

**THIRD SUPPLEMENT DATED 21 JANUARY 2019 TO THE BASE PROSPECTUS DATED
17 APRIL 2018**



FCA BANK S.p.A.
(incorporated with limited liability in the Republic of Italy)

acting through

FCA BANK S.p.A., IRISH BRANCH

€12,000,000,000
Euro Medium Term Note Programme

This third Supplement (the **Supplement**) to the Base Prospectus dated 17 April 2018 as supplemented by the first supplement dated 8 August 2018 (the **First Supplement**) and by the second supplement dated 3 December 2018 (the **Second Supplement**, and together with the First Supplement and the Base Prospectus dated 17 April 2018, the **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 order to update the Base Prospectus relating to the Euro Medium Term Note Programme (the **Programme**) established by FCA Bank S.p.A., acting through its Irish branch (the **Issuer**). Terms defined in the Base Prospectus have the same meaning when used in this Supplement.

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

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

The language of this 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.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge and belief of the Issuer, the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

Purpose of the Supplement

The purpose of this Supplement is to (i) update the risk factor entitled “*The FCA Bank Group's income and revenue may be affected by a variety of factors over which it has no control*” in the “*Risk Factors*” section on pages 31 and 32 of the Base Prospectus, (ii) update the “*Documents Incorporated by Reference*” section of the Base Prospectus to incorporate by reference the press release of FCA Bank dated 19 December 2018, (iii) update the paragraph entitled “*8. Legal Proceedings*” in the

“Description of FCA Bank” section on page 106 of the Base Prospectus, and (iv) update the paragraph entitled “Taxation in Italy” in the “Taxation” section on pages 111 to 118 of the Base Prospectus.

UPDATE OF THE RISK FACTOR “THE FCA BANK GROUP’S INCOME AND REVENUE MAY BE AFFECTED BY A VARIETY OF FACTORS OVER WHICH IT HAS NO CONTROL”

On pages 31 and 32 of the Base Prospectus, the paragraph entitled “The FCA Bank group’s income and revenue may be affected by a variety of factors over which it has no control” is hereby deleted in its entirety and replaced as set out below.

“The FCA Bank Group’s income and revenue may be affected by a variety of factors over which it has no control

The FCA Bank Group’s earnings and financial position are influenced by a variety of factors over which it has no control, including increases or decreases in gross national product, the level of consumer and business confidence, changes in interest rates on consumer loans, the rate of unemployment, changes in the overall market for consumer or wholesale motor vehicle financing, changes in the level of sales in its market, changes in the finance industry’s regulatory environment in the countries in which the FCA Bank Group conducts business, competition from other financiers, rates of default by its customers, availability of funding sources and changes in the financial markets. The realisation of any one or more of these factors could adversely affect the financial condition and result of operations of the FCA Bank Group. For example, weak economic conditions arising from the global economic recession might result in a decline in demand for the FCA Bank Group’s products, and difficult conditions in global financial markets may adversely impact the FCA Bank Group’s ability to access the funding markets. In Europe, despite the measures taken by several governments, international and supranational organisations and monetary authorities to provide financial assistance to Eurozone countries in economic difficulty and to face the possibility of default by certain European countries on their sovereign debt obligations, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations as well as the overall stability of the euro as a single currency. It remains difficult to predict the effect of recent Eurozone measures on the economy and on the financial system. Potential developments in the international financial crisis could adversely affect the businesses and operations of the FCA Bank Group.

On 12 January 2017, FCA US LLC (**FCA US**), a fully owned subsidiary of FCA, received a notice of violation by the US Environment Protection Agency (the **EPA**) with respect to the emissions control technology employed in the company’s 2014-16 model year light duty 3.0-litre diesel engines. On 23 May 2017, the Environmental and Natural Resources Division of the U.S. Department of Justice (**DOJ-ENRD**) filed a civil lawsuit against FCA US. Following such notification, FCA US continued to work with the administration to assure the EPA and the California Air Resources Board (**CARB**) to clarify issues relating to FCA US’s emissions control technology in respect of the aforementioned engine models.

In January 2019, it was announced that FCA US had reached final settlements on civil, environmental and consumer claims with U.S. federal and state agencies (including the EPA, the DOJ-ENRD, CARB and the State of California), 49 other U.S. States and U.S. Customs and Border Protection, as well as private class actions to resolve differences over diesel emissions requirements. The estimated total cost of the settlements is \$0.8 billion, in line with financial charge set aside for this purpose in the third quarter of the 2018 financial year.

The settlements do not change FCA US’s contention that it did not engage in any deliberate scheme to install defeat devices to cheat emissions tests. Further, the consent decree and settlement agreements contain no finding or admission with regard to any alleged violations of vehicle emissions rules.

