

FINAL TERMS dated September 16, 2019

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
(the “Issuer”)**

**Issue of IDR 60,000,000,000 6.25 per cent. Fixed Rate Notes Payable in EUR due February 11, 2022**

**(to be consolidated and form a single series with the existing**

**IDR 60,000,000,000 6.25 per cent. Fixed Rate Notes Payable in EUR due February 11, 2022, issued on February 11, 2019, IDR 60,000,000,000 6.25 per cent. Fixed Rate Notes Payable in EUR due February 11, 2022, issued on March 15, 2019 and IDR 90,000,000,000 6.25 per cent. Fixed Rate Notes Payable in EUR due February 11, 2022, issued on May 2, 2019)  
under the Issuer’s Global Debt Issuance Facility**

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions (the “**Conditions**”) set forth in the Issuer’s Global Debt Issuance Facility Prospectus dated May 28, 2008 (the “**Prospectus**”).

**SUMMARY OF THE NOTES**

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|----|--|--|
| 1. | Issuer:  | International Bank for Reconstruction and Development (“ <b>IBRD</b> ”)  |
| 2. | (i) Series Number:                                 | 100647   |
|    | (ii) Tranche Number:                               | 4  |
| 3. | Specified Currency or Currencies (Condition 1(d)): | Indonesian Rupiah (“ <b>IDR</b> ”) provided that all payments in respect of the Notes shall be made in Euro (“ <b>EUR</b> ”) |
| 4. | Aggregate Nominal Amount:                          |  |
|    | (i) Series:  | IDR 270,000,000,000  |
|    | (ii) Tranche:                                      | IDR 60,000,000,000   |
| 5. | (i) Issue Price:                                   | 96.2153 per cent. of the Aggregate Nominal Amount of this Tranche plus 218 days of accrued interest                          |
|    | (ii) Net Proceeds:                                 | EUR 3,882,238.76, as determined by the Calculation Agent on the Initial Rate Fixing Date by applying the following formula:  |

$$\frac{\text{Aggregate Nominal Amount of this Tranche in IDR}}{\text{divided by Initial Reference Rate}}$$

Where:

“**Initial Rate Fixing Date**” means September 11, 2019

“**Initial Reference Rate**” means 15,455, in respect of the Initial Rate Fixing Date, being the cross-currency

EUR/IDR exchange rate expressed as the amount of IDR per one EUR, calculated by multiplying the USD/IDR Rate with the EUR/USD Rate, rounded to the nearest three decimal places (with 0.0005 being rounded down).

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| 6.  | (i) Specified Denominations<br>(Condition 1(b)):     | IDR 15,000,000   |
|     | (ii) Calculation Amount<br>(Condition 5(j)):         | IDR 15,000,000   |
| 7.  | (i) Issue Date:                                      | September 19, 2019   |
|     | (ii) Interest Commencement Date<br>(Condition 5(l)): | February 11, 2019  |
| 8.  | Maturity Date (Condition 6(a)):                      | February 11, 2022  |
| 9.  | Interest Basis (Condition 5):                        | 6.25 per cent. Fixed Rate<br>(further particulars specified below)   |
| 10. | Redemption/Payment Basis<br>(Condition 6):           | FX Linked Redemption, payable in EUR, as set out in<br>Term 17 below   |
| 11. | Change of Interest or<br>Redemption/Payment Basis:   | Not Applicable   |
| 12. | Call/Put Options (Condition 6):                      | Not Applicable   |
| 13. | Status of the Notes (Condition 3):                   | Unsecured and unsubordinated   |
| 14. | Listing:   | Application has been made for the Notes to be listed on<br>the Italian Stock Exchange and admitted to trading on the<br><i>Mercato Telematico delle Obbligazioni</i> (MOT), EuroMOT<br>segment, organised and managed by Borsa Italiana S.p.A. |
| 15. | Method of distribution:                              | Non-syndicated   |

