THIRD SUPPLEMENT DATED 23 MARCH 2020 TO THE BASE PROSPECTUS DATED 14 MAY 2019

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 14 May 2019 as supplemented by the supplements dated 9 August 2019 and 15 January 2020 (the **Supplements** and together with the Base Prospectus dated 14 May 2019, 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 update (i) the "*Important Information*" section on page 4 of the Base Prospectus, (ii) 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*" in the "*Risk Factors*" section commencing on page 19 of the Base Prospectus, (iii) the "*Documents Incorporated by Reference*" section on page 47 of the Base Prospectus to incorporate by reference the audited consolidated financial statements of FCA Bank for the financial year ended 31 December 2019, (iv) the

"*Applicable Final Terms*" section on page 52 of the Base Prospectus, (v) the paragraph entitled "*Business Overview - 3.1. Principal Activities*" in the "*Description of FCA Bank*" section commencing on page 102 of the Base Prospectus, (vi) the paragraph entitled "*Administrative, Management and Supervisory Bodies* - 7.1 *Board of Directors*" in the "*Description of FCA Bank*" section commencing on page 112 of the Base Prospectus, (vii) the paragraph entitled "*8. Regulatory and Legal Proceedings*" in the "*Description of FCA Bank*" section commencing on page 116 of the Base Prospectus, (viii) the paragraph entitled "*Taxation in Italy*" in the "*Taxation*" section commencing on page 122 of the Base Prospectus, (ix) the "*Subscription and Sale*" section on page 130 of the Base Prospectus and (x) the paragraph entitled "*Significant or material Change*" in the "*General Information*" section commencing on page 135 of the Base Prospectus.

UPDATE OF THE "*IMPORTANT INFORMATION*" SECTION OF THE BASE PROSPECTUS

The paragraph entitled "*Important – EEA Retail Investors*" in the "*Important Information*" section on page 4 of the Base Prospectus is deleted in its entirety and replaced as follows:

"**IMPORTANT – EEA AND UK RETAIL INVESTORS** – If the Final Terms in respect of any Notes includes a legend entitled "Prohibition of Sales to EEA and UK Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**) or in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation."

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 34-35 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*" in the "*The Risk Factors*" section is hereby deleted in its entirety and replaced as follows:

"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, the persistence of financial and political uncertainty 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.

The FCA Bank Group's earnings and financial position may also be influenced by outbreaks of infectious diseases in the countries in which the FCA Bank Group conducts business or any other parts of the world. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and cause disruption of economic activities in affected areas as well as globally, which may in turn adversely affect the financial condition and result of operations of the FCA Bank Group. For example, the recent coronavirus COVID -19 epidemic, originating in China and which has spread in Italy and across Europe, has resulted and might further result in increased travel restrictions, quarantines and extended delay or suspension of some business activities, which may affect FCA Bank Group's business. There is no assurance that the outbreak will not lead to a decline in demand for the services the FCA Bank Group provides. There is no assurance that the outbreak's adverse impact on the economies of the countries in which the FCA Bank Group operates and the FCA Bank Group's customers will not adversely affect the level of non-performing loans. The outbreak may also adversely affect the FCA Bank Group's ability to maintain normal operations and provide uninterrupted services to its customers. The ultimate severity of the coronavirus COVID -19 outbreak is uncertain and therefore FCA Bank Group cannot predict the impact it may have on its businesses, operations, financial conditions and results; however, the effect on its business, financial conditions and results could be material and adverse.

On 12 January 2017, FCA U.S. LLC (**FCA U.S.),** a fully owned subsidiary of FCA, received a notice of violation by the U.S. 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 U.S. continued to work with the administration to assure the EPA and the California Air Resources Board (**CARB**) to clarify issues relating to FCA U.S.'s emissions control technology in respect of the aforementioned engine models.

In January 2019, it was announced that FCA U.S. 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 the financial charge set aside for this purpose in the third quarter of the 2018 financial year.

