



## ITAS Mutua

*(incorporated with limited liability under the laws of the Republic of Italy)*

**€60,000,000 Fixed Rate Dated Subordinated Notes due 30 July 2025**

**Issue price: 100%**

Itas Mutua (the "**Issuer**" or "**ITAS Mutua**") will issue on 30 July 2015 (the "**Issue Date**"), €60,000,000 Fixed Rate Dated Subordinated Notes due 30 July 2025 (the "**Notes**").

The Notes constitute direct, unconditional and unsecured subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and junior to any unsubordinated obligations of the Issuer (including liabilities to policyholders of the Issuer), at least equally with the Issuer's payment obligations in respect of any Parity Securities, and senior to the Issuer's payment obligations in respect of any Junior Securities (each term as defined in "*Terms and Conditions of the Notes*").

Unless previously redeemed or purchased and cancelled in accordance with the Conditions, the Notes will bear interest on their principal amount from (and including) the Issue Date at the rate of 6.000% per annum, payable annually in arrear on 30 July in each year, commencing on 30 July 2016. The Issuer is required to defer accrued interest on the Notes in the circumstances set out in Condition 5 (*Mandatory Deferral of Interest*).

Unless previously redeemed by the Issuer as provided below, the Notes will be redeemed on 30 July 2025 at their principal amount, together with interest accrued to, but excluding, such date. The Issuer may redeem all (but not some only) of the Notes at their principal amount of their nominal value plus accrued interest upon the occurrence of a Tax Event, Regulatory Event or Rating Methodology Event (each term as defined in "*Terms and Conditions of the Notes*").

Application has been made to the Irish Stock Exchange for Notes to be admitted to the official list (the "**Official List**") and trading on its regulated market. The regulated market of the Irish Stock Exchange is a regulated market for the purposes of the Markets in Financial Instruments Directive.

This Prospectus has been approved by the Central Bank of Ireland, as Irish competent authority under the Directive 2003/71/EC, as amended (which includes the amendments made by the 2010 PD Amending Directive to the extent that such amendments have been implemented in a Member State of the European Economic Area) (the Prospectus Directive) and relevant implementing measures in Ireland. The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange Plc (the Irish Stock Exchange) or other regulated markets for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive) or which are to be offered to the public in a Member State of the European Economic Area.

**The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. An investment in Notes involves certain risks. For a discussion of these risks, see "Risk Factors" on page 2.**

Under current legislation in Italy, payments of interest, premium or other income relating to the Notes are subject to substitute tax (*imposta sostitutiva*) at a rate of 26%, regardless of maturity. The Issuer will not be liable to pay any additional amounts to Noteholders in relation to any such substitute tax or withholding. For further information, see "*Taxation*" on page 85.

The Notes are expected to be rated "BB" by Fitch Ratings Limited ("**Fitch**"). Fitch is established in the European Union and registered under Regulation 1060/2009/EC of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes will be in bearer form and in the denomination of €100,000 each. The Notes will initially be represented by a temporary global note (the "**Temporary Global Note**"), with interest coupons, which will be deposited on or around 30 July 2015 (the "**Closing Date**" and the "**Issue Date**") with a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**"). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the "**Permanent Global Note**"), without interest coupons, not earlier than 40 days after the Issue Date, upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances: see "*Overview of provisions relating to the Notes while in global form*".

*Sole Lead Manager and Sole Structuring Advisor*

**Société Générale Corporate & Investment Banking**

*Co Lead Manager*

**Banca Profilo S.p.A.**

The date of this Prospectus is 28 July 2015

## IMPORTANT NOTICES

This Prospectus constitutes a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC, as amended (which includes the amendments made by Directive 2010/73/EU) (the **Prospectus Directive**), as implemented in Ireland by the Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (the **Prospectus Regulations**).

This Prospectus should be read and construed together with any supplements hereto and with any other documents incorporated by reference herein (see "*Information Incorporated by Reference*").

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied by the Issuer in connection with the Notes or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or the Managers (as defined in "*Subscription and Sale*" below).

