FIRST SUPPLEMENT TO THE BASE PROSPECTUS DATED 11 JULY 2011

€3,000,000,000
Euro Medium Term Note Programme

for the issue of notes by
ICCREA Banca S.p.A.

This Supplement to the Base Prospectus (the "**Supplement**") constitutes a prospectus supplement for the purposes of article 13 of Chapter 1 of Part II of the Luxembourg Law dated 10 July 2005 on prospectuses for securities (the "**Prospectus Law**") and is prepared in connection with the Base Prospectus dated 11 July 2011 (the "**Base Prospectus**") to the €3,000,000,000 Euro Medium Term Note Programme (the "**Programme**") of ICCREA Banca S.p.A. (the "**Issuer**").

Application has been made to the *Commission de Surveillance du Secteur Financier* (the "**CSSF**"), which is the Luxembourg competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in Luxembourg, for approval of this Supplement.

The Issuer accepts responsibility for the information contained in this Supplement. The Issuer declares that, having taken all reasonable care to ensure that such is the case, the information contained in the Supplement is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

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.

This Supplement is supplemental to, and should be read and construed in conjunction with, the Base Prospectus. Terms defined in the Base Prospectus (but not herein) shall have the same meaning when used in this Supplement.

This Supplement may only be used for the purposes for which it has been published.

In accordance with article 13.2 of Chapter 1 of Part II of the Prospectus Law, investors who have already agreed to purchase or subscribe for securities before this Supplement is published have the right, exercisable within a time limit of two working days after the publication of this Supplement, to withdraw their acceptances.

The date of this Supplement is 17 November 2011.

INFORMATION INCORPORATED BY REFERENCE

The information set out below supplements the section in the Base Prospectus entitled "Documents incorporated by reference" on pages 31-32 therein.

On 22 September 2011, the Issuer published its un-audited non-consolidated interim financial results as at and for the six months ended 30 June 2011 (the "**Interim Financial Statements**").

The Interim Financial Statements have been published and filed with the CSSF, are incorporated in full by reference into this Supplement and shall, by virtue of this Supplement, be deemed to be incorporated in full into, and form part of, the Base Prospectus.

The following table shows where the information required under Annex IX, paragraph 11.1 of Commission Regulation (EC) No. 809/2004 can be found in the above-mentioned Interim Financial Statements incorporated by reference in the Base Prospectus.

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Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purposes only.

RECENT DEVELOPMENTS

The information set out below supplements the section in the Base Prospectus entitled "Description of the Issuer –General - Recent Developments" on page 110 therein.

On 10 August 2011, Fitch Italia S.p.A. downgraded Iccrea Holding S.p.A. and its two main subsidiary banks, ICCREA Banca S.p.A. and Iccrea BancaImpresa S.p.A. (formerly, Banca Agrileasing). These entities' long-term issuer default ratings ("**IDR**") were downgraded from 'A' to 'A-'. The outlook is Stable. Fitch Italia S.p.A. has also downgraded these entities' short-term IDRs from 'F1' to 'F2' and viability ratings from 'a' to 'a-'. The downgrade is stated to reflect the Group's weakened asset quality and pressure on profitability in a difficult operating environment. Iccrea Holding S.p.A.'s liquidity is viewed as having tightened as deposits from the Banche di Credito Cooperativo have fallen although it remains sound and benefits from a high amount of securities that are eligible for refinancing transactions with the European Central Bank.

On 18 October 2011, Standard & Poor's Credit Market Services Italy S.r.l. downgraded Iccrea Holding S.p.A. and its two main subsidiary banks, ICCREA Banca S.p.A. and Iccrea BancaImpresa S.p.A. (formerly, Banca Agrileasing). These entities' long-term counterparty credit ratings ("**CCR**") were downgraded to 'BBB+' from 'A-'. The outlook is Stable. Standard & Poor's Credit Market Services Italy S.r.l. has affirmed these entities' short-term CCR of 'A-2'. The downgrade is stated to reflect the increased economic and industry risks in Italy, the slowdown in domestic economic growth in 2012 and the consequential strain on the Banche di Credito Cooperativo network's financial profile and asset quality, particularly in the real estate sector. The Stable outlook on these entities, however, reflects the Banche di Credito Cooperativo network's strong capital and liquidity positions, which provide a sufficient buffer to withstand a currently weak economic environment at this rating level.

