THIRD SUPPLEMENT DATED 22 MAY 2014
TO THE BASE PROSPECTUS DATED 29 OCTOBER 2013

Banca Monte dei Paschi di Siena S.p.A.

(Incorporated with limited liability in the Republic of Italy)

MONTE DEI PASCHI DI SIENA
BANCA DAL 1472

€50,000,000,000

Debt Issuance Programme

This third supplement (the **Supplement**) to the Base Prospectus dated 29 October 2013, as previously supplemented by the first supplement dated 4 December 2013 and the second supplement dated 18 March 2014 (together, the **Base Prospectus**), constitutes a supplement for the purposes of Article 13.1 of Chapter 1 of Part II of the Luxembourg Act dated 10 July 2005 on prospectuses for securities, as amended (the **Prospectus Act)** and is prepared in connection with the Euro Medium Term Note Programme (the **Programme**) established by Banca Monte dei Paschi di Siena S.p.A. (**BMPS** or 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.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this 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 the submission of this Supplement is to update (a) the "Documents Incorporated by Reference" section of the Base Prospectus to incorporate by reference the BMPS 2013 audited consolidated annual report, the press release relating to the approval of the BMPS unaudited financial results as at 31 March 2014 and other recent press releases in relation to the Issuer; (b) the "Taxation - Republic of Italy" section of the Base Prospectus; and (c) the "General Information" section of the Base Prospectus.

Documents Incorporated by Reference

The "Documents Incorporated by Reference" section on page 26 of the Base Prospectus shall be deemed to be supplemented with the following:

BMPS 2013 Annual Report

On 30 April 2014 the Shareholders' Meeting of BMPS approved the 2013 audited consolidated annual report (the **BMPS 2013 Annual Report)**

A copy of the BMPS 2013 Annual Report has been filed with the *Commission de Surveillance du Secteur Financier* (the **CSSF**) and, by virtue of this Supplement, the sections of such document identified in the table below are incorporated by reference in, and form part of, the Base Prospectus:

Document	Information incorporated	Pages
"BMPS 2013 Annual Report"		
	Governing and Control Bodies	pp 5-6
	Consolidated Annual Report	pp 7-8
	Consolidated Report on Operations	pp 9-118
	Consolidated Financial Statements	pp 119-132
	Notes to the Consolidated Financial Statements	pp 133-456
	Certification of the consolidated financial statements pursuant to art. 81-ter of Consob regulation no. 11971 of 14 may 1999, as subsequently amended and supplemented	pp 457-458
	Independent Auditor's Report	pp 459-462

The information incorporated by reference that is not included in the cross-reference list above is considered as additional information and is not required by the relevant schedules of the Prospectus Regulation.

BMPS financial results as at 31 March 2014

A press release dated 12 May 2014, relating to the approval by the Issuer's Board of Directors of the BMPS unaudited financial results as at 31 March 2014, has been published by the Issuer and filed with the CSSF and, by virtue of this Supplement, such press release is incorporated in, and forms part of, the Base Prospectus.

Document	Information incorporated	Pages
Press release dated 12 May 2014 "BoD approves results as at 31 march 2014"	Entire Document	All

Press releases in relation to BMPS

On 18 April 2014, the Board of Directors of BMPS resolved unanimously to submit to the Extraordinary Shareholders' Meeting a proposal to upsize the share capital increase to up to a maximum of Euro 5 billion, replacing the original amount of Euro 3 billion already approved on 28 December 2013. The Extraordinary Shareholders' Meeting will be convened on 20 May, 21 May and, if necessary, 22 May 2014.

On 18 April 2014, the Italian Securities and Exchange Commission (CONSOB) sent BMPS a request pursuant to article 114 paragraph 5 of Legislative Decree 58/1998. As a consequence of such request, on 24 April 2014 BMPS published some information in order to substantiate the content of the Draft Consolidated Financial Statements as at 31 December 2013 (which were published on 3 April 2014), evidencing the impact of the "Santorini/Deutsche Bank" transaction.On 12 May 2014, in accordance with art. 85-*bis* of Consob resolution No. 11971 of 14 May 1999, the Issuer gave notice of its new share capital structure following the reverse stock split on 5 May 2014 pursuant to the resolution of the Extraordinary Shareholders' Meeting on 28 December 2013.

