

FIRST SUPPLEMENT DATED 21 JANUARY 2015 TO THE BASE PROSPECTUS DATED 8 AUGUST 2014



BANCA IMI S.p.A.

(incorporated with limited liability in the Republic of Italy)

EURO MEDIUM TERM NOTE PROGRAMME

This First Supplement (the **First Supplement**) to the Base Prospectus dated 8 August 2014 (the **Base Prospectus**), which comprises a base prospectus, constitutes a supplement for the purposes of Article 16 of Directive 2003/71/EC, as amended (the **Prospectus Directive**) as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the **Prospectus Regulations**) and is prepared in connection with the Euro Medium Term Note Programme (the **Programme**) established by Banca IMI S.p.A. (the **Issuer**). Terms defined in the Base Prospectus have the same meaning when used in this First Supplement.

This First Supplement is supplemental to, and should be read in conjunction with, the Base Prospectus issued by the Issuer.

This First Supplement is for the purposes of (i) updating the information relating to the Issuer's ratings included on the cover page of the Base Prospectus, (ii) updating the information relating to the Issuer's ratings included in "Summary of the Programme" in the Base Prospectus, and (iii) updating the sub-sections "German Taxation", "Portuguese Taxation", "Italian Taxation" and "Spanish Taxation" in the section "Taxation" of the Base Prospectus.

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

The language of the First Supplement is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Any websites referred to herein do not form part of the First Supplement.

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

RATINGS ANNOUNCEMENT

On 18 December 2014 Standard & Poor's downgraded the Issuer's long-term rating to BBB- (from BBB) and the Issuer's short-term rating to A-3 (from A-2). The outlook on the long-term rating is stable.

With effect from the date of the First Supplement, the information appearing in the Base Prospectus shall be supplemented in the manner described below.

AMENDMENTS TO THE BASE PROSPECTUS

As a result of the ratings announcement mentioned above, the text which appears in the tenth paragraph on the cover page of the Base Prospectus is no longer correct and the current position is set out in the following text:

*“The Issuer has been rated Baa2 (long-term) and P-2 (short-term) with stable outlook by Moody's Italia S.r.l. (**Moody's**), BBB- (long-term) and A-3 (short-term) with stable outlook by Standard & Poor's Credit Market Services Italy S.r.l. (**Standard & Poor's**) and BBB+ (long-term) and F2 (short-term) with stable outlook by Fitch Ratings Ltd. (**Fitch**). Each of Moody's, Standard & Poor's and Fitch is established in the European Union and is registered under the Regulation (EC) no. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Moody's, Standard & Poor's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be specified in the applicable Final Terms. A credit 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.”*

AMENDMENTS TO “SUMMARY OF THE PROGRAMME”

As a result of the ratings announcement mentioned above, Section B.17 (Credit ratings) of the “Summary of the Programme” in the Base Prospectus is no longer correct and the current position is set out in the amended “Summary of the Programme” in Schedule 1 hereto.

AMENDMENTS TO “TAXATION”

As a result of changes to German legislation, the sub-section “German Taxation” in the section “Taxation” on pages 133 to 136 of the Base Prospectus is no longer correct and the current position is set out in the amended “German Taxation” paragraph in Schedule 2 hereto.

As a result of changes to Italian legislation, the paragraph “Italian Taxation” in the section “Taxation” on pages 138 to 143 of the Base Prospectus is no longer correct and the current position is set out in the amended “Italian Taxation” paragraph in Schedule 2 hereto.

As a result of changes to Portuguese legislation, the sub-section “Portuguese Taxation” in the section “Taxation” on pages 151 to 152 of the Base Prospectus is no longer correct and the current position is set out in the amended “Portuguese Taxation” paragraph in Schedule 2 hereto.

As a result of changes to Spanish legislation, the sub-section “Spanish Taxation” in the section “Taxation” on pages 152 to 154 of the Base Prospectus is no longer correct and the current position is set out in the amended “Spanish Taxation” paragraph in Schedule 2 hereto.

GENERAL

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

Save as disclosed in this First 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.

21 January 2015

SCHEDULE 1

SUMMARY OF THE PROGRAMME

Summaries are made up of disclosure requirements known as ""Elements". These Elements are numbered in Sections A – E (A.1 – E.7).

This Summary contains all the Elements required to be included in a summary for this type of Notes and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of Notes and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

SECTION A – INTRODUCTION AND WARNINGS

Element	
A.1	<p>This summary should be read as an introduction to the Base Prospectus and the applicable Final Terms.</p> <p>Any decision to invest in any Notes should be based on a consideration of this Base Prospectus as a whole, including any documents incorporated by reference and the applicable Final Terms.</p> <p>Where a claim relating to information contained in the Base Prospectus and the applicable Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus and the applicable Final Terms before the legal proceedings are initiated.</p> <p>Civil liability attaches to the Issuer solely on the basis of this summary, including any translation of it, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus and the applicable Final Terms or, following the implementation of the relevant provisions of Directive 2010/73/EU in the relevant Member State, it does not provide, when read together with the other parts of this Base Prospectus and the applicable Final Terms, key information in order to aid investors when considering whether to invest in the Notes.</p>
A.2	<p>Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a Public Offer.</p> <p><i>[Issue specific summary:</i></p> <p>[Not Applicable - the Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency).]</p> <p>[Not Applicable - the Notes are not being offered to the public as part of a Public Offer.]</p>
	<p><i>Consent:</i> Subject to the conditions set out below, the Issuer consents to the use of this Base</p>

	<p>Prospectus in connection with a Public Offer of Notes by the Manager(s) [, [names of specific financial intermediaries listed in final terms,] [and] [each financial intermediary whose name is published on the Issuer's website (www.bancaimi.com) and identified as an Authorised Offeror in respect of the relevant Public Offer] [and any financial intermediary which is authorised to make such offers under the Financial Services and Markets Act 2000, as amended or other applicable legislation implementing Directive 2004/39/EC (MiFID) and publishes on its website the following statement (with the information in square brackets being completed with the relevant information):</p> <p><i>"We, [insert name of financial intermediary], refer to the offer of [insert title of relevant Notes] (the Notes) described in the Final Terms dated [insert date] (the Final Terms) published by Banca IMI S.p.A. (the Issuer). In consideration of the Issuer offering to grant its consent to our use of the Base Prospectus (as defined in the Final Terms) in connection with the offer of the Notes in [specify Member State(s)] during the Offer Period and subject to the other conditions to such consent, each as specified in the Base Prospectus, we hereby accept the offer by the Issuer in accordance with the Authorised Offeror Terms (as specified in the Base Prospectus) and confirm that we are using the Base Prospectus accordingly".]</i></p> <p><i>Offer period:</i> The Issuer's consent referred to above is given for Public Offers of Notes during [offer period for the Notes to be specified here] (the Offer Period).</p> <p><i>Conditions to consent:</i> The conditions to the Issuer's consent [(in addition to the conditions referred to above)] are that such consent (a) is only valid during the Offer Period; (b) only extends to the use of this Base Prospectus to make Public Offers of the relevant Tranche of Notes in [specify each Relevant Member State in which the particular Tranche of Notes can be offered] and (c) [specify any other conditions applicable to the Public Offer of the particular Tranche, as set out in the Final Terms].</p> <p>AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A PUBLIC OFFER FROM AN AUTHORISED OFFEROR WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH AUTHORISED OFFEROR WILL BE MADE, IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE OFFER IN PLACE BETWEEN SUCH AUTHORISED OFFEROR AND SUCH INVESTOR INCLUDING ARRANGEMENTS IN RELATION TO PRICE, ALLOCATIONS, EXPENSES AND SETTLEMENT. THE RELEVANT INFORMATION WILL BE PROVIDED BY THE AUTHORISED OFFEROR AT THE TIME OF SUCH OFFER.]</p>
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SECTION B – ISSUER

