to the First Level Bank and the transactions carried out, via telematic link, to the Italian Tax Authorities within the first transmission period after receipt of such data. Transmission periods are two- week periods per month during which the Second Level Bank transmits to the Italian tax authorities data relating to bond transactions carried out during the preceding month. The Italian Tax Authorities monitor and control such data and any discrepancies thereof.

In case of failure to comply with the above exemption procedure *imposta sostitutiva* will apply on proceeds payable to non-resident Noteholders (increased by 1.5 per cent. for each month or fraction of a month of delay after the month in which payment of the *imposta sostitutiva* should have been made in case of false or incomplete information) pursuant to the ordinary rules applicable for the payment of *imposta sostitutiva* by Italian resident investors.

For Noteholders who are non-resident in Italy, the Second Level Bank acts as the intermediary responsible for assessing the applicability of *imposta sostitutiva* and, consequently, for levying and paying it to the Italian Tax Authorities in accordance with the procedure described above.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. or at the reduced rate provided for by the applicable double tax treaty (if any), to interest, premium and other income paid to Noteholders who do not qualify for the tax exemption.

Tax treatment of Notes qualifying as atypical securities (*titoli atipici*)

Interest payments relating to atypical securities are subject to 26 per cent. withholding tax.

Atypical securities are securities that do not fall within the category of (a) shares (*azioni*) and securities similar to shares (*titoli similari alle azioni*) and of (b) bonds (*obbligazioni*) or securities similar to bonds (*titoli similari alle obbligazioni*).

Where the Noteholder is (i) a non-Italian resident person, (ii) an Italian resident individual not holding the Notes for the purpose of carrying out a business activity, (iii) an Italian resident non-commercial partnership, (iv) an Italian resident non-commercial private or public institution, (v) a Fund, (vi) an Italian Real Estate Investment Fund, (vii) a Pension Fund, or (viii) an Italian resident investor exempt from Italian corporate income taxation, such withholding tax is a final withholding tax.

Where the Noteholder is (a) an Italian resident individual carrying out a business activity to which the Notes are effectively connected, or (b) an Italian resident corporation or a similar commercial entity (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected), such withholding tax is an advance withholding tax.

In case of a non-Italian resident Noteholder without a permanent establishment in Italy to which the Notes are effectively connected, the above mentioned withholding tax rate may be reduced (generally to 10 per cent.) or eliminated under certain applicable tax treaties entered into by Italy, subject to timely filing of the required documentation.

Capital Gains

Italian resident Noteholders

In general, a 26 per cent. capital gains tax (**CGT**) is applicable to capital gains realised on any sale or transfer of the Notes or on redemption thereof by Italian resident individuals (who are not engaged in a business activity to which the Notes are effectively connected), Italian resident partnerships not carrying out commercial activities and Italian public or private institutions not carrying out mainly or exclusively commercial activities, regardless of whether the same Notes are held outside of Italy.

For the purposes of determining the taxable capital gain (*redditi diversi*), any Interest on the Notes accrued and unpaid up to the time of the purchase and the sale of the Notes must be deducted from the purchase price and the sale price, respectively.

In order to pay the taxes on the aforementioned capital gains, taxpayers can opt for one of the three following regimes:

(a) *tax return regime ("Regime della Dichiarazione")*

pursuant to the tax return regime (***Regime della Dichiarazione***), which is the standard regime, the Noteholder has to assess the overall capital gains realised in a given fiscal year, net of any

relevant incurred capital losses, in the Noteholder's annual income tax return and pay CGT due on capital gains so assessed together with the income tax due for the same fiscal year. Capital losses exceeding capital gains can be carried forward to offset capital gains of the same kind in the following fiscal years up to the fourth. Pursuant to Law Decree No. 66 of 24 April 2014, as converted into law with amendments by Law No. 89 of 23 June 2014 (**Decree No. 66/2014**), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014;

(b) *non-discretionary investment portfolio regime ("Regime Del Risparmio Amministrato")*

pursuant to the non-discretionary investment portfolio regime (***Regime Del Risparmio Amministrato***), the Noteholder may elect to pay CGT separately on capital gains realised on each sale, transfer or redemption of the Notes. Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with an Intermediary and (ii) an express election for the Risparmio Amministrato regime being made in due time in writing by the relevant Noteholder. The Risparmio Amministrato lasts for the entire fiscal year unless revoked. The Intermediary is responsible for accounting for CGT in respect of capital gains realised on each sale, transfer or redemption of the Notes. Where a particular sale, transfer or redemption of the Notes results in a net loss, the Intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the Noteholder with the same Intermediary within the same relationship of deposit, in the same fiscal year or in the following fiscal years up to the fourth Pursuant to Decree No. 66/2014, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014. The Noteholder is not required to declare the gains in its income tax return and remains anonymous; and