The Issuer has confirmed to the Managers that the statements contained in this Prospectus relating to the Notes, the Issuer and the Group are in every material respect true and accurate and not misleading and, to the best of the knowledge and belief of the Issuer, there are no other facts in relation thereto, as of the date of this Prospectus, the omission of which would make any statement in this Prospectus misleading in any material respect and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements; the opinions and intentions expressed in this Prospectus with regard to the Issuer, the Group and to the matters described herein are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; this Prospectus does not omit any material information relating to the assets and liabilities, financial position and profits and losses of the Issuer and the Group.

The Managers have not separately verified the information contained in or incorporated by reference in this Prospectus.

No representation, warranty or undertaking, express or implied, is made by the Managers or any of their respective affiliates, and neither the Managers nor any of their respective affiliates makes any representation or warranty or accepts any responsibility or liability (whether fiduciary, in tort or otherwise) as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Prospectus is true subsequent to the date hereof or the date upon which this Prospectus has been most recently supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or the Group since the date hereof or, if later, the date upon which this Prospectus has been most recently supplemented or that any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus may only be used for the purposes for which it has been published. The distribution of this Prospectus and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see "*Subscription and Sale*". In particular, the Notes have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons.

This Prospectus does not constitute a credit evaluation, or an offer or invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer or the Managers

or any of them that any recipient of this Prospectus should subscribe for or purchase any Notes. Each recipient of this Prospectus shall be taken to have conducted its own analysis and evaluation of whether to make any investment in the Notes, and made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Group.

For the avoidance of doubt, the content of the website(s) referred to in this Prospectus does not form part of the Prospectus.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

In this Prospectus, unless otherwise specified, references to "EUR", "euro" or "€" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro, as amended. Unless otherwise specified or where the context requires, references to laws and regulations are to the laws and regulations of Italy.

References in this Prospectus to the "Itas Mutua Group" or the "Group" shall refer to the Issuer and its Subsidiaries (where "Subsidiary" means *società controllata*, as defined in Article 2359, first and second paragraphs, of the Italian Civil Code).

*Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.*

## STABILISATION

**IN CONNECTION WITH THE ISSUE OF THE NOTES, SOCIÉTÉ GÉNÉRALE AS STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

## **FORWARD-LOOKING STATEMENTS**

This Prospectus includes "forward-looking statements" within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Prospectus, including, without limitation, those regarding the Issuer's strategy, plans, objectives, prospects; future developments in the markets in which the Issuer operates; and anticipated regulatory changes in the industry in which the Issuer operates. These forward-looking statements can be identified by use of forward-looking terminology, such as the terms "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "should" or "will" or, in each case, their negative, or other variations or comparable terminology. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Investors are cautioned that forward-looking statements are not guarantees of future performance and that the actual financial condition, results of operations and cash flows, and the development of the industry in which the Issuer operates, may differ, also materially, from those made in, or suggested by, the forward-looking statements contained in this Prospectus.

Any forward-looking statements are made only as at the date of this Prospectus and, except as required by law or the rules and regulations of any stock exchange on which the Notes are listed, the Issuer undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## **RESPONSIBILITY STATEMENT**

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in or incorporated by reference in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

## CONTENTS

| Section  | Page |
|--|------|
| IMPORTANT NOTICES .....  | ii   |
| RISK FACTORS .....   | 2    |
| OVERVIEW .....   | 14   |
| INFORMATION INCORPORATED BY REFERENCE .....                                | 23   |
| TERMS AND CONDITIONS OF THE NOTES .....                                    | 25   |
| USE OF PROCEEDS .....  | 42   |
| OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL<br>FORM ..... | 43   |
| DESCRIPTION OF ITAS MUTUA.....   | 45   |
| TAXATION.....  | 76   |
| SUBSCRIPTION AND SALE .....  | 85   |
| GENERAL INFORMATION.....   | 89   |

## **RISK FACTORS**

*Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer and the Group and the industry in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Prospectus have the same meanings in this section.*

*The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Notes and should be used as guidance only. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and the Group and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.*

### **Risks relating to the Issuer**

#### **Factors that may affect the Issuer's ability to fulfil its obligations under the Notes**

##### ***Financial results may be affected by fluctuations in the financial markets***

Market levels and investment returns are an important part of determining the Group's overall profitability, and fluctuations in the financial markets, such as the fixed income, equity, property and foreign exchange markets, can have a material effect on its consolidated results of operations. Changes in these factors can be very difficult to predict. Any adverse changes in the economy and/or financial markets could have a material adverse effect on the Group's consolidated financial condition, results of operations and cash flows.