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

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|-----|---|--|
| 16. | Fixed Rate Note Provisions<br>(Condition 5(a)): | Applicable   |
|     | (i) Rate of Interest:                           | 6.25 per cent. per annum payable annually in arrear  |
|     | (ii) Interest Payment Date(s):                  | February 11 in each year from and including February 11,<br>2020 to and including the Maturity Date, not subject to<br>adjustment in accordance with a Business Day<br>Convention. |
|     | (iii) Interest Period Dates:                    | Each Interest Payment Date   |
|     | (iv) Business Day Convention:                   | Not Applicable   |

- (v) Fixed Coupon Amount: IDR 937,500 per Calculation Amount, payable in EUR and determined by the Calculation Agent on the relevant Rate Fixing Date by applying the following formula:

IDR 937,500 *divided by* Reference Rate  
(as defined in Term 16 (vii) below)

- (vi) Day Count Fraction (Condition 5(l)): 30/360

- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes:

**“Bloomberg Page”** means, when used in connection with any designated page, the display page so designated on the Bloomberg service, or (i) any successor display page, other published source, information vendor or provider that has been officially designated by the sponsor of the original page or source; or (ii) if the sponsor has not officially designated a successor display page, another published source, service or provider (as the case may be), the successor display page, other published source, service or provider, if any, designated by the relevant information vendor or provider (if different from the sponsor).

**“Business Day”** means a day (other than a Saturday or Sunday) (i) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in each of London, Jakarta and New York and (ii) a day that is also a TARGET Settlement Day.

**“Calculation Agent”** means Citibank N.A., London Branch, or its duly appointed successor.

**“EUR/USD Rate”** means, (i) in respect of the Initial Rate Fixing Date, 1.1000, or (ii) in respect of a Rate Fixing Date, the EUR/USD exchange rate, expressed as the amount of USD per one EUR by reference to the closing mid spot rate displayed on Bloomberg Page “BFX” at approximately 1:00 p.m. London time on such Rate Fixing Date. If, for the relevant Rate Fixing Date, no such rate is displayed on such Bloomberg Page, the rate shall be determined on such Rate Fixing Date, by the Calculation Agent in its sole discretion acting in good faith and in a commercially reasonable manner having taken into account relevant market practice.

**“Jakarta Business Day”** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in Jakarta.

**“Rate Fixing Date”** means the date that is ten Business Days prior to each Interest Period Date, the Maturity Date or the date upon which the Notes become due and payable as provided in Condition 9 (the **“Scheduled Rate Fixing**

**Date**"); *provided, however*, that if such date is an Unscheduled Holiday, the Rate Fixing Date shall be postponed to the next following Business Day. In the event the Scheduled Rate Fixing Date is so postponed due to an Unscheduled Holiday and if the Rate Fixing Date has not occurred on or before the 5th consecutive calendar day after the Scheduled Rate Fixing Date (any such period being a "**Deferral Period**"), then the day immediately succeeding the end of the Deferral Period that is a Business Day or that would have been a Business Day but for an Unscheduled Holiday shall be deemed to be the Rate Fixing Date.

**"Reference Dealers"** means four leading dealers or banks active in the USD/IDR exchange market selected by the Calculation Agent in its sole discretion.

**"Reference Rate"** means, in respect of a Rate Fixing Date, the cross-currency EUR/IDR exchange rate expressed as the amount of IDR per one EUR, calculated by multiplying the USD/IDR Rate with the EUR/USD Rate, rounded to the nearest three decimal places (with 0.0005 being rounded down).

**"TARGET Settlement Day"** means any day (other than a Saturday or Sunday) on which the Trans-European Automated Real-time Gross Settlement Express Transfer ("**TARGET**") payment system is open for the settlement of payment in EUR.

**"Thomson Reuters Screen"** means, when used in connection with any designated page, the display page so designated on the Thomson Reuters service, or (i) any successor display page, other published source, information vendor or provider that has been officially designated by the sponsor of the original page or source; or (ii) if the sponsor has not officially designated a successor display page, an-other published source, service or provider (as the case may be), the successor display page, other published source, service or provider, if any, designated by the relevant information vendor or provider (if different from the sponsor).

**"Unscheduled Holiday"** means a day that is not a Jakarta Business Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later than 9.00 a.m. local time in Jakarta, two Jakarta Business Days prior to the relevant Rate Fixing Date.