At present, notwithstanding that this appears to be only a U.S. compliance matter (engines scrutinised by the U.S. authorities have a different calibration in Europe) and may not directly affect the EU market where FCA Bank operates, it remains uncertain if this may have a negative impact on FCA sales in the EU and on the future business and financial results of FCA Bank.”

DOCUMENTS INCORPORATED BY REFERENCE

Press Release dated 19 December 2018

On 19 December 2018, FCA Bank issued a press release announcing that, starting from January and April 2019 respectively, it would provide retail financing for Harley-Davidson customers in Spain and Poland.

On page 42 of the Base Prospectus, at the end of the section entitled “*Documents Incorporated by Reference*”, a new letter (i) is added as follows:

“(i) “New strategic partnership in Spain and Poland for Harley-Davidson Financial Services and FCA Bank” dated 19 December 2018 (which can be found on the following website: <https://www.fcabankgroup.com/en/press-area>).”

UPDATE OF THE PARAGRAPH ENTITLED “8. LEGAL PROCEEDINGS” IN THE “DESCRIPTION OF FCA BANK” SECTION OF THE BASE PROSPECTUS

On page 106 of the Base Prospectus, the fourth and fifth sub-paragraphs under the paragraph entitled “8. *Legal Proceedings*” in the “*Description of FCA Bank*” section are hereby deleted in their entirety and replaced as set out below.

“On 15 May 2017, the Italian anti-trust authority (*Autorità Garante della Concorrenza e del Mercato - AGCM*) (**AGCM**) announced the start of an investigation into nine automotive manufacturers’ captive banks and two industry associations (*Assofin “Associazione Italiana del Credito al Consumo e Immobiliare”* and *Assilea “Associazione Italiana Leasing”*). The investigation concerns alleged anticompetitive practices that would have been based on an exchange of commercially sensitive information. FCA Bank is one of the captive banks involved in the investigations.

On 5 October 2018, FCA Bank received – together with several other banks and car manufacturers – a statement of objections from the AGCM. It is alleged in this statement of objections that several captive banks offering financing solutions for vehicles commercialised by the relevant car manufacturers have restricted competition as a result of certain exchanges of information, in particular within two professional associations.

On 9 January 2019 FCA Bank was informed of the decision of the AGCM to issue fines to the captive banks of all the major car manufacturers operating in Italy (of which € 178.9 million related to FCA Bank), along with the associations Assofin and Assilea, in connection with an exchange of information on car financing services allegedly in breach of competition rules. FCA Bank believes that the charges brought against it in the decision have no merits and will challenge the decision before the competent administrative court.”

UPDATE OF THE PARAGRAPH ENTITLED “TAXATION IN ITALY” IN THE “TAXATION” SECTION OF THE BASE PROSPECTUS

On pages 111 to 118 of the Base Prospectus, the paragraph entitled “*Taxation in Italy*” in the “*Taxation*” section is hereby deleted in its entirety and replaced as set out below.

“Taxation in Italy

The statements herein regarding taxation are based on the laws in force in Italy as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which could be made on a retroactive basis. The following summary 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 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.

Tax treatment of the Notes

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 falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli simili alle obbligazioni*) issued, *inter alia*, by Italian banks (including FCA Bank S.p.A acting through its Irish branch). For this purpose, bonds and debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or of control of) to management of the issuer.

Italian Resident holders

Where the Italian resident holder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito regime* – 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, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. In the event that the holders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Law No. 232 of 11 December 2016 (the **Finance Act 2017**) and in Article 1(211-215) of Law No. 145 of 30 December 2018 (the **Finance Act 2019**).

Where an Italian resident holder of the Notes 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 holder's income tax return and are therefore subject to general Italian Corporate taxation (**IRES**) (and, in certain circumstances, depending on the “status” of the holder, 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**), Law Decree No. 78 of 31

May 2010, converted into Law n. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, payments of interest 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, and Article 14-bis of Law No. 86 of 25 January 1994, or to Italian real estate investment companies with fixed capital (**Real Estate SICAFs**), and, together with the Italian resident real estate investment funds, the **Real Estate Funds**) are subject neither to substitute tax nor to any other income tax in the hands of a Real Estate Fund, but subsequent distributions made in favour of unitholders or shareholders will be subject, in certain circumstances, to a withholding tax of 26 per cent.; subject to certain conditions, depending on the status of the investor and percentage of participation, income of the Real Estate Fund is subject to taxation in the hands of the unitholder or shareholder regardless of distribution.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund, an Italian investment company with fixed capital (**SICAF**) or an Italian investment company with variable capital (**SICAV**) established in Italy and either (i) the fund, the SICAF or the SICAV or 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 the 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 result, but a withholding tax of 26 per cent. (the **Collective Investment Fund Tax**) will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Where an Italian resident holder of a Note 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. Subject to certain conditions (including minimum holding period requirement) and limitations, interest, premium and other income relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017 and in Article 1(211-215) of Finance Act 2019.