Market risk arises from the Group's investment portfolios, and largely comprises changes in interest rates and a fall in the market value of equities and properties. A decrease in the value of the assets backing the insurance contracts could adversely affect the financial position of the Group to the extent that a movement (in particular, a fall) in asset values is not matched by a corresponding movement in liability values.

Fluctuations in interest rates may affect returns on fixed income investments and their market value. Generally, investment income may be reduced during sustained periods of lower interest rates as higher yielding fixed income securities are called, mature or are sold, and the proceeds are reinvested at lower rates, even though prices of fixed income securities tend to rise and gains realised upon their sale tend to increase. During periods of rising interest rates, the prices of fixed income securities tend to fall.

General economic conditions, stock market conditions, level of disposable income and many other factors beyond the control of the Group can adversely affect the equity and property markets.

The value of fixed income securities may be affected by, amongst other things, changes in the Issuer's credit rating. Where the credit rating of a debt security drops, the value of the security may also decline.

The investment risk on life insurance portfolios is often shared in whole or in part with policyholders, depending on the product sold. Fluctuations in the fixed income, equity markets will directly affect the financial results of life insurance operations and will also have indirect effects through their

impact on the value of technical reserves, which, in most cases, are related to the value of the assets backing the policy liabilities. Should the credit rating of the Issuer drop to a level such that regulatory guidelines prohibit the holding of such securities to back insurance liabilities, the resulting disposal may lead to a significant loss on the Group's investment.

***The Group is subject to credit risk***

The Group is prone to counterparty risk in relation to third parties. A failure by its counterparties to meet their obligations could have a material impact on its financial position. The Group is exposed to credit risk, amongst other things, through holdings of fixed income instruments, cash at bank exposures and receivables connected with the insurance business.

In particular, the Group's insurance businesses have substantial exposure to reinsurers through reinsurance arrangements. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly year to year. Any decrease in the amount of reinsurance cover purchased will increase the Group's risk of loss. When reinsurance is obtained, the Group is still liable for those transferred risks if the reinsurer does not meet its obligations. Therefore, the inability or failure of reinsurers to meet their financial obligations could materially affect the Group's operations and financial condition.

***Financial results may be affected by insurance risk***

Underwriting performance, for both the life and non-life businesses, represents an important part of the Group's overall profitability. Insurance risk stems from inappropriate pricing methodologies and assumptions leading to inadequate premiums, deterioration of reserve, exposure to catastrophe, insufficient reinsurance arrangements and the risk of increased expenses.

In particular, the fluctuations in the frequency and severity of insurance claims can have a material effect on the consolidated results of operations. In addition, any adverse changes in the rate of claims increase or in the cost of reinsurance protection could have a material adverse effect on the Group's consolidated financial condition, results of operations and cash flows. Changes in these factors can be very difficult to predict.

***Actual experience in the Group's life and non-life businesses could be inconsistent with the assumptions the Issuer uses to price its products which could adversely affect its results***

The results of the Group's life and non-life businesses depend significantly upon the extent to which its actual claim experience remains consistent with the assumptions used in the pricing of its products. Life insurance premiums are calculated using assumptions as to mortality, interest rates and expenses used to project future liabilities. In non-life insurance, claim frequency, claim severity and expense assumptions are used to determine prices. Although experience (i.e. the claims and expenses as actually experienced) is closely monitored, there is no guarantee that actual experience will match the assumptions that were used in initially establishing the future policyholder benefits and related premium levels. To the extent that actual experience differs significantly from the assumptions used, the Group's insurance businesses may be faced with unforeseen losses that negatively impact its results.

***The Group is subject to risks concerning the adequacy of its technical reserves, which could have a negative impact on its results in case these provisions prove to be insufficient***

The technical reserves of the Group's insurance businesses serve to cover the current and future liabilities towards its policyholders and originate from the collection of the insurance premiums. Technical reserves are established with respect to both the Group's life insurance businesses and non-life insurance businesses and are divided in different categories depending on the type of insurance business (life or non-life) to which they relate. These technical reserves and the assets backing them

represent the major part of the Group's balance sheet. Depending on the actual realisation of the future liabilities (i.e. the claims as actually experienced), the current technical reserves may prove to be inadequate. Inadequate reserves can also occur due to other factors that are beyond the control of insurers, such as unexpected legal developments, advances in medicine and changes in social attitudes. The Group has actuarial tools in place to closely monitor and manage reserve risk. However, a residual risk still exists which could adversely impact the Group's results and financial condition.