Element	
B.1	<p>Legal and commercial name of the Issuer Banca IMI S.p.A.</p>
B.2	<p>Domicile / legal form / legislation / country of incorporation The Issuer is incorporated as a <i>società per azioni</i> with limited liability under the laws of the Republic of Italy. The Issuer is registered with the Companies' Register of Milan under No. 04377700150. Its registered office is at Largo Mattioli 3, 20121 Milan, with telephone number +39 02 72611.</p>
B.4b	<p>Trend information Not Applicable - There are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects for its current</p>

	financial year.																																																																																	
B.5	Description of the Group The Issuer is a company belonging to the Intesa Sanpaolo banking group, of which Intesa Sanpaolo S.p.A. is the parent company.																																																																																	
B.9	Profit forecast or estimate Not Applicable - No profit forecasts or estimates have been made in the Base Prospectus.																																																																																	
B.10	Audit report qualifications Not Applicable - No qualifications are contained in any audit report included in the Base Prospectus.																																																																																	
B.12	Selected historical key financial information The audited consolidated balance sheets and income statements as of, and for each of the years ended, 31 December 2012 and 2013 and certain unaudited consolidated selected income statement and selected balance sheet figures for the three months ending 31 March 2014 have been extracted without any adjustment from, and are qualified by reference to and should be read in conjunction with, the Issuer's consolidated financial statements in respect of those dates and periods:																																																																																	
	<p><i>Audited Consolidated Balance Sheets for the year ending 31 December 2013 compared with corresponding figures for the year ending 31 December 2012</i></p> <table> <thead> <tr> <th></th> <th style="text-align: right;">31 December 2013</th> <th style="text-align: right;">31 December 2012</th> </tr> <tr> <th></th> <th colspan="2" style="text-align: center;"><i>(EUR thousand)</i></th> </tr> </thead> <tbody> <tr> <td>Cash and cash equivalents</td> <td style="text-align: right;">2</td> <td style="text-align: right;">3</td> </tr> <tr> <td>Financial assets held for trading</td> <td style="text-align: right;">55,329,273</td> <td style="text-align: right;">69,231,420</td> </tr> <tr> <td>Available-for-sale financial assets</td> <td style="text-align: right;">6,122,475</td> <td style="text-align: right;">6,714,432</td> </tr> <tr> <td>Due from banks</td> <td style="text-align: right;">54,664,821</td> <td style="text-align: right;">56,403,295</td> </tr> <tr> <td>Loans to customers</td> <td style="text-align: right;">20,364,686</td> <td style="text-align: right;">17,398,110</td> </tr> <tr> <td>Hedging derivatives</td> <td style="text-align: right;">551,671</td> <td style="text-align: right;">1,091,276</td> </tr> <tr> <td>Equity investments</td> <td style="text-align: right;">12,208</td> <td style="text-align: right;">13,535</td> </tr> <tr> <td>Property and equipment</td> <td style="text-align: right;">1,218</td> <td style="text-align: right;">751</td> </tr> <tr> <td>Intangible assets</td> <td style="text-align: right;">355</td> <td style="text-align: right;">194,183</td> </tr> <tr> <td>of which:</td> <td></td> <td></td> </tr> <tr> <td>- goodwill</td> <td style="text-align: right;">-</td> <td style="text-align: right;">194,070</td> </tr> <tr> <td>Tax assets</td> <td style="text-align: right;">610,740</td> <td style="text-align: right;">294,290</td> </tr> <tr> <td>a) current</td> <td style="text-align: right;">414,174</td> <td style="text-align: right;">101,558</td> </tr> <tr> <td>b) deferred</td> <td style="text-align: right;">196,566</td> <td style="text-align: right;">192,732</td> </tr> <tr> <td>Other assets</td> <td style="text-align: right;">403,696</td> <td style="text-align: right;">451,340</td> </tr> <tr> <td>Total Assets</td> <td style="text-align: right;">138,061,145</td> <td style="text-align: right;">151,792,635</td> </tr> <tr> <td>Liabilities and Equity</td> <td style="text-align: right;">31 December 2013</td> <td style="text-align: right;">31 December 2012</td> </tr> <tr> <td></td> <td colspan="2" style="text-align: center;"><i>(EUR thousand)</i></td> </tr> <tr> <td>Due to banks</td> <td style="text-align: right;">44,973,642</td> <td style="text-align: right;">42,471,641</td> </tr> <tr> <td>Due to customers</td> <td style="text-align: right;">12,527,587</td> <td style="text-align: right;">7,602,384</td> </tr> <tr> <td>Securities issued</td> <td style="text-align: right;">28,945,210</td> <td style="text-align: right;">32,764,994</td> </tr> <tr> <td>Financial liabilities held for trading</td> <td style="text-align: right;">47,017,075</td> <td style="text-align: right;">63,969,708</td> </tr> <tr> <td>Financial liabilities at fair value through profit and loss</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Hedging derivatives</td> <td style="text-align: right;">475,201</td> <td style="text-align: right;">674,160</td> </tr> <tr> <td>Tax liabilities</td> <td style="text-align: right;">429,630</td> <td style="text-align: right;">392,734</td> </tr> </tbody> </table>		31 December 2013	31 December 2012		<i>(EUR thousand)</i>		Cash and cash equivalents	2	3	Financial assets held for trading	55,329,273	69,231,420	Available-for-sale financial assets	6,122,475	6,714,432	Due from banks	54,664,821	56,403,295	Loans to customers	20,364,686	17,398,110	Hedging derivatives	551,671	1,091,276	Equity investments	12,208	13,535	Property and equipment	1,218	751	Intangible assets	355	194,183	of which:			- goodwill	-	194,070	Tax assets	610,740	294,290	a) current	414,174	101,558	b) deferred	196,566	192,732	Other assets	403,696	451,340	Total Assets	138,061,145	151,792,635	Liabilities and Equity	31 December 2013	31 December 2012		<i>(EUR thousand)</i>		Due to banks	44,973,642	42,471,641	Due to customers	12,527,587	7,602,384	Securities issued	28,945,210	32,764,994	Financial liabilities held for trading	47,017,075	63,969,708	Financial liabilities at fair value through profit and loss	-	-	Hedging derivatives	475,201	674,160	Tax liabilities	429,630	392,734
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a) current	395,883	366,462
b) deferred	33,747	26,272
Other liabilities	418,353	407,355
Post-employment benefits	8,569	9,199
Provisions for risks and charges	29,805	23,680
a) pensions and similar obligations	12	12
b) other provisions	29,793	23,668
Fair value reserves	10,497	(106,208)
Reserves	1,534,957	1,396,770
Share premium reserve	581,260	581,260
Share capital	962,464	962,464
Equity attributable to non-controlling interests (+/-)	-	-
Profit for the year	146,895	642,494
Total Liabilities and Equity	138,061,145	151,792,635
Audited Consolidated Income Statements for the year ending 31 December 2013 compared with corresponding figures for the year ending 31 December 2012		
	31 December 2013	31 December 2012
	<i>(EUR thousand)</i>	
Interest and similar income	2,212,227	2,382,980
Interest and similar expense	(1,642,834)	(1,815,889)
Net interest income	569,393	567,091
Fee and commission income	439,605	399,258
Fee and commission expense	(243,743)	(178,332)
Net fee and commission income	195,862	220,926
Dividends and similar income	94,676	334,347
Profits (Losses) on trading	263,136	246,636
Profit (Losses) on hedging	7,364	17,467
Profits (Losses) on disposal or repurchase of:	147,013	114,034
a) loans and receivables	3,944	3,499
b) available-for-sale financial assets	178,197	123,954
c) held-to-maturity investments	-	-
d) financial liabilities	(35,128)	(13,419)
Profits (Losses) on financial assets and liabilities at fair value through profit and loss	-	(25,062)
Total income	1,277,444	1,475,439
Impairment losses/reversal of impairment losses on:	(268,286)	(110,549)
a) loans and receivables	239,566	(105,228)
b) available-for-sale financial assets	(3,604)	-
c) held-to-maturity investments	-	-
d) other financial assets	(25,116)	(5,321)
Net financial income	1,009,158	1,364,890
Net banking and insurance income	1,009,158	1,364,890
Administrative expenses	(359,982)	(350,581)
a) personnel expenses	(114,825)	(131,760)
b) other administrative expenses	(245,157)	(218,821)
Net accruals to provision for risks and charges	(10,000)	(16,000)
Depreciation and net impairment losses	(319)	(358)