**"USD"** means United States Dollars.

**"USD/IDR Rate"** means, (i) in respect of the Initial Rate Fixing Date, 14,050, or (ii) in respect of a Rate Fixing Date, the USD/IDR weighted average spot rate in the

interbank market based on traded USD/IDR spot foreign exchange transactions during a specified time period, which are captured on a real time basis, expressed as the amount of IDR per one USD, published by the Bank Sentral Republik Indonesia ("**Bank Indonesia**") as the Jakarta Interbank Spot Dollar Rate USD – IDR on Bank Indonesia's website ([www.bi.go.id](http://www.bi.go.id)) or otherwise made available by Bank Indonesia (or its successor as administrator) ("**IDR04**"). IDR04 currently appears on the Thomson Reuters Screen "JISDOR" page at approximately 10:00 a.m., Jakarta time.

If the USD/IDR Rate cannot be determined in accordance with the preceding paragraph on the relevant Rate Fixing Date, the USD/IDR Rate shall be the USD/IDR spot exchange rate for such date expressed as the amount of IDR per one USD, as published on the website of Singapore Foreign Exchange Market Committee ("**SFEMC**") ([www.sfemc.org](http://www.sfemc.org)) at approximately 3:30 p.m., Singapore time, or as soon thereafter as practicable, on such Rate Fixing Date (the "**SFEMC IDR Indicative Survey Rate**" or "**IDR02**"). The USD/IDR Rate will be calculated by SFEMC (or a service provider SFEMC may select in its sole discretion) pursuant to the SFEMC IDR Indicative Survey Rate Methodology (which means a methodology, dated as of December 1, 2004, as amended from time to time, for a centralized industry-wide survey of financial institutions that are active participants in the USD/IDR markets for the purpose of determining the SFEMC IDR Indicative Survey Rate).

If Annex A to the 1998 FX and Currency Option Definitions published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association and the Foreign Exchange Committee (the "**FX Definitions**") is amended such that IDR04 or IDA02 is replaced by a successor price source for the USD/IDR spot exchange rate in such Annex A to the FX Definitions (the "**Successor Price Source Definition**"), then the USD/IDR Rate for the applicable Rate Fixing Date, will be determined in accordance with such Successor Price Source Definition.

If the USD/IDR Rate cannot be determined in accordance with the preceding paragraphs on such Rate Fixing Date, then the USD/IDR Rate shall be determined by the Calculation Agent by requesting five Reference Dealers (selected by the Calculation Agent at its sole discretion) for their mid-market quotations of the USD/IDR spot

exchange rate at approximately 10:30 a.m., Jakarta time on such date.

If five or four quotations are provided as requested, the USD/IDR Rate will be the arithmetic mean (rounded to the nearest unit, with 0.5 being rounded upwards) of the remaining three or two such quotations, as the case may be, for such rate provided by the Reference Dealers, after disregarding the highest such quotation and the lowest such quotation (provided that, if two or more such quotations are the highest such quotations, then only one of such quotations shall be disregarded, and if two or more such quotations are the lowest quotations, then only one of such lowest quotations will be disregarded).

If only three or two such quotations are provided as requested, the USD/IDR Rate shall be determined as described above except that the highest and lowest quotations will not be disregarded.

If none or only one of the Reference Dealers provides such quotation, the USD/IDR Rate will be determined by the Calculation Agent in its sole discretion, acting in good faith and in a commercially reasonable manner, having taken into account relevant market practice, by reference to such additional sources as it deems appropriate.

The Calculation Agent shall notify the Issuer as soon as reasonably practicable that the USD/IDR Rate is to be so determined.

