

**SUPPLEMENT DATED 23 APRIL 2015
TO THE BASE PROSPECTUS DATED 25 JULY 2014**



Unione di Banche Italiane S.c.p.a.

(incorporated as a joint stock co-operative society in the Republic of Italy under registered number 03053920165 in the Bergamo Company Register)

Euro 15,000,000,000 Debt Issuance Programme

This Supplement (the **Supplement**) to the base prospectus dated 25 July 2014, as previously supplemented by a supplement dated 8 September 2014 and a supplement dated 26 November 2014 (together, the **Base Prospectus**), which together comprise 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.c.p.a. (the **Issuer** or **UBI Banca**).

This 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.

PURPOSE OF THE SUPPLEMENT

The purpose of this Supplement is to:

- (a) incorporate by reference the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2014;
- (b) update the disclosure relating to the ratings assigned by Fitch;
- (c) update the disclosure in the section entitled “*Taxation – Italian Taxation*” on pages 91 to 99 of the Base Prospectus further to recent changes affecting the Italian tax treatment of the Notes; and
- (d) include a new “*Significant or Material Change*” statement in the General Information section of the Base Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

Audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2014

By virtue of this Supplement, the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2014, which have previously been published or filed with the Central Bank of Ireland, are incorporated by reference in, and form part of, the Base Prospectus.

For ease of reference, the cross reference table below sets out the relevant page references for the information contained in the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2014, which are incorporated by reference in and form part of the Base Prospectus.

Any information not listed in the cross reference table below but included in the publication in which information incorporated by reference appears does not form part of the Base Prospectus as it is either not relevant for prospective investors in the Notes or is covered elsewhere in the Base Prospectus.

<u>Document Information</u>	<u>Information Incorporated</u>	<u>Page Reference</u>
Audited consolidated financial statements of the UBI Banca Group as at and for the year ended 31 December 2014	Independent auditors' report	Pages 209-210
	Consolidated balance sheet	Page 214
	Consolidated income statement	Page 215
	Consolidated statement of comprehensive income	Page 216
	Statement of changes in the consolidated equity	Page 217
	Consolidated statement of cash flows	Page 219
	Notes to the consolidated financial statements	Pages 221-497

Copies of the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2014, the Base Prospectus, this Supplement and of any documents incorporated by reference in the Base Prospectus may be obtained free of charge, during usual business hours on any weekday (except for Saturdays, Sundays and public holidays) at the registered office of the Issuer and are available on the Issuer's website (at <http://www.ubibanca.it/pagine/EMTN-EN.aspx> in respect of the Base Prospectus and this Supplement and at <http://www.ubibanca.it/pagine/2014%20Financial%20Statements.aspx> in respect of any financial statements which are incorporated by reference in the Base Prospectus, including the audited consolidated financial statements of the Issuer as at and for the year ended 31 December 2014).

The contents of the Issuer's website (other than the documents incorporated by reference) do not form part of this Supplement.

The financial statements referred to above, together with the auditors' report thereon, are available both in the original Italian and in English. By virtue of this Supplement, the English language version is being incorporated by reference into the Base Prospectus. The English language version represents a direct translation from the Italian language document. In the event that there are any inconsistencies or discrepancies between the Italian language version and the English translation thereof, the original Italian language version shall prevail.

If documents which are incorporated by reference themselves incorporate any information or other documents therein, either expressly or implicitly, such information or other documents will not form part of

this Supplement for the purposes of the Prospectus Directive except where such information or other documents are specifically incorporated by reference or attached to this Supplement.

Any non-incorporated parts of a document referred to in this Supplement are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus.

FITCH RATINGS

On 2 April 2015, the Issuer published a press release with the ratings assigned to the Issuer by Fitch further to a review by Fitch of its general ratings for major Italian banks. As a result of such review, the ratings assigned by Fitch included in the Base Prospectus shall be updated as follows:

- (a) the reference to ““BBB+” (Senior unsecured debt) by Fitch Italia S.p.A. (“Fitch”)” on the cover page of the Base Prospectus shall be replaced with ““BBB” (Senior unsecured debt) by Fitch Italia S.p.A. (“Fitch”)”;
- (b) the reference to the current long- and short-term counterparty credit ratings of the Issuer from Fitch on page 21 of the Base Prospectus shall be updated to, respectively, “BBB” (from “BBB+”) and “F3” (from “F2”); and
- (c) the ratings assigned to UBI Banca by Fitch appearing on page 74 of the Base Prospectus shall be updated as set out below:

- Fitch

Short-term Issuer Default Rating	F3 (from F2)
Long-term Issuer Default Rating	BBB (from BBB+)
Viability Rating	bbb (from bbb+)
Support Rating	2 (affirmed)
Support Rating Floor	BBB (affirmed)
Outlook for Long-term Issuer Default Rating	Stable (from Negative)

ITALIAN TAXATION

Further to recent changes affecting the Italian tax treatment of the Notes, the section entitled “*Taxation – Italian Taxation*” on pages 91 to 99 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.

GENERAL INFORMATION

Significant or Material Change Statement

Paragraph (3) on page 115 of the Base Prospectus shall be deemed deleted and replaced with the following:

“There has been no significant change in the financial or trading position of the UBI Banca Group since 31 December 2014 and no material adverse change in the prospects of UBI Banca since 31 December 2014.”

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 or any previous supplement, 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, 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. 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 increased by Law No. 190 of 23 December 2014 (the "Finance Act 2015"), which, however, provides for certain adjustments for fiscal year 2014);

(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 “Current Decree”). Law No. 244 of 24 December 2007 (“Budget Law for 2008”) provides that such ministerial Decree has to be replaced by a Ministerial Decree (the “Projected Decree”) to be enacted according to the provision set forth by Article 168-*bis* of Decree No. 917. Until such the Projected Decree enters into force the Current Decree applies; 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 which recognises the Italian Tax Authorities right to an adequate exchange of information, 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 depositary. 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 are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

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), 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 his 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. A 26 per cent. withholding 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, such withholding 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 increased by Finance Act 2015, which, however, provides for certain adjustments for fiscal year 2014).

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 which allows for a satisfactory exchange of information with Italy; 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 which allows for a satisfactory exchange of information with Italy, 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.