	on property and equipment Amortisation and net impairment losses on intangible assets Other operating income (expenses) Operating expenses Net gains on sales of equity investments Impairment of goodwill Pre-tax profit from continuing operations Income tax expense Post-tax profit from continuing operations Profit for the year Profit (loss) attributable to non-controlling interests Profit attributable to the owners of the parent	(65)	(31)	6,687	4,771	(366,679)	(362,199)	17,839	4,396	194,070	-	466,248	1,007,087	(319,353)	(364,593)	146,895	642,494	146,895	642,494	-	-	146,895	642,494
	Consolidated Income Statement Selected Figures for the three months ending 31 March 2014 compared with corresponding figures for the three months ending 31 March 2013																						
		31 March 2014	31 March 2013			Percentage variation																	
		<i>(EUR thousand)</i>				<i>(per cent)</i>																	
	Net interest income	168,101	130,579			28.7																	
	Total income	424,929	371,774			14.3																	
	Operating expenses	99,726	92,410			7.9																	
	Net financial income	384,337	322,471			19.2																	
	Pre-tax profit from continuing operations	285,396	230,919			23.6																	
	Profit for the period	180,496	145,036			24.4																	
	Consolidated Balance Sheet Selected Figures for the three months ending 31 March 2014 compared with corresponding figures for the year ending 31 December 2013																						
		31 March 2014	31 December 2013			Percentage variation																	
		<i>(EUR million)</i>				<i>(per cent)</i>																	
	Net investments	30,188.3	28,676.9			5.3																	
	Net revenue	33,957.9	31,781.6			6.8																	
	Indirect revenue	-	-			n.a																	
	Financial assets	66,624.7	61,451.7			8.4																	
	Total assets	144,927.8	138,061.1			5.0																	
	Net equity	3,424.4	3,236.1			5.8																	
	Statements of no significant or material adverse change																						
	There has been no significant change in the financial or trading position of the Issuer since 31 March 2014 and there has been no material adverse change in the prospects of the Issuer since 31 December 2013.																						
B.13	Events impacting the Issuer's solvency Not Applicable - There are no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.																						
B.14	Dependence upon other group entities The Issuer is subject to the management and co-ordination of its sole shareholder, Intesa																						

	Sanpaolo S.p.A., which is the parent company of the Intesa Sanpaolo banking group, to which the Issuer belongs.
B.15	<p>Principal activities</p> <p>The Issuer is a banking institution established under the laws of the Republic of Italy engaged in investment banking activities. The Issuer is the investment banking arm and securities firm of Gruppo Intesa Sanpaolo and it offers a wide range of capital markets, investment banking and special lending services to a diversified client base including banks, companies, institutional investors, entities and public bodies. The Issuer's business is divided into four business divisions: <i>Capital Markets</i>, <i>Finance & Investments</i>, <i>Investment Banking</i> and <i>Structured Finance</i>.</p>
B.16	<p>Controlling shareholders</p> <p>The Issuer is a wholly-owned direct subsidiary of Intesa Sanpaolo S.p.A., the parent company of the Intesa Sanpaolo banking group.</p>
B.17	<p>Credit ratings¹</p> <p>The Issuer has been rated Baa2 (long-term) and P-2 (short-term) with stable outlook by Moody's Italia S.r.l. (Moody's), BBB- (long-term) and A-3 (short-term) with stable outlook by Standard & Poor's Credit Market Services Italy S.r.l. (Standard & Poor's) and BBB+ (long-term) and F2 (short-term) with stable outlook by Fitch Ratings Ltd. (Fitch).</p> <p>Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Series of Notes is rated, such rating will be disclosed in the Final Terms and will not necessarily be the same as the rating assigned to the Issuer by the relevant rating agency.</p> <p><i>[Issue specific summary:</i></p> <p>The Notes [have been/are expected to be] rated [<i>specify rating(s) of Series being issued</i>] by [<i>specify rating agent(s)</i>].</p> <p>A security rating is not a recommendation to buy, sell or hold Notes and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.]</p> <p>[Not Applicable – No ratings have been assigned to the Issuer or its Notes at the request of or with the co-operation of the Issuer in the rating process.]]</p>

SECTION C – NOTES

Element	
C.1	<p>Type and class of the Notes</p> <p>The Issuer may issue Notes pursuant to the Programme.</p> <p>Notes may be fixed rate Notes, fixed rate reset Notes, floating rate Notes, zero coupon Notes, dual currency Notes or a combination of the foregoing.</p> <p>Notes will be issued in bearer form. Notes may be in definitive form, or may initially be represented by one or more global securities deposited with a common depository or a</p>

¹ The Standard & Poor's credit rating has been updated in the First Supplement dated 21 January 2015 as the Standard & Poor's credit rating disclosed in the "Summary of the Programme" in the Base Prospectus is no longer correct.

common safekeeper for Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and/or any other relevant clearing system. Global securities may be exchanged for definitive securities in the limited circumstances described in the relevant global security.