### ***Regulatory compliance and regulatory changes***

The Group is subject to government regulation in the jurisdictions in which it conducts business. Regulatory Authorities, in particular the Italian Institute for Insurance Supervision (in Italian "Istituto per la Vigilanza sulle Assicurazioni") (IVASS), have broad jurisdiction over many aspects of these businesses, including capital adequacy, premium rates, marketing and selling practices, advertising, licensing agents, policy forms, terms of business and permitted investments.

In the European Union, risk based capital requirements are being introduced pursuant to Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (the "**Solvency II Directive**"), which was agreed to by the European Parliament in April 2009 and formally approved by a meeting of the European Union's Economic and Financial Affairs Council in November 2009.

On 19 January 2011, the European Commission proposed the adoption of a directive (the "**Omnibus II Directive**") to introduce a number of changes to the Solvency II regime. The Omnibus II Directive will also empower the Commission to apply more flexible transitional provisions for insurance undertakings affected by Solvency II and grant extended powers to the new European Insurance and Occupational Pensions Authority (EIOPA, which has replaced CEIOPS, The Committee of European Insurance and Occupational Pensions Supervisors since 1 January 2011). In November 2013, representatives from the European Parliament, the European Commission and the Council of the European Union reached an agreement on the Omnibus II Directive, which was adopted by the European Parliament on 11 March 2014. The agreed text of Omnibus II confirms the implementation date for Solvency II as January 2016, but moves back the transposition date to March 2015.

On 10 October 2014 the European Commission adopted a delegated act containing implementing rules for Solvency II (Commission Delegated Regulation (EU) 2015/35). Following approval of the European Parliament and Council, this was published in the Official Journal on 17 January 2015 and entered into force the following day.

The Commission Delegated Regulation (EU) 2015/35 is intended to specify a range of aspects of the Solvency II Directive in view of its consistent implementation throughout the European Union, with particular regard to capital requirements and other measures related to long term investments, requirements on the composition of insurers' own funds, remuneration issues, requirements for valuation of assets and liabilities, and reporting. On 10 February 2015, the Italian Government published a draft scheme of the Italian legislative decree implementing the Solvency II Directive in Italy. Until such Legislative Decree will be passed by the Italian Parliament, the Issuer will not be able to foresee all potential changes to the applicable Italian legal framework. The current draft of Legislative Decree provides for a transitional regime to be phased in gradually starting as of 1 April 2015 until 1 January 2016, according to which IVASS will be granted the power to, inter alia, (i) authorise specific matters related to own funds and internal models and (ii) determine the scope and the level of supervision on groups.

The Solvency II Directive has been enacted using the EU's Lamfalussy Process as a Level 1 Directive. Under the Lamfalussy Process, the details required for application of the principles set out in the Level 1 Directive will be developed and formulated as part of the implementing measures (Level 2).



The Omnibus II Directive also provides for the development of binding technical implementing standards by EIOPA and to be confirmed, following public consultation, by the European Commission. EIOPA is continuing to develop the detailed rules that will complement the high-level principles of the Solvency II Directive. EIOPA recently published a number of Implementing Technical Standards (the ITS) and Guidelines consultation papers. Set 1 of the Guidelines relevant for approval processes, including Pillar 1 (quantitative basis) and internal models have been published in February 2015 following completion of the consultation process. Set 2 of the ITS are expected to be submitted to the European Commission in June 2015, while Set 2 of the Guidelines are expected to be published by EIOPA in July 2015.

In addition, changes in government policy, legislation or regulatory interpretation applying to the insurance industry may adversely affect the Group's product range, distribution channels, capital requirements and, consequently, its results and financing requirements.

***Risk management policies, procedures and methods may leave the Group exposed to unidentified or unanticipated risks***

The Group has devoted significant resources to developing policies, procedures and assessment methods to manage market, credit, liquidity and operating risk and intends to continue to do so in the future. Nonetheless, the Group's risk management techniques and strategies may not be fully effective in mitigating its risk exposure in all market environments or against all types of risks, including risks that the Group fails to identify or anticipate.