The FCA Bank Group understands that 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

On 21 February 2020, FCA Bank's board of directors approved the consolidated financial statements of FCA Bank for the financial year ended 31 December 2019, together with the auditors' report prepared in connection therewith (the **Financial Statements**).

The table below sets out the relevant page references for the sections of the Financial Statements.

By virtue of this Supplement, the sections of the Financial Statements identified in the table below are incorporated by reference in, and form part of, the Base Prospectus. Any non-incorporated parts of the Financial Statements are either deemed not relevant for an investor or are otherwise covered elsewhere in the Base Prospectus.

At page 47 at the end of the section headed "*Documents Incorporated by Reference*", a new letter (e) is added as follows:

"(e) the consolidated financial statements of FCA Bank for the financial year ended 31 December 2019, together with the auditors' report thereon (which can be found on the following website: https://www.fcabankgroup.com/en/investor-relations/statements-and-reports), including the information set out therein at the following pages in particular:

Consolidated Statement of Financial Position	Pages	88 to 89
Consolidated Income Statement	Page	90
Consolidated Statement of Comprehensive Income	Page	91
Consolidated Statement of Changes in Equity	Pages	92 to 93
Consolidated Statement of Cash Flows	Page	94
Notes on the Consolidated Financial Statements	Pages	96 to 284
Independent Auditor's Report on the Consolidated Financial Statements	Pages	285 to 296"

UPDATE OF THE "*APPLICABLE FINAL TERMS*" SECTION OF THE BASE PROSPECTUS

The paragraph entitled "*Prohibition of Sales to EEA Retail Investors*" in the "*Applicable Final Terms*" section on page 52 of the Base Prospectus is deleted in its entirety and replaced as follows:

"[**PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTOR**S – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**) or in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore

offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.][1]"

Item 7(vii) "*Prohibition of Sales to EEA Retail Investors*" under "*Part B – Other Information*" of the Applicable Final Terms on page 65 of the Base Prospectus is deleted in its entirety and replaced as follows:

"Prohibition of Sales to EEA and UK Retail Investors: [Applicable/Not Applicable]

(*If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no KID will be prepared, "Applicable" should be specified*.) "

UPDATE OF THE "*DESCRIPTION OF FCA BANK*" SECTION OF THE BASE PROSPECTUS

On page 106 of the Base Prospectus, under the paragraph entitled "*Business Overview - 3.1. Principal Activities*" in the "*Description of FCA Bank*" section, after the thirty-sixth sub-paragraph, the following new sub-paragraph is added:

"On 2 March 2020, Leasys finalised an agreement for the acquisition of 100% of the shares in the AIXIA Group which is one of the most dynamic companies in the short term- rental sector in France. The agreement is expected to be completed by the end of March 2020.

With the acquisition of Aixia Group, Leasys will provide short and medium-term car rental services in France. In this way, FCA Bank will further expand its activities in the range of services dedicated to mobility. "

On page 113 of the Base Prospectus, under the paragraph entitled "*Administrative, Management and Supervisory Bodies* - 7.1 *Board of Directors*" in the "*Description of FCA Bank*" section, after the fourth sub-paragraph, the following new sub-paragraph is added:

"Effective on 31 January 2020 Philippe Dumont resigned from his office as Chairman of the board of directors of FCA Bank. On the same date, Stéphane Priami was appointed as Chairman of the board of directors of FCA Bank."

On page 117 of the Base Prospectus, under the paragraph entitled "*Regulatory and Legal Proceedings*" in the "*Description of FCA Bank*" section, the last sub-paragraph is hereby deleted in its entirety and replaced as set out below:

"On 4 April 2019 the Court ordered the suspension of the payment, requiring FCA Bank to provide the AGCM with a bank guarantee for an amount equal to the fine, to be retained by AGCM until the decision on the merits becomes enforceable.