In addition, in certain circumstances, investors may also hold interests in the Notes indirectly through Euroclear UK & Ireland Limited through the issuance of dematerialised depository interests issued, held, settled and transferred through CREST (**CDIs**). CDIs represent interests in the relevant Notes underlying the CDIs; the CDIs are not themselves Notes. CDIs are independent securities distinct from the Notes, are constituted under English law and transferred through CREST and will be issued by CREST Depository Limited pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated). CDI holders will not be entitled to deal directly in the Notes.

The Notes shall be redeemed at par.

The security identification number of the Notes will be set out in the relevant Final Terms.

[Issue specific summary

Title of Notes: [●]

Series Number: [●]

Tranche Number: [●]

ISIN Code: [●]

Common Code: [●]

Relevant Clearing Systems(s): The Notes will settle in [Euroclear and Clearstream, Luxembourg]/[●]. [The Notes will also be made eligible for CREST via the issue of CDIs.]

[The Notes will be consolidated and form a single series with [*identify earlier Tranches*] on [the Issue Date/ exchange of the Temporary Global Note for interests in the Permanent Global Note, which is expected to occur on or about [*date*]]]

C.2

Currency of the Notes

Subject to compliance with all relevant laws, regulations and directives, the Notes may be denominated in any agreed currency and payments in respect of the Notes may be made in the currency of denomination of the Notes or in such currency and based on such rates of exchange, as the Issuer and the relevant Manager may agree at the time of issue of the relevant Notes.

[Issue specific summary

The Notes are denominated in [●]. Payments of interest in respect of the Notes will be made in [●]. Payments of principal in respect of the Notes will be made in [●].]

C.5

Restrictions on free transferability

Selling restrictions apply to offers, sales or transfers of the Notes under the applicable laws in various jurisdictions. A purchaser of the Notes is required to make certain agreements and representations as a condition to purchasing the Notes.

[Issue specific summary

Regulation S Compliance Category 2. TEFRA [C] [D] [not applicable]]

C.8

Description of the rights attaching to the Notes

Status: The Notes and any relative Coupons constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

Negative pledge: The Notes do not have the benefit of a negative pledge.

Deed of covenant: The Notes have the benefit of a deed of covenant dated on or around 8 August 2014.

Right to interest: Notes may bear interest as determined in accordance with item C.9 below.

Right to redemption: The early redemption amount or final redemption amount is determined in accordance with item C.9 below.

Taxation: If the applicable Final Terms specify that Condition 7(i) is applicable to the Notes, principal and interest in respect of the Notes will be payable by the Issuer without withholding or deduction for or on account of withholding taxes imposed by the Republic of Italy or by or on behalf of any political subdivision or any authority therein having power to tax subject as provided in Condition 7(i). In the event that any deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7(i), be required to pay additional amounts to cover the amounts so deducted.

If the applicable Final Terms specify that Condition 7(ii) is applicable to the Notes, the Issuer is not obliged to gross up any payments in respect of the Notes and shall not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any Note and all payments made by the Issuer shall be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to the Foreign Account Tax Compliance Act, as provided in Condition 4(ii).

Events of Default: The terms of the Notes will contain, amongst others, the following events of default:

- (a) default in payment of any principal or interest due in respect of the Notes, continuing for a specified period of time;
- (b) non-performance or non-observance by the Issuer of any of its other obligations under the Terms and Conditions continuing for a specified period of time;
- (c) the Issuer suspends its payments generally; and
- (d) events relating to the insolvency or winding up of the Issuer.

Meeting of Noteholders: The terms of the Notes will contain provisions for calling meetings of holders of such Notes to consider matters affecting their interests generally.

These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.

Governing law: English law.

C.9

Interest and Redemption

Interest

Notes may or may not bear interest. Interest-bearing Notes will either bear interest payable at a fixed rate or a floating rate or a combination of the foregoing. Interest on interest-bearing Notes may be paid in the currency of denomination of the Notes or, if the Notes are specified as being dual currency interest Notes, in such currencies, and based on such rates of exchange, as the Issuer and the relevant Manager may agree at the time of issue of the relevant Notes.

[Issue specific summary

[The Notes bear interest [from their date of issue/from [●]] at the fixed rate of [●] per cent. per annum [and from [●] at the fixed rate of [●] per cent. per annum]. The yield of the Notes is [●] per cent. Interest will be paid [●] in arrear on [●] [and [●]] in each year. The first interest payment will be made on [●].

[The Notes bear interest [from their date of issue/from [●]] to [●] at the fixed rate of [●] per cent. per annum and from [●] to [●] (the **Reset Period**) [and each successive Reset Period thereafter] at a fixed rate of interest per annum [of [●] per cent. per annum/calculated by reference to [*describe reference rate for Notes being issued*] [plus/minus] a margin of [●] per cent]. The yield of the Notes is [●] per cent. Interest will be paid [●] in arrear on [●] [and [●]] in each year. The first interest payment will be made on [●].

[The Notes bear interest [from their date of issue/from [●]] at [●] floating rate[s] calculated by reference to [*specify reference rate(s) or difference of reference rate(s), as applicable, for Notes being issued*] [multiplied by a rate multiplier of [●] per cent.] [plus/minus] a margin of [●] per cent. [Subject to a maximum rate of interest of [●]] [and] [subject to a minimum rate of interest of [●]] Interest will be paid [●] in arrear on [●] [and [●]] in each year, subject to adjustment for non-business days. The first interest payment will be made on [●].

[The Notes may bear interest on a different interest basis in respect of different interest periods. The Issuer has the option of changing the interest basis between [fixed rate], [fixed reset rate] and [floating rate] in respect of different periods, upon prior notification of such change in interest basis to Noteholders.]

[Interest will be paid in [*insert payment currency*].]

[The Notes do not bear any interest [and will be offered and sold at a discount to their nominal amount].]

Redemption

The terms under which Notes may be redeemed (including the maturity date, the price at which they will be redeemed on the maturity date, the currency of redemption and rate of exchange with the currency of denomination, as well as any provisions relating to early redemption) will be agreed between the Issuer and the relevant Manager at the time of issue of the relevant Notes.