#### PROVISIONS RELATING TO REDEMPTION AND SETTLEMENT

17. Final Redemption Amount of each Note (Condition 6):

The Final Redemption Amount per Calculation Amount shall be payable in EUR and determined by the Calculation Agent on the Rate Fixing Date immediately preceding the Maturity Date, by applying the following formula:

Calculation Amount *divided by* Reference Rate  
(as defined in Term 16 (vii) above)

18. Early Redemption Amount (Condition 6(c)):

The Final Redemption Amount per Calculation Amount as determined in accordance with Term 17 above plus accrued and unpaid interest, if any, as determined in accordance with Term 16 above, except that the Reference Rate shall be determined on the tenth Business Day prior to the day upon which the Early Redemption Amount shall be due and payable (the “**Early Redemption Rate Fixing Date**”) and all references to ‘Rate Fixing Date’ shall be

deemed to be replaced by 'Early Redemption Rate Fixing Date'.

## **GENERAL PROVISIONS APPLICABLE TO THE NOTES**

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|---|--|
| 19. Form of Notes (Condition 1(a)):   | Registered Notes:<br><br>Global Registered Certificate available on Issue Date   |
| 20. New Global Note:  | No   |
| 21. Financial Centre(s) or other special provisions relating to payment dates (Condition 7(h)): | London, Jakarta and New York and a TARGET Settlement Day   |
| 22. Governing law (Condition 14):   | English  |
| 23. Additional Risk Factors:  | AN INVESTMENT IN THE NOTES IS SUBJECT TO RISKS, INCLUDING BUT NOT LIMITED TO THE RISKS DESCRIBED BELOW, AS WELL AS THE RISKS DESCRIBED UNDER "RISK FACTORS" IN THE ACCOMPANYING PROSPECTUS. INVESTORS SHOULD CAREFULLY CONSIDER WHETHER THE NOTES ARE SUITED TO THEIR PARTICULAR CIRCUMSTANCES. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD CONSULT THEIR FINANCIAL AND LEGAL ADVISERS AS TO THE RISKS ENTAILED BY AN INVESTMENT IN THE NOTES AND THE SUITABILITY OF THE NOTES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES. |

### **Suitability and appropriateness of Investment**

An investment in the Notes is only suitable and appropriate for investors who have the requisite knowledge and experience in financial and business matters to evaluate the information contained in the Prospectus and the Final Terms, who have made their own independent decision to invest in the Notes and as to whether the Notes are suitable and appropriate for them, and who are capable of bearing the economic risk of an investment in the Notes.

### **Risk on the exchange rates**

Because the Notes are denominated in IDR and payable in EUR (determined by dividing the relevant amount in IDR by the product of the USD/IDR Rate and the EUR/USD Rate), the Noteholders will be exposed to currency exchange rate risks with respect to IDR, USD and EUR when investing in the Notes, on the Interest Payment Dates and at maturity. Changes in exchange rates relating to any of the currencies involved may result in a decrease in the effective yield of the Notes and, in certain circumstances, could result in a loss of all or a substantial portion of the

principal of the Notes (including the Final Redemption Amount). Furthermore, since the Noteholders will receive payments on the Notes only on the Interest Payment Dates (including the Maturity Date), the Noteholders will not benefit from favourable changes in exchange rates at any other time during the term of the Notes. Because of the currency exchange rates, the market price of the Notes may be volatile.

Exchange rate movements for a particular currency are volatile and are the result of numerous factors. There is no guarantee that IDR will not depreciate.

**The market price of the Notes may be influenced by many factors**

The Notes are not designed to be short-term trading instruments. Many factors, most of which are beyond IBRD's control, will influence the value of the Notes and the price at which the Dealer may be willing to purchase or sell the Notes in the secondary market, including: interest and yield rates in the market, currency exchange rates, economic, financial, political and regulatory or judicial events that affect the stock markets generally and which may affect the time remaining to the maturity of the Notes and IBRD's creditworthiness. Some or all of these factors may influence the price that Noteholders will receive if they choose to sell their Notes prior to maturity. The impact of any of the factors set forth above may enhance or offset some or all of any change resulting from another factor or factors.

24. Other final terms:

The first sentence of Condition 7(a)(ii) is hereby replaced by the following: "Interest (which for the purpose of this Condition 7(a) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the calendar day before the due date for payment thereof (the "**Record Date**")."

The Annex hereto is to be read in conjunction with and forms part of the Prospectus and these Final Terms.