***The Group is subject to operational risk***

The Group is exposed to many types of operational risk arising from inadequate or failed internal processes, or from personnel and systems, or from external events. Operational risk also includes all legal risks.

Main operational risks may derive from internal fraud, external fraud, employment practices, clients and products, damage to physical assets, business disruption and system failure, execution and process management.

The Group's systems and processes are designed to ensure that the operational risks associated with the Group's activities are appropriately monitored. Any failure or weakness in these systems, however, could adversely affect the Group's financial performance and business activities.

***The Group may be affected by increased competition***

The Italian insurance market has experienced significant changes in recent years due to the introduction of several laws and regulations as a result of the implementation of a number of insurance directives issued by the European Union (EU). Changes in the regulatory regime have also increased competitive pressure on insurance companies in the Italian market in general. There is a residual risk that the Group will be adversely affected by increased competition.

Weak growth, low inflation and protracted low interest rates scenario could adversely affect the Group's results of operations, business and financial condition. With reference to the European economic outlook, there is a persistent weak economic growth with a divergence across Member States even if positive growth rates are expected in several countries. The economic recovery is only moderate and this environment may limit growth in insurance volumes.

Protracted low interest rates due also to quantitative easing by European Central Bank will impact insurance companies by affecting investment returns especially on their fixed-income portfolio. Considering the stock of guaranteed return contracts in life business, of which the duration is often longer than that of the covering assets, a new decline in long-term interest rates would further weaken

insurance companies' capacities to repay relatively high rates of return, which were paid when market rates were considerably higher.

Insurance companies having sold products with minimum-guaranteed returns may need to front the current market situation reallocating their portfolios towards more risky assets, being, as a consequence, more vulnerable to future adverse market developments. Such adverse market developments might be triggered by any geopolitical event or by the possible re-emergence of the European debt crisis. This could also involve lead to serious financial turbulence in markets that could have a material adverse effect on the Group's business, results and financial position.

### ***Risks in relation to the proposed acquisition of the two Italian branches of RSAI and SIO***

The Issuer has recently entered into an agreement with RSA Insurance Group plc (RSAIG) to acquire the Italian branch business of Royal & Sun Alliance Insurance plc (RSAI) and the Italian branch business of Sun Insurance Office Limited (SIO) from RSAIG (see also "Description of the Group - Recent Developments"). The acquisition, according to Section 109 of the Financial Services and Markets Act 2000 (the FSMA), is subject, inter alia, to the approval by the High Court of Justice in England and Wales (the Court) after consulting an independent person (the Independent Expert) who is nominated or approved by the Prudential Regulation Authority (PRA), having consulted with the Financial Conduct Authority (FCA) and the following approval by IVASS.

There can be no assurance that such conditions shall be satisfied or that the acquisition shall complete as planned. In addition, the acquisitions require the integration and combination of different management, strategies, procedures, products and services and client bases, with the aim of streamlining the business structure and operations of the newly enlarged group. Acquisitions entail an execution risk, including the risk that the Issuer will not be able to integrate the purchased assets so as to achieve expected synergies, and there can be no assurance that the acquisition of the two Italian RSAI and SIO branches will be properly integrated with the Issuer's quality standards, policies and procedures to achieve consistency with the rest of the Group's operations. The process of integration may require additional investment and expense. Failure to successfully integrate the acquisition of the two Italian branches of RSAI and SIO could have a materially adverse effect on the Group's business, financial condition and results of operations which could have an adverse impact on the Issuer's ability to meet its obligations under the Notes.

### **Risks Relating to the Notes**

#### ***The Notes are complex financial instruments and may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and in particular the terms relating to subordination, redemption and interest deferral; and

- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### ***The Notes are subordinated obligations***

The Notes constitute direct, unconditional and unsecured subordinated obligations of the Issuer. If an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer, payment obligations on the Notes will rank junior to any unsubordinated obligations of the Issuer (including liabilities to policyholders of the Issuer). See further Condition 3 (*Status and Subordination*) of the Terms and Conditions of the Notes. Investors in the Notes may recover proportionately less than holders of unsubordinated obligations of the Issuer (including policyholders of the Issuer), should the Issuer become insolvent.