Issue specific summary:

	<p>Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on [●] at [●]. [The Notes will be redeemed in [<i>insert payment currency</i>].]</p> <p>[The Notes may be redeemed early for tax reasons [or [<i>specify any other early redemption option applicable to the Notes being issued</i>]] at [<i>specify the early redemption price and any maximum or minimum redemption amounts, applicable to the Notes being issued</i>].</p> <p>Representative of holders</p> <p>Not Applicable – No representative of the Noteholders has been appointed by the Issuer.</p>
C.10	<p>Derivative component on interest</p> <p>Not Applicable – The Notes do not have a derivative component in the interest payment.</p>
C.11	<p>Listing and Admission to trading</p> <p>Notes issued under the Programme may be listed on the Official List of the Irish Stock Exchange and admitted to trading on the Regulated Market of the Irish Stock Exchange, or may be admitted to trading on the electronic order book for retail bonds on the London Stock Exchange’s regulated market, or such other stock exchange or market specified below, or may be issued on an unlisted basis.</p> <p>[<i>Issue specific summary:</i></p> <p>[Application for Notes has been made/ is expected to be made for [listing on the Official List of the Irish Stock Exchange and for admission to trading on the Regulated Market of the Irish Stock Exchange] [for admission to trading on the electronic order book for retail bonds on the London Stock Exchange’s regulated market].]</p> <p>[The Notes are not intended to be admitted to trading.]</p>

SECTION D – RISKS

Element	
D.2	<p>Key risks regarding the issuer</p> <p>In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which individually or together could result in the Issuer becoming unable to make all payments due in respect of the Notes. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified a number of factors which could materially adversely affect its business and ability to make payments due under the Notes.</p> <p>These factors include:</p> <ul style="list-style-type: none"> • Banca IMI’s business may be adversely affected by international markets and economic conditions; • Disruptions and volatility in the global and Euro-zone financial markets may adversely impact Banca IMI’s business; • Negative economic developments and conditions in the markets in which Banca IMI

	<p>operates may adversely affect Banca IMI's business and results of operations;</p> <ul style="list-style-type: none"> • Banca IMI's business is sensitive to current adverse macroeconomic conditions in Italy; • Banca IMI's business is exposed to counterparty credit risk; • Deterioration in Banca IMI's loan portfolio to corporate customers may affect Banca IMI's financial performance; • Banca IMI's business is exposed to settlement risk and transfer risk; • Banca IMI's business is exposed to market risk; • Banca IMI's business is exposed to operational risks; • Banca IMI's business is exposed to liquidity risk; • Banca IMI's business is exposed to legal risks; • Banca IMI's business is exposed to risks arising from assumptions and methodologies for assessing financial assets and liabilities measured at fair value; • Banca IMI's business is exposed to increasing competition in the financial services industry; • Banca IMI's business is exposed to risks arising from the loss of key personnel; • Banca IMI's framework for managing its risks may not be effective in mitigating risks and losses; • Banca IMI's business is exposed to reputational risk; • Regulatory claims may arise in the conduct of Banca IMI's business; • Banca IMI operates within a highly regulated industry and its business and results are affected by the regulations to which it is subject; • Banca IMI's business performance could be affected if its capital adequacy ratios are reduced or perceived to be inadequate; • Banca IMI's business is exposed to risk of changes in tax legislation as well as to increases in tax rates; • Banca IMI's business is exposed to risks associated with a reduction in the support actions for the banking and financial system; and • Banca IMI's business is exposed to risk related to transactions in financial derivatives.
<p>D.3</p>	<p>Key risks regarding the Notes</p> <p>There are also risks associated with specified types of Notes and with the Notes and the markets generally, including:</p> <ul style="list-style-type: none"> • the Notes may not be a suitable investment for all investors;

- [the value of the Notes may be adversely affected by movements in market interest rates;]
- [the value of the Notes may be adversely affected by fluctuations in currency exchange rates;]
- [as the issuer has the right to redeem the Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate;]
- [there can be no assurance that Notes will be recognised as eligible collateral for Eurosystem monetary and intra-day credit operations and added to the list of eligible assets maintained by the European Central Bank or, if they are so recognised, that they will continue to be recognised at all times during their life;]
- [where the Issuer acts as Calculation Agent or the Calculation Agent is an affiliate of the Issuer, potential conflicts of interest may exist between the Calculation Agent and Noteholders, including with respect to certain determinations and judgements that the Calculation Agent may make pursuant to the Notes that may influence the amounts receivable in respect of the Notes;]
- the terms and conditions of the Notes contain provisions which may permit their modification without the consent of all investors;

- in respect of certain Notes, the Issuer is not obliged to gross up any payments in respect of the Notes;
- stamp taxes or other documentary charges may be payable in the country where the Notes are transferred;
- U.S. Foreign Account Tax Compliance Act withholding may affect payments on the Notes;
- investors are exposed to the risk of changes in law or regulation affecting the value of Notes held by them;
- that there may be no or only a limited secondary market in the Notes;
- that the value of an investor's investment may be adversely affected by exchange rate movements where the Notes are not denominated in the investor's own currency;
- that any credit rating assigned to the Notes may not adequately reflect all the risks associated with an investment in the Notes;
- the Notes will be settled by the Issuer through one or more clearing systems and agents. In addition investors may hold Notes through one or more intermediaries. As a result it may be necessary to enforce rights under the Notes through such indirect holding structure and delays and settlement risk may exist as a result. Further, investors may be subject to provisions outside of, and different from, the Notes by virtue of their holding through one or more intermediaries.

Additionally, the risks relating to investment in the Notes depend on their features and may include, inter alia, risks relating to (but not limited to) operational/business risk, credit risk,

liquidity risk, interest rate risk, regulatory risk, reputational risk, competition risk, unsecured obligations, market risk, hedging and potential conflicts of interest, tax liabilities, expenses and taxation, third party risk, structural risks relating to particular Notes, exchange rate risks, possible illiquidity of Notes, modification, meetings, optional redemption, a requirement to hold a minimum amount of Notes, transfer restrictions and exchange listing and legal regulation risk.

SECTION E – OFFER

Element	
E.2b	<p>Use of proceeds The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.</p> <p><i>[Issue specific summary</i></p> <p>The net proceeds from the issue of Notes will be applied by the Issuer [for its general corporate purposes] [and] [<i>specify other</i>]].</p>
E.3	<p>Terms and conditions of the offer: If so specified in the relevant Final Terms, the Notes may be offered to the public in a Public Offer in one or more specified Public Offer Jurisdictions.</p> <p>The terms and conditions of each offer of Notes will be determined by agreement between the Issuer and the relevant Managers at the time of issue and specified in the applicable Final Terms. Offers of the Notes are conditional on their issue. An Investor intending to acquire or acquiring any Notes in a Public Offer from an Authorised Offeror will do so, and offers and sales of such Notes to an Investor by such Authorised Offeror will be made, in accordance with any terms and other arrangements in place between such Authorised Offeror and such Investor including as to price, allocations and settlement arrangements.</p> <p><i>Issue specific summary:</i></p> <p>[Not Applicable - the Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency.)]</p> <p>[Not Applicable - the Notes are not being offered to the public as part of a Public Offer.]</p> <p>The issue price of the Notes is [●] per cent. of their nominal amount.</p> <p>[Summarise the terms of any Public Offer as set out in paragraph [●] and section [●] of Part B of the Final Terms]</p>
E.4	<p>Description of any interest of natural and legal persons involved in the issue/offer that is material to the issue/offer including conflicting interests The relevant Managers may be paid fees in relation to any issue of Notes under the Programme. Any such Manager and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and their affiliates in the ordinary course of business.</p> <p><i>Issue specific summary</i></p>