**DISTRIBUTION**

- |     |  |                |
|-----|--|----------------|
| 25. | (i) If syndicated, names of Managers and underwriting commitments: | Not Applicable |
|     | (ii) Stabilizing Manager(s) (if any):                              | Not Applicable |
| 26. | If non-syndicated, name of Dealer:                                 | BNP Paribas    |
| 27. | Total commission and concession:                                   | Not Applicable |



28. Additional selling restrictions: Not Applicable

#### **OPERATIONAL INFORMATION**

29. ISIN Code: XS1941773647

30. Common Code: 194177364

31. Delivery: Delivery against payment

32. Registrar and Transfer Agent: Citibank, N.A., London Branch

33. Intended to be held in a manner which would allow Eurosystem eligibility: No

#### **GENERAL INFORMATION**

The following documents of IBRD are incorporated by reference in these Final Terms: (i) Global Debt Issuance Facility Prospectus dated May 28, 2008 (the “**Prospectus**”); (ii) IBRD’s most recent Information Statement dated September 17, 2018; and (iii) IBRD’s Financial Statements dated June 30, 2019. These documents have been filed with the U.S. Securities and Exchange Commission (“**SEC**”) and are available on the SEC’s website as well as on the following website of IBRD: <http://treasury.worldbank.org/cmd/htm/index.html>.

#### **LISTING APPLICATION**

Application has been made for the Notes to be listed on the Italian Stock Exchange and admitted to trading on the *Mercato Telematico delle Obbligazioni* (MOT), EuroMOT segment, organised and managed by Borsa Italiana S.p.A.

#### **RESPONSIBILITY**

IBRD accepts responsibility for the information contained in these Final Terms.

Signed on behalf of IBRD:

By:

Name:

Title:

Duly authorized

## SCHEDULE TO THE FINAL TERMS

### TAXATION

You should carefully consider the matters set forth under “Tax Matters” in the accompanying Prospectus. This summary supplements the section “Tax Matters” in the accompanying Prospectus and is subject to the limitations and exceptions set forth therein.

The following is only a general description of certain tax considerations relating to the Notes with regard to a limited number of jurisdictions. It does not purport to be a complete analysis of all tax considerations relating to the purchase, beneficial ownership, and disposition of the Notes.

Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes.

This summary is based upon the law as in effect on the date of these Final Terms and is subject to any change in law that may take effect after such date (or even before with retroactive effect).

The Issuer makes no representation or warranty, whether express or implied, as to the completeness or accuracy of this summary.

### ITALIAN TAXATION

#### Income Tax

Under the current legislation in force in the Republic of Italy, pursuant to the provisions of Legislative Decree No. 239 of 1 April 1996, as amended and restated (**Decree 239**), and of Article 12, paragraph 13-bis of Legislative Decree No. 461 of 21 November 1997 (**Decree 461**), payments of interest, premium and other proceeds (including the difference between the redemption amount and the issue price) in respect of the Notes accrued during the relevant period:

- (i) will be subject to a 12.5 per cent. substitute tax (*imposta sostitutiva*), levied as final tax if made to beneficial owners who are: (i) Italian resident individuals not engaged in a commercial activity; (ii) Italian resident non-commercial partnerships or professional associations; (iii) Italian resident public and private entities, trusts, other than companies, not carrying out commercial activities as their exclusive or principal purpose (including the Italian State and national or local government entities); and (iv) Italian resident entities or organizations exempt from corporate income tax.

The 12.5 per cent. *imposta sostitutiva* shall be a final tax and payments of interest and other proceeds in respect of the Notes will not be included in the general taxable base of the above mentioned individuals, partnerships, trusts and entities.

Where the resident holders of the Notes described above under (i) and (iii) are engaged in a commercial activity to which the Notes are connected, *imposta sostitutiva* applies as a provisional income tax and may be deducted from the taxation on income due or be claimed for refund in the relevant tax return.