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

An Intermediary (a) must (i) be resident in Italy or (ii) be a permanent establishment in Italy of a non-Italian resident financial intermediary or (iii) an entity or company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree 239 and (b) 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 the 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 Italian financial intermediary paying interest to a Noteholder or, absent that, by the Issuer.

Non-Italian Resident holders

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 (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the **White List**); or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign state; or (d) is an institutional investor which is resident in a country included in the White List, even if it does not possess the status of taxpayer in its own country of residence.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected must be the beneficial owners of the payments of interest, premium or other income and (a) 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 (b) 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*. The Noteholder statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in 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.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. to Interest paid to Noteholders who do not qualify for the exemption. Noteholders who are subject to the *imposta sostitutiva* might, nevertheless, be eligible for a total or partial reduction (generally to 10 per cent.) of the *imposta sostitutiva* under certain applicable double tax treaties entered into by Italy, if more favourable, subject to timely filing of required documentation.

Atypical securities

Interest payments relating to the Notes that are neither deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay an amount not lower than their nominal value.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation on interest, premium and other income relating to the Notes not incorporating an unconditional obligation to pay an amount not lower than their nominal value by the Issuer if such Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017 and in Article 1(211-215) of Finance Act 2019.

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; (d) an Italian commercial partnership; or (e) an Italian

commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty.

Capital Gains Tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the holder, also as part of the net value of production for IRAP purposes) 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 holder of the Notes is (i) an individual not holding the Notes in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such holder of the Notes from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Holders of the Notes 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 Noteholders under (i) to (iii), 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 individuals holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. The relevant Noteholder 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. As an alternative to the tax declaration regime, Italian resident individuals holding the Notes under (i) to (iii) above 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 (including permanent establishments in Italy of foreign intermediaries); and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant holder of the Notes. 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 holder of the Notes or using funds provided by the holder of the Notes 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 holder of the Notes is not required to declare the capital gains in its annual tax return. Any capital gains realised by Italian Noteholder under (i) to (iii) above 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 any increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the holder of the Notes is not required to

declare the capital gains realised in its annual tax return. Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of Finance Act 2017 and in Article 1(211-215) of Finance Act 2019.

Any capital gains realised by a holder of the Notes 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.

Any capital gains realised by a holder of the Notes which 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. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term savings account (*piano di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Finance Act 2017 and in Article 1(211-215) of Finance Act 2019.

Any capital gains realised from the disposal of the Notes by the Real Estate Funds are subject neither to substitute tax nor to any other income tax in the hands of the Real Estate Fund.

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 issued by an Italian resident issuer, which are traded on regulated markets (and, in certain cases, subject to filing of required documentation) are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

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 not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country included in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor which is resident in a country included in the White List, even if it does not possess the status of taxpayer in its own country of residence. The list of countries which allow for an exchange of information with Italy should be amended as pointed out above.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets are subject to the *imposta sostitutiva* at the current rate of 26 per cent. On the contrary, should the Notes be traded on regulated markets, capital gains realised by non-Italian resident Noteholders would not be subject to Italian taxation.

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:

- 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;
- 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
- 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 on the value exceeding, for each beneficiary, €1,500,000.

Transfer tax

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarised 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 which may be deposited with such financial intermediary in Italy. As of 1 January 2014, the stamp duty applies at a rate of 0.2 per cent. and, for taxpayers different from individuals, cannot exceed €14,000. 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 Notes deposited abroad

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding 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).

Tax monitoring obligations

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return) the amount of investments directly or indirectly held abroad. The disclosure requirements are not due if the foreign financial investments (including the Notes) are held through an Italian resident intermediary or are only comprised of deposits and/or bank accounts having an aggregate value not exceeding an €15,000 threshold throughout the year.

The proposed European financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, the **participating Member States**). However, Estonia has ceased to participate.

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

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

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

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

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Italy and Ireland) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, Notes

characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining “foreign passthru payments” are filed with the U.S. Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under Condition 15 (*Further Issues*) of the Conditions of the Notes) that are not distinguishable from previously issued Notes that are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.”

GENERAL

To the extent that there is any inconsistency between (a) any statement in this 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 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.