	<p>[Other than as mentioned above, [and save for [any fees payable to the Manager [and any other Authorised Offeror]] [●],] so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer, including conflicting interests.]</p>
<p>E.7</p>	<p>Expenses charged to the investor by the Issuer or an Authorised Offeror <i>[Issue specific summary:</i></p> <p>[No expenses are being charged to an investor by the Issuer [or any Authorised Offeror]. [For this specific issue, however, expenses may be charged by an Authorised Offeror (as defined above) in the range between [●] per cent. and [●] per cent. of the nominal amount of the Notes to be purchased by the relevant investor.]] <i>[Specify other]</i></p>

SCHEDULE 2

The paragraph “German Taxation” in the section “Taxation” on pages 133 to 136 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

“German Taxation

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This general discussion is based on the tax laws of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

As each Series or Tranche of Notes may be subject to a different tax treatment due to the specific terms of such Series or Tranche of Notes as set out in the respective Final Terms, the following section only provides some general information on the possible tax treatment.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Tax Residents

The section “Tax Residents” refers to persons who are tax residents of Germany (i.e. persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Withholding tax on ongoing payments and capital gains

Ongoing payments received by an individual Noteholders will be subject to German withholding tax if the Notes are kept or administrated in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a **German Disbursing Agent**, *auszahlende Stelle*). The tax rate is 25 per cent. (plus solidarity surcharge at a rate of 5.5 per cent. thereon, the total withholding being 26.375 per cent.). For individual Noteholders which are subject to church tax an electronic information system for church withholding tax purposes applies in relation to investment income, with the effect that church tax will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

The same treatment applies to capital gains (i.e. the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by an individual Holder provided the Notes have been held in a custodial account with the same German Disbursing Agent since the time of their acquisition. If Notes held or administrated in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining the capital gains. Where Notes are acquired and/or sold or redeemed in a currency other than Euro the sales/redemption price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale or redemption date and the acquisition date respectively with the result that any currency gains or losses are part of the capital gains. If interest coupons or interest claims are disposed of separately (i.e. without the

Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the payment of interest coupons or interest claims if the Notes have been disposed of separately.

To the extent the Notes have not been kept in a custodial account with the same German Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375 per cent. (including solidarity surcharge, plus church tax, if applicable) on 30 per cent. of the disposal proceeds (plus interest accrued on the Notes (Accrued Interest, *Stückzinsen*), if any), unless the current German Disbursing Agent has been notified of the actual acquisition costs of the Notes by the previous German Disbursing Agent or by a statement of a bank or financial services institution within the European Economic Area or certain other countries in accordance with art. 17 para. 2 of the Council Directive 2003/48/EC of June 3, 2003 on the taxation of savings income (e.g. Switzerland or Andorra).

Pursuant to a tax decree issued by the German Federal Ministry of Finance dated October 9, 2012 a bad debt-loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden capital contribution, shall not be treated like a disposal. Accordingly, losses suffered upon such bad debt-loss or waiver shall not be tax-deductible. The same rules should be applicable according to the said tax decree, if the Notes expire worthless so that losses may not be tax-deductible at all.

In computing any German tax to be withheld, the German Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realised by the individual Holder of the Notes via the German Disbursing Agent (e.g. losses from the sale of other securities with the exception of shares). The German Disbursing Agent may also deduct Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the German Disbursing Agent. In addition, subject to certain requirements and restrictions German the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding financial instruments held by the individual Holder in the custodial account with the German Disbursing Agent.

Individual Holders may be entitled to an annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) for all investment income received in a given year. Upon the individual Holder filing an exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, the German Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No withholding tax will be deducted if the Noteholder has submitted to the German Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporation as Holder while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and capital losses incurred). The same may apply where the Notes form part of a trade or business, subject to further requirements being met.

Taxation of current income and capital gains

The personal income tax liability of an individual Holder deriving income from capital investments under the Notes is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or if no German Disbursing Agent is involved in the payment process, the individual Holder must report his or her income and capital gains derived from the Notes on his or her tax return and then will also be taxed at a rate of 25 per cent. (plus solidarity surcharge and church tax thereon, where applicable). If the withholding tax on a disposal, redemption, repayment or assignment has been calculated from 30 per cent. of the disposal proceeds (rather than from the actual gain), an individual Holder may and in case the actual gain is

higher than 30 per cent. of the disposal proceeds must also apply for an assessment on the basis of his or her actual acquisition costs. Further, an individual Holder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted.

Losses incurred with respect to the Notes can only be off-set against investment income of the individual Noteholder realised in the same or the following years.

Where Notes form part of a trade or business the withholding tax, if any, will not settle the personal or corporate income tax liability. Where Notes form part of a trade or business, interest (accrued) must be taken into account as income. Where Notes qualify as zero bonds and form part of a trade or business, each year the part of the difference between the issue or purchase price and the redemption amount attributable to such year must be taken into account. The respective Holder will have to report income and related (business) expenses on the tax return and the balance will be taxed at the Holder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the Holder. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax.

Non-residents

Interest, including Accrued Interest, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Holder or (ii) the income otherwise constitutes German-source income. In cases (i) and (ii) a tax regime similar to that explained above under "Tax Residents" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held or administrated in a custodial account with a German Disbursing Agent, withholding tax may be levied under certain circumstances. Where Notes are not kept in a custodial account with a German Disbursing Agent and interest or proceeds from the disposal, assignment or redemption of a Note or an interest coupon are paid by a German Disbursing Agent to a non-resident upon delivery of the Notes or interest coupons, withholding tax generally will also apply. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Notes will arise under the laws of Germany, if, in the case of inheritance tax, neither the deceased nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

Other Taxes

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

The European Commission and certain EU Member States (including Germany) are currently intending to introduce a financial transactions tax (FTT) (presumably on secondary market transactions involving at least one financial intermediary). It is currently uncertain when the proposed FTT will be enacted by the participating EU Member States and when the FTT will enter into force with regard to dealings with the Notes.

EU Savings Directive

By legislative regulations dated 26 January 2004 the German Federal Government enacted provisions implementing the information exchange on the basis of the EU Savings Directive into German law. These provisions apply from July 1, 2005.

For further information about the EU Savings Directive please refer to pages 154 to 155. ”

The paragraph “Italian Taxation” in the section “Taxation” on pages 138 to 143 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

“Italian Taxation

Taxation in the Republic of Italy

The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following general discussion does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Law Decree No. 66 of 24 April 2014, published in the Official Gazette No. 95 of 24 April 2014 (Decree 66), as converted into law with amendments by Law No. 89 of 23 June, 2014 (Law 89) introduced tax provisions amending certain aspects of the tax treatment of the Notes, as summarised below. The new rules are effective as of 1 July 2014. With reference to the imposta sostitutiva set out by Decree 239 (as defined below) the increased rate applies on interest accrued as of 1 July 2014.

Italian Taxation

Legislative Decree No. 239 of 1 April 1996 (**Decree 239**), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Notes issued, inter alia, by Italian banks, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, inter alia, by Italian banks. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value.