The 12.5 per cent. *imposta sostitutiva* will be levied by the Italian resident qualified financial intermediaries that will intervene, in any way, in the collection of interest and other proceeds on the Notes or in the transfer of the Notes.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in a commercial activity 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 saving account (*piani di risparmio a lungo termine*) that meets the requirements set forth Article 1 (100-114) of Law No. 232 of 11 December 2016;

- (ii) will not be subject to the 12.5 per cent. *imposta sostitutiva* if made to beneficial owners who are: (i) Italian resident corporations, commercial partnerships or permanent establishments in Italy of non resident corporations to which the Notes are effectively connected; (ii) Italian resident collective investment funds, SICAVs, non-real estate SICAFs, Italian resident pension funds referred to in Legislative Decree No. 124 of 21 April 1993, as further superseded by Legislative Decree 5 December 2005, No. 252 and Italian resident real estate investment funds and real estate SICAFs established pursuant to article 39 of Legislative Decree No. 58 of February 24, 1998 and article 14-bis of law No. 86 of January 25, 1994; (iii) Italian resident individuals who have entrusted the management of their financial assets, including the Notes, to an Italian authorised financial intermediary and have opted for the so-called *risparmio gestito* regime according to Article 7 of Legislative Decree No. 461 of 21 November 1997 - the "Managed Savings Option" and (iv), non Italian residents with no permanent establishment in Italy to which the Notes are effectively connected, provided that if the Notes are held in Italy the non Italian investor promptly file with the authorised financial intermediary an appropriate *affidavit (autodichiarazione)* stating that the investor is not resident in Italy for tax purposes.

Interest and other proceeds accrued on the Notes held by Italian resident corporations, commercial partnerships, Italian resident individuals engaged in a commercial activity as well as Italian resident public and private entities, other than companies, holding Notes in connection with entrepreneurial activities or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected, are included in the taxable base for the purposes of: (i) corporate income tax (*imposta sul reddito delle società, IRES*); or (ii) individual income tax (*imposta sul reddito delle persone fisiche, IRPEF*) plus local surtaxes, if applicable; under certain circumstances, such interest is included in the taxable basis of the regional tax on productive activities (*imposta regionale sulle attività produttive, IRAP*).

If holders of Notes subject to 12.5 per cent. *imposta sostitutiva* levied as a final tax hold the Notes through an authorised intermediary in Italy having asset management power over such Notes, such holders may opt to pay a final 26 per cent. tax levied by the intermediary on all interest, other payments and gains deriving from such management on an annual basis ("Managed Savings Option"). However, in such case, interest, other payments and gains arising from the Notes will be taxable for a portion equal to 48.08 per cent. only. If holders of Notes subject to 12.5 per cent. *imposta sostitutiva* levied as a provisional tax hold Notes through such an assets manager, interest, other payments and gains will be included as part of their overall taxable income.

If interests are paid outside of Italy by an entity other than an authorised intermediary in Italy to residents of Italy who would otherwise be subject to the above 12.5 per cent. final tax, holders of Notes must include the payments received in their income tax return and the payments shall be subject to a different substitute tax at a 12.5 per cent. rate or, at the holders' option, to income taxes at the applicable rates to their overall income with a tax credit for taxes paid abroad.

If the Notes are held by an Italian pension fund and 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 the substitute tax, but must be included in the result of the relevant portfolio accrued at the end of the tax period for an amount of 62.5 per cent., to be subject to a 20 per cent. substitute tax.

If the Notes are held by an Italian authorised investment fund (*organismi di investimento collettivo del risparmio – O.I.C.R.*), a SICAV (*società di investimento a capitale variabile*) investing in securities and 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 the substitute tax.

If the Notes are held by an Italian real estate investment fund (*fondi immobiliari*) or a SICAF (*società di investimento a capitale fisso*) investing and 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 the substitute tax.

### **Capital gains**

Any capital gain realised upon the sale for consideration or redemption of Notes would be treated for the purpose of corporate income tax and of individual income tax as part of the taxable business income of Noteholders (and, in certain cases, depending on the status of the Noteholders, may also be included in the taxable basis of IRAP), and therefore subject to tax in Italy according to the relevant tax provisions, if derived by Noteholders who are:

- (a) Italian resident corporations;
- (b) Italian resident commercial partnerships;
- (c) permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; or
- (d) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of their commercial activity to which the Notes are connected.