[1] Legend to be included on front of the Final Terms if the Notes potentially constitute "packaged" products and no key information document will be prepared or the issuer wishes to prohibit offers to EEA and UK retail investors for any other reason, in which case the selling restriction should be specified to be "Applicable".

On 26 February 2020, following the introduction of additional arguments by some plaintiffs, the Court decided to postpone any decision in a court hearing scheduled for 21 October 2020."

UPDATE OF THE "*TAXATION*" SECTION OF THE BASE PROSPECTUS

On page 122 of the Base Prospectus, the paragraph entitled "*Taxation in Italy*" in the "*Taxation*" section is hereby deleted in its entirety and replaced with the information set out in Appendix 1 to this Supplement.

SIGNIFICANT OR MATERIAL CHANGE

On page 136 of the base Prospectus, the paragraph entitled "*Significant or Material Change*" in the "*General Information*" section is hereby deleted in its entirety and replaced as set out below:

"There has been no significant change in the financial or trading position of FCA Bank or the FCA Bank Group since 31 December 2019 and there has been no material adverse change in the financial position or prospects of FCA Bank or the FCA Bank Group since 31 December 2019."

SUBSCRIPTION AND SALE

On pages 130-131 of the Base Prospectus, the paragraph entitled "*Prohibition of Sales to EEA Retail Investors*" in the "*Subscription and Sale*" section is hereby deleted in its entirety and replaced as set out below:

"**Prohibition of Sales to EEA and UK Retail Investors**

Unless the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision. The expression "retail investor" means a person who is one (or more) of the following:

i. a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

ii. a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

If the Final Terms in respect of any Notes specifies "Prohibition of Sales to EEA and UK Retail Investors" as "Not Applicable", in relation to each Member State of the EEA and the United Kingdom (each, a **Relevant State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant State except that it may make an offer of such Notes to the public in that Relevant State:

(a) at any time to any legal entity which is a qualified investor as defined in Regulation (EU) 2017/1129 (the **Prospectus Regulation**); or

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

the expression an **offer of Notes to the public** in relation to any Notes in any Relevant State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes;

the expression **Prospectus Regulation** means Regulation (EU) 2017/1129."

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.

Appendix 1

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 similari 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(88-114) of Law No. 232 of 11 December 2016, as subsequently amended (the **Finance Act 2017**), in Article 1(210-215) of Law No. 145 of 30 December 2018 (the **Finance Act 2019**), as implemented by the Ministerial Decree of 30 April 2019 and in Article 13-*bis* of Law Decree No. 124 of 26 October 2019 converted into law with amendments by Law No. 157 of 19 December 2019 (the **Decree 124**), as applicable from time to time.

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 (88-114) of Finance Act 2017, in Article 1(210-215) of Finance Act 2019, as implemented by Ministerial Decree of 30 April 2019, and in Article 13-bis of Decree 124, as applicable from time to time.

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 must (a) (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(210-215) of Finance Act 2019, as implemented by Ministerial Decree of 30 April 2019 and in Article 13-bis of Decree 124, as applicable from time to time.

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) or those intermediaries have in any case been entrusted to collect proceeds and operate as Italian tax agents for securities held abroad within the limits set out by the Italian tax authorities; and (ii) an express election for the *risparmio amministrato* regime being punctually made in writing by the relevant holder of the Notes. The Italian 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(88-114) of Finance Act 2017 and in Article 1(210-215) of Finance Act 2019, as implemented by Ministerial Decree of 30 April 2019 and in Article 13-bis of Decree 124, as applicable from time to time.

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 (88-114) of Finance Act 2017, in Article 1(210-215) of Finance Act 2019, as implemented by Ministerial Decree of 30 April 2019 and in Article 13-bis of Decree 124, as applicable from time to time.

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 and 18-bis) of Decree 201, Italian resident individuals, Italian non-commercial private or public institutions or Italian non-commercial partnerships, holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20 per cent (**IVAFE**).

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 or in the case the nominal or redemption values cannot be determined, on the purchase 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