Italian resident Noteholders

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless the individual has opted for the application of the "*risparmio gestito*" regimes – see "*Capital Gains Tax*" 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, premium and other income relating to the Notes are subject to a tax withheld at source, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent.. If the Noteholders described under (i) or (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's

annual income tax return and are therefore subject to general Italian corporate taxation (and in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities (**IRAP**)).

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 (**Decree 351**), 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, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, or pursuant to Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, a SICAF or a SICAV established in Italy or either (i) the fund, SICAF or SICAV (an investment company with variable capital) or (ii) their manager is subject to the supervision of a regulatory authority (the **Fund**), and the relevant Notes are held by 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 Fund will not be subject to taxation on such results but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the **Collective Investment Fund Tax**). For an interim period, in certain circumstances, the Collective Investment Fund Tax may remain applicable at a rate of 20 per cent. for income accrued as of 30 June 2014.

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) and the Notes are deposited with an authorised intermediary, interest, premium and other income 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 (with certain adjustments for the fiscal period 2014 as provided by Law No. 190 of 23 December 2014 (the **Italian Stability Law**)).

Pursuant to Decree 239, *imposta sostitutiva* is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economy and Finance (each an **Intermediary**).

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *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 or in a change of the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (i) resident, for tax purposes, in a country which allows a satisfactory exchange of information with Italy; or (ii) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (iii) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or (iv) an institutional investor which is incorporated 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.

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, to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow a satisfactory exchange of information with Italy.

Please note that according to the Law No. 244 of 24 December 2007 (**Budget Law 2008**) a Decree still to be issued should introduce a new "white list" replacing the current "black list" system, so as to identify those countries which (i) allow for a satisfactory exchange of information; and (ii) do not have a more favourable tax regime.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (i) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance; and (ii) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the case of foreign Central Banks or entities which manage, inter alia, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

Atypical Securities

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*), shares or securities similar to shares pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986 may be subject to a withholding tax, levied at the rate of 26 per cent..

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity, (c) a permanent establishment in Italy of a foreign entity to which the Notes are effectively connected, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution and trusts, such withholding tax applies as a provisional withholding tax. In all other cases the withholding tax is levied as a final withholding tax.

Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian resident Noteholders, subject to proper compliance with relevant subjective and procedural requirements.

Capital gains tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of taxable (and, in certain circumstances, depending on the "*status*" of the Noteholder, also as part of the net value of production for IRAP purposes) income if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not engaged in an entrepreneurial activity to which the Notes are connected and certain other persons, any capital gain realised by such Noteholder

from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent.. Noteholders may set off losses with gains.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the "tax declaration" regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder, holding Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years. Pursuant to Decree 66, 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.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return. Pursuant to Decree 66, 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.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return. Pursuant to Decree 66, investment portfolio 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.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent distributions in favour of unitholders or shareholders may be subject to the Collective Investment Fund Tax.

Under the current regime provided by Decree 351, 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, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, or pursuant to Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax (with certain adjustments for the fiscal period 2014 as provided by the Italian Stability Law).

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Note is connected, from the sale or redemption of Notes traded on regulated markets are not subject to *imposta sostitutiva*.

Capital gains realised by non-Italian-resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes and not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (i) is resident for income tax purposes 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.

Please note that, according to the Budget Law 2008, a Decree still to be issued should introduce a new "white list" replacing the current "*black list*" system, so as to identify those countries which (i) allow for a satisfactory exchange of information and (ii) do not have a more favourable tax regime.

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 listed in regulated markets, are subject to the *imposta sostitutiva* at the current 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.

Inheritance and gift taxes

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, €1,000,000;

- (ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (i), (ii) and (iii) on the value exceeding, for each beneficiary, €1,500,000.

Transfer tax

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of €200; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

Stamp duty

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (**Decree 201**), a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to a Noteholder in respect of any Notes deposited with such financial intermediary. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed €14,000 for taxpayers other than individuals; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held.

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.

Wealth Tax on securities deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.2 per cent..

This tax is calculated on the market value of the Notes at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due). Implementation in Italy of the EU Savings Directive

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (**Decree 84**). Under Decree 84, subject to a number of important conditions being met, in the case of interest paid to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian qualified paying agents shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner and shall not apply the withholding tax. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.”

The paragraph “Portuguese Taxation” in the section “Taxation” on pages 151 to 152 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

“Portuguese Taxation

Noteholder's Income Tax

Income generated by the holding, distributions and disposal of the Notes is generally subject to the Portuguese tax regime for debt representative securities (*obrigações*).

Economic benefits derived from interest, amortisation, reimbursement premiums and other types of remuneration arising from the Notes are designated as investment income for Portuguese tax purposes.

Withholding tax arising from the Notes

Payments of principal on the Notes to corporate entities or to individuals are not subject to Portuguese withholding tax. For these purposes, principal shall mean all payments carried out without any remuneration component.

The Issuer is not responsible for the Portuguese withholding tax, whenever applicable, on interest payments arising from the Notes.

(i) *Corporate entities*

Under current Portuguese law, investment income payments in respect of the Notes made to Portuguese tax resident companies are included in their taxable income and is subject to a corporate tax rate (i) 27 per cent. or (ii) if the taxpayer is a small or medium enterprise as established in Decree-Law no. 372/2007, of 6 November 2007, 17 per cent. for taxable profits up to € 15,000 and 27 per cent. on profits in excess thereof to, which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent., over the Noteholders taxable profits. Corporate taxpayers with a taxable income of more than € 1,500,000 are also subject to a state surcharge ("*derrama estadual*") rate of (i) 3 per cent. due on the part of the taxable profits exceeding €1,500,000 up to €7,500,000; (ii) 5 per cent. on the part of the taxable profits exceeding €7,500,000 up to € 35,000,000, and (iii) 7 per cent. on the part of the taxable profits that exceeds € 35,000,000.

(ii) *Individuals*

As regards investment income on the Notes made to Portuguese tax resident individuals, they are subject to personal income tax which shall be withheld at the current final withholding rate of 28 per cent. if there is a Portuguese resident paying agent, unless the individual elects to include it in his taxable income, subject to tax at progressive personal income tax rates of up to 48 per cent. An additional income tax rate will be due on the part of the taxable income exceeding € 80,000 as follows: (i) 2.5 per cent on the part of the taxable income exceeding € 80,000 up to € 250,000, and (ii) 5 per cent on the remaining part (if any) of the taxable income exceeding € 250,000. Also, if the option of income aggregation is made an additional surcharge at the rate of 3.5 per cent will also be due over the amount that exceeds the annual amount of the monthly minimum guaranteed wage. In this case, the tax withheld is deemed a payment on account on the final tax due. Investment income paid or made available to accounts opened in the name of one or more accountholders acting on behalf of one or more unidentified third parties is subject to a final withholding tax rate of 35 per cent., unless the relevant beneficial owner(s) of the income is/are identified and as a consequence the tax rates applicable to such beneficial owner(s) will apply.