On 14 May 2014, BMPS announced that, on 13 May 2014, the Bank of Italy authorized the redemption of nominal Euro 3 billion of new financial instruments, issued by BMPS and subscribed by the Ministry of Economy and Finance and provided for by articles 23-sexies of Law Decree no. 95 of 6 July 2012, n. 95, converted, with amendments, into Law no. 135 of 7 August 2012, as subsequently amended, (the **New Financial Instruments**)(plus Euro 126.9 million as the higher amount due for the redemption pursuant to the contractual provisions governing the New Financial Instruments). In addition, given the intention already communicated by BMPS to pay the interest on the New Financial Instruments accrued with respect to the financial year 2013 through the issuance of additional New Financial Instruments (as already done with the interests on the so called "Tremonti Bonds" accrued in 2012) that will be redeemed at par upon issue, the Bank of Italy has also authorized the redemption of Euro 329 million of these New Financial Instruments. These authorizations will be subject to the completion of the Euro 5 billion rights issue, which has been submitted for approval to the extraordinary shareholders' meeting called for 20 May, 21 May and 22 May 2014.

On 21 May 2014, Banca MPS's Extraordinary Shareholders' meeting, chaired by Mr. Alessandro Profumo, approved the proposal submitted by the Board of Directors to increase the share capital by payment of a maximum amount 5 billion Euros, inclusive of share premium, to be executed in one or more tranches, by 31 March 2015, through the issue of ordinary shares with dividend rights, to be offered to the shareholders and to withdraw the resolution to increase the paid share capital for a total maximum amount of 3 billion Euros approved by the Extraordinary Shareholders' Meeting on 28 December 2013.

A copy of the press releases listed above (the **Press Releases**) has previously been published and has been filed with the CSSF and, by virtue of this Supplement, is incorporated by reference in its entirety in, and forms part of, the Base Prospectus.

The following information set out in the Press Releases shall be incorporated by reference in, and form a part of, the Base Prospectus:

Document	**Information incorporated**	**Pages**
Press release dated 18 April 2014 "Approved the upsizing of the capital increase to Euro 5 billion"	Entire Document	All
Press Release dated 23 April 2014 "Press release pursuant to art. 114, paragraph 5 law decree 58/1998. Information at the request of the italian securities and exchange commssion, Consob"	Entire Document	All
Press release dated 9 May 2014	Entire Document	All

"Banca MPS: change in share capital"		
Press release dated 14 May 2014 "BMPS: Bank of Italy authorized the partial redemption of new financial instruments"	Entire Document	All
Press release dated 21 May 2014 "Banca MPS's Extraordinary Shareholders 'Meeting"	Entire Document	All

Taxation

Republic of Italy

The section of the Base Prospectus entitled "Taxation - Republic of Italy" on pages 100 to 105 of the Base Prospectus is deleted in its entirety and replaced with the section included in Annex 1 hereto.

General Information

Significant Change or Material Adverse Change

The paragraph of the Base Prospectus titled "Significant Change or Material Adverse Change" on page 113 thereof is deleted in its entirety and replaced with the following text:

"Save as disclosed in the "Risk Factors Section" of the Base Prospectus, there has been no significant change in the financial or trading position of BMPS or the Group since 31 December 2013.

There has been no material adverse change in the prospects of BMPS or the Group since 31 December 2013.".

General

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.

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.

Copies of this Supplement and all documents incorporated by reference in the Base Prospectus can be obtained free of charge from the office of the Issuer and, in case of Notes admitted to the Official List and to trading on the Luxembourg Stock Exchange's regulated market, from the principal office in Luxembourg of *Banque Internationale à Luxembourg, société anonyme*. Copies of all documents incorporated by reference in the Base Prospectus are available on the Luxembourg Stock Exchange's website (*www.bourse.lu*) and will also be published on the Issuer's website (*http://english.mps.it/Investor+Relations/Comunicati/*) as provided for on page 26 of the Base Prospectus.

In accordance with Article 13.2 of Chapter 1 of Part II of the Prospectus Act, investors who have agreed to purchase or subscribe for Notes issued under the Programme before this Supplement is published have the

right, exercisable before the end of the period of two working days beginning with the working day after the date on which this Supplement was published, to withdraw their acceptances. This right to withdraw shall expire by close of business on 24 May 2014.

ANNEX 1

TAXATION - REPUBLIC OF ITALY

Taxation

Republic of Italy

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

The following 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.

Law Decree No. 66 of 24 April 2014, published in the Official Gazette No. 95 of 24 April 2014 ("**Decree 66**"), introduced tax provisions amending certain aspects of the current tax treatment of the Notes, as summarised below. The new rules, if timely converted into law by the Parliament, should be effective as of 1 July 2014, on the basis of future law provisions and clarifications. With reference to the imposta sostitutiva set out by Decree 239 (as defined below) the increased rate should apply on interest accrued as of 1 July 2014.

Republic of Italy

Tax treatment of Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, ("**Decree 239**") 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.

The tax regime set forth by Decree 239 also applies to interest, premium and other income from regulatory capital financial instruments complying with EU and Italian regulatory principles, issued by, *inter alia*, Italian banks, other than shares and assimilated instruments.