(c) *discretionary investment portfolio regime ("Regime Del Risparmio Gestito")*

pursuant to the discretionary investment portfolio regime (***Regime Del Risparmio Gestito***), if the Notes are part of a portfolio managed by an Italian asset management company, capital gains are not subject to CGT, but contribute to determine the annual net accrued result of the portfolio, which is subject to an ad-hoc 26 per cent. substitute tax to be applied on behalf of the Noteholder by the asset management company. Any net capital losses of the investment portfolio accrued at year-end may be carried forward and offset against future net profits accrued in each of the following fiscal years up to the fourth one. Pursuant to Decree No. 66/2014, depreciations in value of the managed assets may be carried forward to be offset against subsequent increase in value accrued as of 1 July 2014 for an overall amount of (i) 48.08 per cent. of the depreciations in value registered before 1 January 2012; (ii) 76.92 per cent. of the depreciations in value from 1 January 2012 to 30 June 2014. Under such regime the Noteholder is not required to declare the capital gains in its annual income tax return and remains anonymous.

The aforementioned regime does not apply to the following subjects:

Corporate investors (including banks and insurance companies)

Capital gains realised by Italian resident corporate entities (including a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected) on the disposal or redemption of the Notes will form part of their aggregate income subject to IRES. In certain cases, capital gains may also be included in the taxable net value of production of the aforementioned entities for IRAP purposes. The capital gains are calculated as the difference between the sale price and the relevant tax basis of the Notes. If certain conditions are satisfied, the capital gain may be taxed in equal instalments over up to five fiscal years for the purposes of IRES;

Funds

Any capital gains realised by an Italian Noteholder who is a Fund, a SICAF or a SICAV are not subject to withholding taxes or substitute taxes. The Collective Investment Fund Tax is levied on proceeds received by certain categories of investors upon (i) distributions by the Funds; or (ii) redemption or disposal of the units or liquidation of the Fund. Pursuant to Decree No. 66/2014, upon the occurrence of any of the events under (ii) above, the Collective Investment Fund Tax still applies at the 20 per cent. rate on the portion of the proceeds accrued up to 30 June 2014, as clarified by Circular 19/E;

Pension Funds

Capital gains realised by Pension Funds on the Notes contribute to determine their annual net accrued result, which is subject to an 20 per cent. substitute tax. As of 1 January 2015, Italian pension funds benefit from a tax credit equal to 9% of the result of the relevant portfolio accrued at the end of the tax period, provided that such pension funds invest in certain medium long term financial assets as identified by the Ministerial Decree of 19 June 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

Italian Real Estate Investment Funds

Capital gains, if any, realised upon disposal of the Notes by Italian Real Estate Investment Funds are not subject to withholding taxes or substitute taxes. The income of the Real Estate Investment Fund is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Non-Italian Resident Noteholders

Subject to the provisions of the applicable tax treaty:

(a) Capital gains realised by non-resident Noteholders on the disposal of the Notes are not subject to tax in Italy, regardless of whether the Notes are held in Italy, subject to the condition that the Notes are listed on a regulated market (e.g. Irish Stock Exchange or Luxembourg Stock Exchange);

(b) Capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian issuer and not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the actual beneficiary: (i) is resident in a country included in the White List (or the New White List once effective); or (ii) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (iii) is a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (iv) is an institutional investor which is resident in a country included in the White List (or the New

White List once effective), even if it does not possess the status of a taxpayer in its own country of residence.

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes issued by an Italian resident Issuer not traded on regulated markets are subject to the *imposta sostitutiva* at the rate of 26 per cent..

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected, that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes.

Transfer tax and stamp duty

Contracts relating to the transfer of securities are subject to registration tax as follows: (i) public deeds and notarised deeds *(atti pubblici e scritture private autenticate)* executed in Italy should be subject to a lump sum €200 registration tax; (ii) private deeds *(scritture private non autenticate)* should be subject to a lump sum €200 registration tax only in the case of use or voluntary registration.

Pursuant to Law Decree No. 201 of 6 December 2011, ad valorem stamp duty (*bollo*) applies on an annual basis to any periodic reporting communication which is, or is deemed to be, sent by a financial intermediary to a Noteholder in respect of any Notes which may be deposited with such financial intermediary. The stamp duty is applied at the rate of 0.20 per cent. computed on the market value of the Notes, if deposited c/o an Italian resident financial intermediary or c/o an Italian permanent establishment of a foreign financial intermediary. Should the market value be absent the tax base would correspond to the nominal or redemption value of the Notes. The stamp duty cannot exceed €14,000, for taxpayers different from individuals.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory.