### ***Under certain conditions, redemption of the Notes must be deferred***

The obligations of the Issuer to redeem the Notes (either on maturity or earlier at the option of the Issuer in certain circumstances) are conditional upon, *inter alia*, no Solvency Capital Event having occurred and is continuing on the date due for redemption and such redemption would not itself cause a Solvency Capital Event. If a suspension of redemption results from the occurrence of a Solvency Capital Event, the Notes shall instead become due for redemption at their principal amount, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date upon the earliest of certain events as described in Condition 6 (h) (*Deferral of redemption*).

Any such deferral is likely to have an adverse effect on the market value of the Notes and Noteholders may receive their investment back at a later point in time than initially expected. If the Notes are not redeemed on the Maturity Date due to the reasons referred to in the paragraph above, Noteholders will (subject to any compulsory or optional deferral) continue to receive interest but will not receive any additional compensation for the postponement of the redemption. In addition, as a result of the redemption deferral provision of the Notes, the market price of the Notes may be more volatile than the market price of other debt securities which are not subject to such deferrals and may be more sensitive generally to adverse changes in the Issuer's financial condition.

### ***No express event of default***

Noteholders should be aware that the Terms and Conditions of the Notes do not contain any express events of default provision.

### ***There is no limitation on issuing or guaranteeing debt ranking senior or "pari passu" with the Notes***

There is no restriction on the amount of debt which the Issuer may issue or guarantee. The Issuer and its subsidiaries and affiliates may incur additional indebtedness or grant guarantees in respect of indebtedness of third parties, including indebtedness or guarantees that rank *pari passu* or senior to the obligations under and in connection with the Notes. If the Issuer's financial condition were to deteriorate, the Noteholders could suffer direct and materially adverse consequences, including deferral of interest and, if the Issuer were liquidated (whether voluntarily or not), the Noteholders could suffer loss of their entire investment.

### ***The Notes may be redeemed early in certain circumstances***

The Notes may – subject to prior approval of the Relevant Supervisory Authority – be redeemed at the option of the Issuer at their principal amount, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date upon the occurrence of a Tax

Event, a Rating Methodology Event or a Regulatory Event as set out in Condition 6 (b) (*Redemption for tax reasons*), Condition 6 (d) (*Redemption for rating reasons*) and Condition 6 (c) (*Redemption for regulatory reasons*) of the Terms and Conditions of the Notes.

In particular, the Issuer may redeem the Notes if, *inter alia*, under Italian Legislation on Solvency Margin following implementation of the Solvency II Directive ("**Future Regulations**"), (i) the Issuer is no longer subject to the consolidated regulatory supervision of the Relevant Supervisory Authority, or (ii) prior to the implementation of Future Regulations, the Issuer is subject to the consolidated regulatory supervision of the Relevant Supervisory Authority and is not permitted under the applicable rules and regulations adopted by the Relevant Supervisory Authority, or an official application or interpretation of those rules and regulations including a decision of any court or tribunal at any time whilst any of the Notes are outstanding to treat the Notes (in whole or in part) as own funds (for the avoidance of doubt, including as own funds available to meet up to 25% of the solvency requirements) for the purposes of the determination of its Solvency Margin prior to implementation of Future Regulations; or (iii) following the implementation of Future Regulations, the Issuer (x) is subject to regulatory supervision by the Relevant Supervisory Authority and (y) is not permitted to treat the aggregate net proceeds of such Notes that are outstanding as eligible for the purposes of the determination of the solvency margin or capital adequacy levels of the Issuer as at least Tier 2 Own Funds, except where, in each case (ii) or (iii), this is merely the result of exceeding any then applicable limits on the inclusion of the Notes as own funds, or Tier 2 Own Funds, as the case may be, as further described in Condition 6 (c) (*Redemption for regulatory reasons*).