Fitch Italia S.p.A. and Standard & Poor's Credit Market Services Italy S.r.l. are established in the European Union and registered under the CRA Regulation (as amended by Regulation (EC) No

513/2011). A list of the rating agencies registered under the CRA Regulation is available on the website of the European Security and Markets Authority (www.esma.europa.eu).

AMENDMENTS TO THE BASE PROSPECTUS

The Base Prospectus shall be amended in accordance with the amendments set out in Annex 1 to this Supplement.

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

* * *

The Issuer will provide, without charge, to each person to whom a copy of this Supplement has been delivered, upon the written or oral request of such person, a copy of the Interim Financial Statements which are incorporated herein by reference. Written or oral requests for such information should be directed to the specified office of the Fiscal Agent (see page 154 of the Base Prospectus).

A copy of this Supplement and the Interim Financial Statements incorporated by reference herein are available on the website of the Luxembourg Stock Exchange (*www.bourse.lu*)

ANNEX 1

(i) The second paragraph of the front page of the Base Prospectus, starting with "*As more fully set out*" and ending with "*to Noteholders in relation to any such withholding*" is amended and replaced as follows:

> "*As more fully set out in "**Taxation**", payments of interest, premium and other income on Notes qualifying as bonds (obbligazioni) or securities similar to bonds (titoli similari alle obbligazioni) are subject in principle to a substitutive tax (referred to as the imposta sostitutiva), in certain circumstances. Imposta sostitutiva is levied at the rate of 12.50 per cent on interest accrued up to 31 December 2011 and shall be levied at the rate of 20 per cent on interest accrued as of 1 January 2012. In order to obtain exemption from the imposta sostitutiva in respect of payments of interest, premium or other income relating to the Notes, each Noteholder not resident in the Republic of Italy is generally required to certify, inter alia, that such Noteholder is eligible for the exemption, as more fully set out in "**Taxation**". Payments of interest, premium and other income on Notes with an original maturity of less than 18 months or qualifying as atypical securities (titoli atipici) are currently subject to a withholding tax at the rate of 27 per cent. Such withholding tax shall be applicable at the rate of 20 per cent on interest accrued as of 1 January 2012. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such withholding*."

(ii) In the section "*General Description of the Programme*", on page 15 of the Base Prospectus the paragraph "*Taxation*" shall be deemed replaced as follows:

"***Taxation:***	*All payments in respect of Notes will be made free and clear of withholding or deduction of Italian taxation, unless the withholding or deduction is required by law. In that event, the Issuer will (subject as provided in Condition 12 (Taxation)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required.* *In that event, the Issuer will (subject as provided in Condition 12 (Taxation)) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding or deduction been required.* *However, as more fully set out in Condition 12 (Taxation), the Issuer will not be liable to pay any additional amounts to Noteholders with respect to any payment, withholding or deduction pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended and supplemented, on account of Italian substitutive tax (imposta sostitutiva), as defined therein in relation to interest or premium payable on, or other income deriving from, any Notes. See "Taxation" below.* *Interest, premium and other income on Notes with an*

original maturity of less than 18 months are currently subject to withholding tax at the rate of 27 per cent., pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. Interest, premium and other income on Notes with a maturity of at least 18 months which are redeemed within 18 months from the date of issue and accrued up to the date of the early redemption are subject - up to 31 December 2011 - to an additional tax payable by the Issuer at a rate of 20 per cent., pursuant to Italian Presidential Decree No. 600 of 29 September 1973, as amended. On 13 August 2011 the Italian Government passed the Law Decree No. 138/2011 converted into Law No. 148/2011 (the "Decree 138/2011") which enacted a number of fiscal measures, including a general increase of the tax rate on income from financial investments. The Decree 138/2011 sets out that any withholding and/or substitutive tax applicable at either 12.50 per cent or 27 per cent on both interest and gains shall be levied at 20 per cent. The new provisions apply on: (i) interest accrued as of 1 January 2012; and (ii) capital gains realized after 1 January 2012. All the above considered and based on the combined provisions of article 26 of Presidential Decree No. 600/1973, as modified by Decree 138/2011, and articles 1 and 2 of Legislative Decree 239 of 1 April 1996, interest, premium and other income accrued as of 1 January 2012 on Notes with an original maturity of less than 18 months will be subject to a substitutive tax of 20 per cent provided by Legislative Decree No. 239 of 1 April 1996. With effect from 1 January 2012 the Decree 138/2011 abolishes the applicability of the 20 per cent surcharge on interest accrued up to the early (i.e. before the 18 month-term) redemption of notes having an original maturity exceeding the 18 month-term. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such withholding. See Condition 12 (Taxation)."