Investment income payments due by non resident entities to Portuguese tax resident individuals are subject to an autonomous taxation at a rate of 28 per cent. whenever those payments are not subject to Portuguese withholding tax, unless the individual elects for aggregation to his taxable income, subject to tax at progressive personal income tax rates of

up to 48 per cent. An additional income tax rate will be due on the part of the taxable income exceeding € 80,000 as follows: (i) 2.5 per cent on the part of the taxable income exceeding € 80,000 up to € 250,000, and (ii) 5 per cent on the remaining part (if any) of the taxable income exceeding € 250,000. Also, if the option of income aggregation is made an additional surcharge at the rate of 3.5 per cent will also be due over the amount that exceeds the annual amount of the monthly minimum guaranteed wage. In this case, the tax withheld is deemed a payment on account on the final tax due.

Implementation of EU Savings Directive in Portugal

Portugal has implemented the EC Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income into the Portuguese law through Decree-Law no 62/2005, of 11 March, 2005, as amended by Law no 39-A/2005, of 29 July.”

The paragraph “Spanish Taxation” in the section “Taxation” on pages 152 to 154 of the Base Prospectus is hereby deleted in its entirety and replaced with the following:

“Spanish Taxation

The following discussion is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Spain, though it is not intended to be, nor should it be construed to be, legal or tax advice. This section does not constitute a complete description of all the tax issues that may be relevant in making the decision to invest in the Notes or of all the tax consequences that may derive from the subscription, acquisition, holding, transfer, redemption or reimbursement of the Notes and does not purport to describe the tax consequences applicable to categories of investors subject to special tax rules. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, regional or local law in Spain, to which they may be subject.

Individuals with Tax Residence in Spain

Personal Income Tax

Personal Income Tax is levied on an annual basis on the worldwide income obtained by Spanish resident individuals, whatever the source is and wherever the relevant payer is established. Therefore any income that Spanish holders of the Notes may receive under the Notes will be subject to Spanish taxation.

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the Notes obtained by individuals who are tax resident in Spain will be regarded as financial income for tax purposes (i.e. a return on investment derived from the transfer of own capital to third parties).

Both types of income will be included in the savings part of the taxable income subject to Personal Income Tax and will be taxed at the following tax rates: (i) for financial income up to €6,000: 20 per cent. as from 1 January 2015 and 19 per cent. as from 1 January 2016; (ii) for financial income from €6,001 to €50,000: 22 per cent. as from 1 January 2015 and 21 per cent. as from 1 January 2016; and (iii) for any amount in excess of €50,000: 24 per cent. as from 1 January 2015 and 23 per cent. as from 1 January 2016.

Spanish holders of the Notes shall compute the gross interest obtained in the savings part of the taxable base of the tax period in which it is due, including amounts withheld, if any.

Income arising on the disposal, redemption or reimbursement of the Notes will be calculated as the difference between: (a) their disposal, redemption or reimbursement value; and (b) their acquisition or subscription value. Costs and expenses effectively borne by the holder on the acquisition and transfer

of the Notes may be taken into account for calculating the relevant taxable income, provided that they can be duly justified.

Likewise, expenses relating to the management and deposit of the Notes, if any, will be tax-deductible, excluding those pertaining to discretionary or individual portfolio management.

Losses that may derive from the transfer of the Notes cannot be offset if the investor acquires homogeneous Notes within the two-month period prior or subsequent to the transfer of the Notes, until he/she transfers such homogeneous Notes.

Additionally, tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the Notes, if any.

Wealth Tax

In accordance with Law 22/2013, of 23 December and Law 36/2014, of 26 December, Wealth Tax has been temporarily restored for the tax periods 2014 and 2015. Wealth Tax is levied on the net worth of an individual's assets and rights. The marginal rates range between 0.2 per cent. and 2.5 per cent. and some reductions could apply. Individuals with tax residency in Spain who are under the obligation to pay Wealth Tax must take into account the value of the Notes which they hold as at 31 December each year, when calculating their Wealth Tax liabilities.

Inheritance and Gift Tax

Inheritance and Gift Tax is levied on individuals' heirs and donees resident in Spain for tax purposes. It is calculated taking into account several circumstances, such as the age and previous net worth of the heir or donee and the kinship with the deceased person or donor. The applicable tax rate currently ranges between 7.65 and 34 per cent. depending on the particular circumstances, although the final tax payable may increase up to 81.6 per cent. This is nevertheless subject to the specific rules passed by the relevant Spanish regions with respect to this tax.

Legal Entities with Tax Residence in Spain

Corporate Income Tax

Both interest periodically received and income arising on the disposal, redemption or reimbursement of the Notes obtained by entities which are resident for tax purposes in Spain shall be computed as taxable income of the tax period in which they accrue.

The general tax rate for limited liability companies is 28 per cent. in the year 2015 and to 25 per cent from the year 2016 onwards. Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

Tax credits for the avoidance of international double taxation may apply in respect of taxes paid outside Spain on income deriving from the Notes, if any.

Individuals and legal entities with no Tax Residence in Spain

A non-resident holder of Notes, who has a permanent establishment in Spain to which such Notes are effectively connected with, is subject to Spanish Non-Residents' Income Tax on any income under the Notes, including both interest periodically received and income arising on the disposal, redemption or reimbursement of the Notes. In general terms, the tax rules applicable to individuals and legal entities with no tax residence in Spain but acting through a permanent establishment in Spain are the same as those applicable to Corporate Income taxpayers (explained above).

Spanish withholding tax

Where a financial institution (either resident in Spain or acting through a permanent establishment in Spain) acts as depositary of the Notes or intervenes as manager in the collection of any income under the Notes, such financial institution will be responsible for making the relevant withholding on account of Spanish tax on any income deriving from the Notes. Currently, the withholding tax rate in Spain is 20 per cent. (it will be reduced to 19 per cent. as from 1 January 2016 onwards).

Amounts withheld in Spain, if any, can be credited against the final Spanish Personal Income Tax liability, in the case of Spanish tax resident individuals, or against final Spanish Corporate Income Tax liability, in the case of Spanish corporate, or against final Non-Residents' Income Tax, in the case of a Spanish permanent establishment of a non-resident holder of the Notes. However, holders of the Notes who are Corporate Income Taxpayers or Non-Residents' Income Taxpayers acting through a permanent establishment in Spain to which the Notes are effectively connected with can benefit from a withholding tax exemption when the Notes are listed in an OECD official stock exchange. This will be the case as the Notes are expected to trade on the Irish Stock Exchange's Regulated Market.

Furthermore, such financial institution may become obliged to comply with the formalities set out in the Regulations on Spanish Personal Income Tax (Royal Decree 439/2007, of 30 March) and Corporate Income Tax (Royal Decree 1777/2004, of 30 July) when intervening in the transfer or reimbursement of the Notes.

Indirect taxation

The acquisition, transfer, redemption, reimbursement and exchange of the Notes will be exempt from Transfer Tax and Stamp Duty as well as Value Added Tax.”