Gains realised on the disposal or redemption of Notes by residents of Italy who are individuals not acting in a business capacity or by non-business partnerships or by private or public institutions not carrying out mainly or exclusively business activities will be subject to a final capital gains tax currently at the rate of 12.5 per cent. The tax applies to all gains and losses realised in the relevant year and losses may be carried forward to the subsequent four years. Said holders of Notes may opt to pay capital gains tax declaring the gains in their annual income tax return or, if the Notes are deposited with an authorised intermediary in Italy, authorising the intermediary to levy the said capital gains tax ("administered savings option"). If they have elected the Managed Savings Option, a portion equal to 48.08 per cent. of the gains arising from the Notes will be subject to the tax applicable thereto. Instead, gains realised by residents of Italy who are individuals acting in a business capacity, partnerships, limited partnerships, corporations or permanent establishments of foreign corporations shall be subject to income or corporation taxes as part of the overall business income (and, in certain cases, may also be included in the taxable net value of production for IRAP purposes).

Gains realised by investment funds (*organismi di investimento collettivo del risparmio* – O.I.C.R.), SICAVs (*società di investimento a capitale variabile*) and non-real estate SICAFs will be included in the result of the portfolio accrued at the end of the tax period and will not be subject to taxation on such results.

Gains realised by Italian real estate investment funds or by real estate SICAFs, to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply, are subject neither to capital gains tax nor to any other income tax in the hands of the real estate fund or SICAF.

Gains realised by Italian pension funds will be included in the result of the relevant portfolio accrued at the end of the tax period for an amount of 62.5 per cent., to be subject to a 20 per cent. substitute tax.

Capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected, through the sale for consideration or redemption of Notes are not subject to income tax in Italy to the extent that the Notes are held outside Italy or are listed on a regulated market in Italy or abroad. If the Notes are held in Italy the exemption applies provided that the non-Italian investor promptly file with the authorised financial intermediary an appropriate affidavit (*autodichiarazione*) stating that the investor is not resident in Italy for tax purposes. Moreover, *imposta sostitutiva* does not apply if the non-Italian resident investor holding Notes in Italy is resident for tax

purposes in a Country ensuring an adequate exchange of information in tax matters with Italy. The provisions of applicable tax treaties against double taxation entered into by Italy apply if more favorable and provided that all relevant conditions are met.

The Notes are excluded from the tax base of the Italian inheritance tax according to article 12 of Legislative Decree 346/1990 and Article 12, paragraph 13-*bis* of Legislative Decree 461/1997.

#### **OECD COMMON REPORTING STANDARDS**

The EU Savings Directive adopted on 03 June 2003, by the EU Council of Economic and Finance Ministers (as subsequently amended) on taxation of savings income in the form of interest payments (the “Savings Directive”) has been repealed from 01 January 2016 to prevent overlap between the Savings Directive and the new automatic exchange of information regime implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU).

Drawing extensively on the intergovernmental approach to implementing the United States Foreign Account Tax Compliance Act, the OECD developed the Common Reporting Standard (“CRS”) to address the issue of offshore tax evasion on a global basis. Aimed at maximising efficiency and reducing cost for financial institutions, the CRS provides a common standard for due diligence, reporting and exchange of financial account information. Pursuant to the CRS, participating jurisdictions will obtain from reporting financial institutions, and automatically exchange with exchange partners on an annual basis, financial information with respect to all reportable accounts identified by financial institutions on the basis of common due diligence and reporting procedures. The first information exchanges are expected to begin in 2017.

Italy has enacted Law No. 95 of 18 June 2015 (“Law 95/2015”), implementing the CRS (and the amended EU Directive on Administrative Cooperation), which has entered into force on 01 January 2016 and provides for the exchange of information in relation to the calendar year 2016 and later.

In the event that holders of Notes hold the Notes through an Italian financial institution (as meant in the Ministerial Decree of 28 December 2015 implementing Law 95/2015), they may be required to provide additional information to such financial institution to enable it to satisfy its obligations under the Italian implementation of the CRS.