(iii) On page 134 of the Base Prospectus, the section "TAXATION", is amended and replaced in its entirety as follows*:*

"*TAXATION*

The statements herein regarding taxation are based on the laws in force as at 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 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 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.

Republic of Italy

1. Upcoming Legislation

On 13 August 2011 the Italian Government passed the Law Decree No. 138/2011 converted into Law No. 148/2011 (the "Decree 138/2011") which enacted a number of fiscal measures, including a general increase of the tax rate on income from financial investments. The Decree 138/2011 sets out that any withholding and/or substitutive tax currently applicable at either 12.50 per cent or 27 per cent on both interest and gains shall be levied at 20 per cent. According to the Decree 138/2011, the new provisions apply on: (i) interest accrued as of 1 January 2012; and (ii) capital gains realized after 1 January 2012.

2. Tax treatment of Notes which qualify as "obbligazioni" (bonds) or "titoli similari alle obbligazioni" (securities similar to bonds)

*Italian Legislative Decree No. 239 of 1 April 1996 ("**Decree 239**") sets out the applicable regime regarding the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as "**Interest**") from notes falling within the category of bonds ("obbligazioni") or debentures similar to bonds ("titoli similari alle obbligazioni") issued, inter alia, by Italian banks.*

The provisions of Decree 239 apply to Interest arising from Notes issued before 31 December 2011 and having an original maturity of not less than 18 (eighteen) months as well as to Interest accrued as of 1 January 2012 irrespective of the date of issuance of the Notes (either before or after 1 January 2012) as well as of their original maturity (either less or more than 18 months).

As a consequence of the Decree 138/2011, any withholding and/or substitutive tax currently applicable at 12.50 per cent shall be levied at 20 per cent on Interest accrued as of 1 January 2012.

2.1. Italian resident Noteholders

The Italian tax regime applicable to Interest arising from Notes - held by Italian resident and non resident Noteholders - issued before 31 December 2011 and having an original maturity of not less than 18 (eighteen) months as well as to Interest accrued as of 1 January 2012 irrespective of the date of issuance of the Notes (either before or after 1 January 2012) as well as of their original maturity (either less or more than 18 months), is as follows (see paragraphs 2.1. and 2.2.).

The Italian tax regime applicable to Interest from Notes – held by Italian resident and non resident Noteholders - issued before 31 December 2011 with an original maturity of less than 18 months refers to paragraph 2.4.

Where the Italian resident Noteholder is:

(a) *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 under "Capital gains tax" below);*

(b) *a non-commercial partnership;*

(c) *a non-commercial private or public institution; or*

(d) *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 12.5 per cent (20 per cent shall be applicable to Interest accrued as of 1 January 2012). In the event that the Noteholders described under (a) and (c) 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 the Republic of Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to imposta sostitutiva. They must, however, be included in the relevant Noteholder's 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 IRAP (the regional tax on productive activities).

Under the regime provided by law-decree No. 351 of 25 September 2001 converted into law with amendments by law No. 410 of 23 November 2001, as clarified by the Agenzia delle Entrate through Circular No. 47/E of 8 August 2003, payments of interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to article 37 of Legislative Decree 24 February 1998, No. 58 and article 14-bis of Law 1 January 1994, No. 86, are not subject to the 12.5 per cent (20 per cent as of 1 January 2012) imposta sostitutiva. The taxation of the real estate fund has been repeatedly amended by Law Decree No. 78 of 31 May 2010 as converted, with amendments, into Law No. 122 of 30 July 2010 and by Law Decree No. 70 of 13 May 2011 as converted, with amendments, into Law No. 160 of 12 July 2011. Such new legislation has not affected the taxation of the Notes as described above.

Where the holder of the Notes is an Italian resident investment fund, interest payments relating to the Notes are not subject to imposta sostitutiva (nor to any Italian income in general). Under the tax regime applicable until 30 June 2011, Italian resident investment funds are subject to a 12.5 per cent annual substitute tax on the year-end accrued appreciation of the managed assets. Such increase includes interest accrued on the Notes which, in turn, are not subject to the imposta sostitutiva provided that the Notes are deposited with an authorised intermediary. A new legislation affecting the taxation of the Italian resident investment funds has been enacted by Law Decree No. 225 of 29 December 2010 as converted, with amendments, into Law No. 10 of 26 February 2011 which came into force as of 1 July 2011. The new regime is based on income being taxed at the time they are realized by the investors of the funds and no longer on the year-end management result. Such reform has not affected the taxation regime of the interest payments relating to the Notes which continues not to be subject to imposta sostitutiva stated by Decree 239.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to imposta sostitutiva, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to an 11 per cent. substitute tax.