Italian resident Noteholders

Where an Italian resident Noteholder is (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, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 20 per cent. and, as of 1 July 2014, pursuant to Decree 66, at a rate of 26 per cent. 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 Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities ("**IRAP**")).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001 ("**Decree 351**"), as clarified by the Italian Revenues Agency through Circular No. 47/E of 8 August 2003 and Circular No. 11/E of 28 March 2012, payments of interest, premiums or other proceeds in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998 or pursuant to Article 14-bis of Law No. 86 of 25 January 1994, are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of a real estate investment fund.

If the investor is resident in Italy and is an open-ended or closed-ended investment fund or a SICAV (an investment company with variable capital) established in Italy and either (i) the fund or SICAV or (ii) their manager is subject to the supervision of a regulatory authority (the "**Fund**"), and the relevant Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a substitute tax of 20 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders (the "**Collective Investment Fund Substitute Tax**"). As of 1 July 2014, pursuant to Decree 66, the rate of the Collective Investment Fund Substitute Tax should be increased to 26 per cent.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, interest, premium and other income relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to 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 Italy or be a permanent establishment in 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 entity paying interest to a Noteholder.

Non-Italian resident Noteholders

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an international body or entity set up in accordance with international agreements which have entered into force in 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 which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

The *imposta sostitutiva* will be applicable at the rate of 20 per cent. and, as of 1 July 2014, pursuant to Decree 66, at a rate of 26 per cent. (or, in any case, at the reduced rate provided for by the applicable double tax treaty, if any) to interest, premium and other income paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

Please note that according to the Law No. 244 of 24 December 2007 ("**Budget Law 2008**") a Decree still to be issued will introduce a new "white list" replacing the current "black list" system, so as to identify those countries which allow for a satisfactory exchange of information.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of the payments of interest, premium or other income and (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*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy 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.

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 20 per cent. which should be increased to 26 per cent. as of 1 July 2014, pursuant to Decree 66. 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.

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, including when the Noteholder is a non-Italian resident, 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 Noteholder, also as part of the net value of the 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 Noteholder is an (i) an individual holding the Notes not 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 Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 20 per cent. and, as of 1 July 2014, pursuant to Decree 66, at a rate of 26 per cent. Noteholders may set off losses with gains.

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

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding 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. 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 *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. Pursuant to Decree 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; and (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return. Pursuant to Decree 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; and (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 20 per cent. substitute tax (and, as of 1 July 2014, pursuant to Decree 66, to a 26 per cent. substitutive tax), to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return. Pursuant to Decree 66, decreases in value of the management assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of: (i) 48.08 per cent. of the relevant decreases in value registered before 1 January 2012; and (ii) 76.92 per cent. of the decreases in value registered from 1 January 2012 to 30 June 2014.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351 as subsequently amended apply will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. Such result will not be taxed with the Fund, but subsequent

distributions in favour of unitholders of shareholders may be subject to the Collective Investment Fund Substitute Tax.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute 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 traded on regulated markets are neither subject to the *imposta sostitutiva* nor to any other Italian income tax.

Capital gains realised by non-Italian resident Noteholders 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 which allows for a satisfactory exchange of information with Italy; 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 which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of taxpayer in its own country of residence.

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

If none of the conditions above 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 20 per cent. (and, as of 1 July 2014, pursuant to Decree 66, at a rate of 26 per cent.).

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of the 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, 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 the gift exceeding €1,000,000 for each beneficiary;

(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 the gift exceeding €100,000 for each beneficiary; and

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

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in (a), (b) and (c) 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 following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200; (ii) private deeds are subject to registration tax only in the case of 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 the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited therewith. The stamp duty applies at a rate of 0.2 per cent. and, as of 2014, it cannot exceed €14,000, for taxpayers different from individuals. This stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Notes held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 9 February 2011) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

Wealth Tax on securities deposited abroad

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

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

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest or similar income paid or secured by by a person established in a Member State to or for the benefit of an individual resident in that other Member State or certain limited types of entities established in another Member State.

On 24 March 2014, the Council of the European Union adopted a Council Directive amending and broadening the scope of the requirements described above. Member States are required to apply these new requirements from 1 January 2017. The changes will expand the range of payments covered by the Directive, in particular to include additional types of income payable on securities. The Directive will also expand the circumstances in which payments that indirectly benefit an individual resident in a Member State must be reported. This approach will apply to payments made to, or secured for, persons, entities or legal arrangements (including trusts) where certain conditions are satisfied, and may in some cases apply where the person, entity or arrangement is established or effectively managed outside of the European Union.

For a transitional period, Luxembourg and Austria are required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The changes referred to above will broaden the types of payments subject to withholding in those Member States which still operate a withholding system when they are implemented. In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

The end of the transitional period is dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

Implementation in Italy of the Directive

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