If the Notes are held abroad (*i.e.* c/o a foreign financial intermediary or c/o a foreign permanent establishment of an Italian financial intermediary) by Italian resident individuals, a property tax is due at the rate of 0.20 per cent., computed on the market value of the Notes at the end of the relevant year. Should the market value be absent the tax base would correspond to the nominal or redemption value of the Notes. Taxpayers are permitted to deduct from the wealth tax a credit equal to any wealth taxes paid in the State where the financial assets are held (up to the amount of the Italian wealth tax due).

Certain aspects of the relevant discipline have been clarified and implemented by the resolution of the Italian Tax Agency of 5 June 2012.

Inheritance and Gift Tax

Pursuant to Law Decree No. 262 dated 3 October 2006, converted, with amendments, by Law No. 286 of 24 November 2006, as subsequently amended, inheritance and gift taxes have been re-introduced in the Italian tax system. Such taxes will apply on the overall net value of the relevant assets, at the

following rates, depending on the relationship between the testate (or donor) and the beneficiary (or donee): (a) 4 per cent. if the beneficiary (or donee) is the spouse or a direct ascendant or descendant (such rate only applies on the net asset value exceeding, for each person, €1 million); (b) 6 per cent. if the beneficiary (or donee) is a brother or sister (such rate only applies on the net asset value exceeding, for each person, €100,000); (c) 6 per cent. if the beneficiary (or donee) is another relative within the fourth degree or a direct relative-in-laws as well an indirect relative-in-law within the third degree; and (d) 8 per cent. if the beneficiary is a person, other those mentioned other (a), (b) and (c), above.

If the beneficiary (or donee) is a person with a serious disability recognised by law, inheritance and gift tax will apply on the value of his/her quota exceeding €1.5 million.

Moreover, an anti-avoidance rule is provided for by Law No. 383/2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to CGT. In particular, if the donee sells the Notes for consideration within five years from the receipt thereof as a gift, the donee is required to pay the relevant CGT on capital gains as if the gift had not been made.

Tax Monitoring

Pursuant to Law Decree No. 167 of 28 June 1990, ratified and converted by Law No. 227 of 4 August 1990, as amended, individuals, non-commercial partnerships and non-commercial entities which are resident of Italy for tax purposes and which over the fiscal year hold or are beneficial owners of investments abroad or have financial activities abroad must, in certain circumstances, disclose such investments or financial activities to tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time prescribed for the income tax return), regardless of the value of such assets (save for deposits or bank accounts having an aggregate value not exceeding a €15,000 threshold throughout the year, which per se do not require such disclosure). This requirement applies even if the taxpayer during the tax period has totally divested such assets. No disclosure requirements exist for investments and financial activities (including the Notes) under management or administration entrusted to Italian resident intermediaries and for contracts concluded through their intervention, provided that the cash flows and the income derived from such activities and contracts have been subject to Italian withholding or substitute tax by intermediaries themselves.

3 European Directive on the Taxation of Savings Income

Under Council Directive 2003/48/EC on the taxation of savings income (the **Savings Directive**), EU Member States are required to provide to the tax authorities of other EU Member States details of certain payments of interest or similar income paid or secured by a person established in a EU Member State to or for the benefit of an individual resident in another EU Member State or certain limited types of entities established in another EU Member State.

For a transitional period, Austria is required (unless during that period it elects otherwise) to operate a withholding system in relation to such payments. The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 10 November 2015, the Council of the European Union approved Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) repealing the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange

of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that if it proceeds, EU Member States will not be required to apply to the new requirements of the Amending Directive.

4 FATCA withholding

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 (**FATCA**) impose a new reporting regime and potentially a 30 per cent withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a **foreign financial institution**, or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the U.S. Internal Revenue Service (**IRS**) to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Issuer (a **Recalcitrant Holder**). The Issuer is classified as an FFI.

The new withholding regime is now in effect for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2019. This withholding would potentially apply to payments in respect of any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the **grandfathering date**, which is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are filed with the Federal Register, or which are materially modified after the grandfathering date. If Notes are issued on or before the grandfathering date, and additional Notes of the same Series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have entered into intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a **Reporting FI** not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Italy have entered into an agreement (the **US-Italy IGA**) based largely on the Model 1 IGA.

If the Issuer is treated as a Reporting FI pursuant to the US-Italy IGA it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. The Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

Whilst the Notes are in global form and held within the ICSDs, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any paying agent and the Common Depositary and Common Safekeeper, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will

be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

5 The proposed European financial transactions tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

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