*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 Finance (each an "**Intermediary**").*

An Intermediary must (a) be resident in the Republic of Italy or be a permanent establishment in the Republic of Italy of a non-Italian resident financial intermediary, 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 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.

2.2. Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in the Republic of Italy to which the Notes are effectively connected, an exemption from the imposta sostitutiva applies provided that the non-Italian resident beneficial owner is:

*a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with the Republic of Italy (the "**White List States**") as listed (i) in the Italian Ministerial Decree dated 4 September 1996, as amended from time to time, or (ii) as from the fiscal year in which the decree pursuant to article 168-bis of Italian Presidential Decree of 22 December 1996, No 917 is effective, in the list of States allowing an adequate exchange of information with the Italian tax authorities as per the decree issued to implement Article 168-bis, paragraph 1 of Italian Presidential Decree of 22 December 1986, No. 917 (for the 5 years starting on the date of publication of the Decree in the Official Gazette, States and territories that are not included in the current black-lists set forth by Italian Ministerial Decrees of 4 May 1999, 21 November 2001 and 23 January 2002 nor in the current white list set forth by Italian Ministerial Decree of 4 September 1996 are deemed to be included in the new white-list); or*

b) an international body or entity set up in accordance with international agreements which have entered into force in the Republic of Italy; or

c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or

d) an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with the Republic of Italy.

In order to ensure gross payment, non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected must be the beneficial owners of the payments of Interest and must:

a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in the Republic of 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. This statement, which is

not requested for international bodies or entities set up in accordance with international agreements which have entered into force in the Republic of Italy nor 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.

The imposta sostitutiva will be applicable at the rate of 12.5 per cent (20 per cent shall be applicable on Interest accrued as of 1 January 2012) to Interest paid to Noteholders who do not qualify for the exemption.

However, Noteholders who are subject to the substitute tax might be eligible for a total or partial relief under any applicable tax treaty.

According to one interpretation, as already mentioned above under paragraph 2.1. above, the described regime currently applicable to Notes having an original maturity of not less than eighteen months shall be applicable to Interest accrued as of 1 January 2012 irrespective of the date of issuance as well as of the original maturity of the Notes. This conclusion is consistent with the rationale of the Decree 138/2011 aimed at harmonizing tax rates applicable to interest and gains as well as with the combined provisions of articles 1, 2 and 6 of Decree 239. However, the Italian Tax Authority has not yet issued any guidelines on this subject and therefore it is not possible to exclude that future rulings, guidelines, regulations or letters by the Italian Tax Authority or other competent authorities might dissent on the interpretation of Italian Tax Law as outlined above.

2.3. Early Redemption

According to article 26, paragraph 1 of Presidential Decree No. 600 of 29 September 1973, as applicable, up to 31 December 2011, in the event that the Notes having an original maturity of not less than 18 months are redeemed in full or in part prior to eighteen months from the date of issuance, the Issuer will be required to pay an additional amount equal to 20 per cent of interest and other proceeds accrued on the Notes up to the time of the early redemption.

With effect from 1 January 2012, the Decree 138/2011 abolishes the applicability of the 20 per cent surcharge on interest accrued up to the early (i. e. before the 18 – month term) redemption of the notes having an original maturity exceeding the 18 – month term.

It is not entirely clear whether any Notes (with a maturity exceeding 18 months) issued before 31 December 2011 and subject to an early (i.e. before the 18 – month term) redemption in 2012 will trigger the application of the 20 per cent surcharge on the portion of interest accrued up to 31 December 2011.

The Italian Tax Authority is likely to issue guidelines on this particular subject.

2.4. Notes with an original maturity of less than 18 months

Interest relating to Notes issued before 31 December 2011 with an original maturity of less than 18 months is subject to a withholding tax, levied at the rate of 27 per cent, provided that such Interest is accrued before 31 December 2011.

Where the Noteholder is:

a) an 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 the Republic of 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,

such withholding tax is deemed a provisional withholding tax.

In all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the 27 per cent. withholding tax rate may be reduced by any applicable tax treaty.

Interest payments relating to Notes issued with an original maturity of less than 18 months and accrued as of 1 January 2012 are subject to the Decree 239 provisions irrespective of the date of issuance of the Notes, as outlined in paragraphs 2.1. and 2.2.

3. 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) may be subject to a withholding tax, levied at the rate of 27 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value.

In the case of Notes issued by an Italian resident issuer, 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 the Republic of 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, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the 27 per cent. withholding tax rate may be reduced by any applicable tax treaty.

Withholding tax applicable on interest payments accrued as of 1 January 2012, if any, shall be levied at the rate of 20 per cent. This conclusion is consistent with the rationale of the Decree 138/2011 aimed at harmonizing tax rates applicable to interest and gains.

However, the Italian Tax Authority has not yet issued any guidelines on this subject and therefore it is not possible to exclude that future rulings, guidelines, regulations or letters by the Italian Tax Authority or other competent authorities might dissent on the interpretation of Italian Tax Law as outlined above.

4. 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 Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company, 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, 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 rate of 12.5 per cent (20 per cent shall be applicable to any capital gain realized after 1 January 2012). Noteholders may set off any losses with their gains.

In respect of the application of imposta sostitutiva on capital gains, taxpayers may opt for one of the three regimes described below:

a) 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 the Notes. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the 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 the imposta sostitutiva on such gains together with any balance 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. Specific provisions have been stated by Decree 138/2011 with reference to capital losses realized before 1 January 2012 to be carried forward against capital gains realized after 1 January 2012.

b) 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 must account for the 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. The depository must also 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, which 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. Specific provisions have been stated by Decree 138/2011 with reference to capital losses realized before 1 January 2012 to be carried forward against capital gains realized after 1 January 2012. Under the risparmio amministrato regime, the Noteholder is not required to declare the capital gains in the annual tax return.

c) *Under the "asset management" regime (the "risparmio gestito" regime), 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, 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 12.5 per cent. substitute tax, to be paid by the managing authorised intermediary (20 per cent shall be applicable on the year-end management result accrued after 1 January 2012). Any depreciation of the managed assets accrued at the year-end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Specific provisions have been stated by Decree 138/2011 with reference to any depreciation of the managed assets accrued up to 31 December 2011 to be carried forward against increase in value of the managed assets accrued after 1 January 2012. The Noteholder is not required to declare the capital gains realised in the annual tax return.*

Under the tax regime applicable until 30 June 2011, any capital gains realised by a Noteholder who is an Italian resident investment fund must be included in the appreciation of the managed asset to be subject to 12.5 per cent substitute tax. A new legislation affecting the taxation of the Italian resident investment funds has been enacted by Law Decree No. 225 of 29 December 2010 as converted, with amendments, into Law No. 10 of 26 February 2011 coming into force as of July, 1st 2011. The new regime is based on income being taxed at the time they are realized by the investors of the funds and no longer on the year-end management result.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Italian 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 an 11 per cent. substitute tax.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected from the sale or redemption of Notes issued by an Italian resident issuer and traded on regulated markets are not subject to the imposta sostitutiva. The exemption applies provided that the non-Italian resident Noteholders file in due course with the authorised financial intermediary an appropriate affidavit (autocertificazione) stating that the Noteholder is not resident in the Republic of Italy for tax purposes.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected from the sale or redemption of Notes issued by an Italian resident issuer not traded on regulated markets are not subject to the imposta sostitutiva, provided that the effective beneficiary is:

a) *resident in a country which allows for a satisfactory exchange of information with the Republic of Italy;*

b) an international entity or body set up in accordance with international agreements which have entered into force in the Republic of Italy;

c) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State; or

d) an "institutional investor", whether or not subject to tax, which is established in a country which allows for a satisfactory exchange of information with the Republic of Italy.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders without a permanent establishment in the Republic of Italy to which the Notes are effectively connected from the sale or redemption of Notes issued by an Italian resident issuer and not traded on regulated markets may be subject to the imposta sostitutiva at the current rate of 12.5 per cent (20 per cent shall be applicable to capital gains realized after 1 January 2012). However, Noteholders may benefit from an applicable tax treaty with the Republic of Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the resident tax country of the recipient.

5. Inheritance and gift taxes

Transfers of any valuable asset (including shares, Notes or other securities) as a result of death or donation are taxed as follows:

a) 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 gift exceeding €1,000,000;

b) 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 gift exceeding €100,000; and

c) any other transfer is subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or gift.

6. Transfer tax

Contracts relating to the transfer of securities are subject to a Euro 168 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

7. EU Savings Tax Directive

*Under EC Council Directive 2003/48/EC (the "**EU Savings Tax Directive**") on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a paying agent (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a paying agent (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per*

cent., unless in the case of Luxembourg the beneficial owner of the interest payments opts for one of the two optional information exchange procedures available. The transitional period is to terminate at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries (including Switzerland) and certain dependent or associated territories of certain Member States (including Switzerland), have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a paying agent (within the meaning of the EU Savings Tax Directive) within its jurisdiction to or collected by such a paying agent (within the meaning of the EU Savings Tax Directive) for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

8. Implementation in the Republic of Italy of the Savings Directive

Italy has implemented the EU Savings Tax Directive through Legislative Decree No. 84 of 18 April 2005 ("Decree No. 84"). Decree No. 84 applies to payments of interest made by paying agents established in Italy to beneficial owners who are individuals resident in a different EU Member State or in a dependent or associated territory under the relevant international agreement (currently Jersey, Guernsey, Isle of Man, Netherlands Antilles, British Virgin Islands, Turks and Caicos, Cayman Islands, Montserrat, Anguilla, Aruba). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1 July 2005 (including the case of interest accrued on the Notes at the time of their disposal) to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, (or the territories referred to above), Italian paying agents i.e. banks, SIMs, fiduciary companies, SGRs resident for tax purposes in Italy, permanent establishments in Italy of non-resident persons and any other economic operator resident for tax purposes in Italy paying interest for professional or commercial reasons shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner, namely: identity and residence of the beneficial owner; name and address of the paying agent; account number of the beneficial owner or, otherwise, information of the debt claim giving rise to the interest payment and amount of interest paid.

Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner. In certain circumstances, the same reporting requirements must be complied with also in respect of interest paid to certain entities established in another Member State, other than legal persons (with the exception of certain Finnish and Swedish entities), whose profits are taxed under general arrangements for business taxation and, in certain circumstance, UCITS recognised in accordance with Directive 85/611/EEC.

Luxembourg taxation

The information contained within this section is limited to withholding tax issues and prospective investors should not apply any information set out below to other areas under Luxembourg, including (but not limited to) the legality of transactions involving the Notes.

All payments of interest and principal by the Issuer in the context of the holding, disposal, redemption or repurchase of the Notes can be made free and clear of any withholding or deduction for or on account of any taxes of whatsoever nature imposed, levied, withheld or assessed by Luxembourg or any political subdivision or taxing authority thereof or therein, in accordance with applicable Luxembourg laws, subject however to:

*a) the application of the Luxembourg laws of 21 June 2005 implementing the EU Savings Tax Directive (Council Directive 2003/48/EC) and several agreements concluded with certain dependent or associated territories and providing for the possible application of a withholding tax (15 per cent. from 1 July 2005 to 30 June 2008, 20 per cent. from 1 July 2008 to 30 June 2011 and 35 per cent. from 1 July 2011) on interest paid to certain non-Luxembourg resident investors (individuals and certain types of entities called "**residual entities**") in the event of the Issuer appointing a paying agent in Luxembourg within the meaning of the above-mentioned directive and agreements; and*

b) the application as regards Luxembourg resident individuals of the Luxembourg law of 23 December 2005 which has introduced a 10 per cent. withholding tax on

savings income (i.e. with certain exemptions, savings income within the meaning of the Luxembourg laws of 21 June 2005 implementing the EU Savings Tax Directive). This law should apply to savings income accrued as from 1 July 2005 and paid as from 1 January 2006.

Pursuant to the law of 23 December 2005 as amended by the law of 17 July 2008, Luxembourg resident individuals can opt to self declare and pay a ten per cent. tax on interest payments made by paying agents located in a Member State of the European Union other than Luxembourg, a Member State of the European Economic Area or in a State or territory which has concluded an agreement directly relating to the EU Savings Tax Directive.

The ten per cent. withholding tax described above or the ten per cent. tax are final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the above-mentioned Luxembourg laws as of 21 June 2005 and 23 December 2005 is assumed by the Luxembourg paying agent within the meaning of these laws and not by the relevant Issuer.

Implementation in Luxembourg of the EU Savings Tax Directive

The EU Savings Tax Directive was implemented in Luxembourg by the laws of 21 June 2005."