### ***Deferral of Interest***

The Issuer is required to defer accrued interests on the Notes in the circumstances set out in Condition 5 (*Mandatory Deferral of Interest*). In particular, the Issuer shall defer payment of all or some only of the interest accrued to an Interest Payment Date in respect of the Notes if: (i) a Solvency Capital Event has occurred and will be continuing on such Interest Payment Date, or would be caused by the payment by the Issuer of interest and/or arrears of interest on the relevant date; or (ii) the Solvency Condition is not satisfied at such Interest Payment Date or payment of such Interest Payment would cause the Solvency Condition not to be satisfied; (each a "**Mandatory Interest Deferral Event**"), provided that in the case of (i), the relevant Interest Payment Date will not be a Mandatory Interest Deferral Date in relation to such interest (or such part thereof) if: (x) the Relevant Supervisory Authority has exceptionally waived the deferral of such payment (to the extent the Relevant Supervisory Authority can give such waiver in accordance with the Future Regulations), (y) paying the interest does not further weaken the solvency position of the Issuer, and (z) the Minimum Capital Requirement is complied with after the payment is made. If interest is deferred pursuant to the above, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of obligations under the Notes or for any other purpose. See further Condition 5 (*Mandatory Deferral of Interest*). Furthermore, if any interest is deferred pursuant to the above, such deferred interest will not itself bear interest. Any deferral of interest payments will be likely to have an adverse effect on the market price of the Notes.

### ***Variation of the Terms and Conditions of Notes***

The Issuer may in certain circumstances modify the terms and conditions of the Notes without any requirement for the consent or approval of the Noteholders to the extent that such modification is reasonably necessary to ensure that no Regulatory Event, Rating Methodology Event or Tax Event would exist after such modification, provided that the relevant conditions set forth in Condition 13.4 (*Modification following a Tax Event, Rating Methodology Event or Regulatory Event*) of the Terms and Conditions of the Notes are satisfied.

### ***Risks related to the Notes generally***

Set out below is a brief description of certain risks relating to the Notes generally.

## ***Taxation***

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors cannot rely upon such tax summary contained in this Prospectus but should ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Notes. Only this adviser is in a position to duly consider the specific situation of the potential investor. This investment consideration has to be read in connection with the taxation sections of this Prospectus.

### ***U.S. Foreign Account Tax Compliance Withholding***

The foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("**FATCA**") impose a withholding tax of 30 per cent. on (i) certain U.S. source payments and (ii) payments of gross proceeds from the disposition of assets that produce U.S. source interest or dividends made to persons that fail to meet certain certification or reporting requirements. In order to avoid becoming subject to this withholding tax, non U.S. financial institutions must enter into agreements with the U.S. Internal Revenue Service ("**IRS Agreements**") (as described below) or otherwise be exempt from the requirements of FATCA. Non U.S. financial institutions that enter into IRS Agreements or become subject to provisions of local law ("**IGA legislation**") intended to implement an intergovernmental agreement entered into pursuant to FATCA ("**IGAs**"), may be required to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In addition, in order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable IGA legislation, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding is required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after (i) 1 July 2014 in respect of certain US source payments, (ii) 1 January 2017, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce US source interest or dividends and (iii) 1 January 2017 (at the earliest) in respect of "foreign passthru payments" and then, for "obligations" that are not treated as equity for U.S. federal income tax purposes, only on such obligations that are issued or materially modified on or after the later (a) 1 July 2014, and (b) in the case of an obligation that pays only foreign passthru payments, the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register.

The application of FATCA to interest, principal or other amounts paid with respect to the Notes and the information reporting obligations of the Issuer and other entities in the payment chain is still developing. In particular, a number of jurisdictions have entered into, or have announced their intention to enter into, intergovernmental agreements (or similar mutual understandings) with the United States, which modify the way in which FATCA applies in their jurisdictions. The full impact of such agreements (and the laws implementing such agreements in such jurisdictions) on reporting and withholding responsibilities under FATCA is unclear. The Issuer and other entities in the payment chain may be required to report certain information on their U.S. account holders to government authorities in their respective jurisdictions or the United States in order (i) to obtain an exemption

from FATCA withholding on payments they receive and/or (ii) to comply with applicable law in their jurisdiction. It is not yet certain how the United States and the jurisdictions which enter into intergovernmental agreements will address withholding on "foreign passthru payments" (which may include payments on the Notes) or if such withholding will be required at all.

Whilst the Notes are in global form and held within Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that FATCA will affect the amount of any payment received by the ICSDs. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid to the order of the common depositary or common or common safekeeper for the ICSDs (as bearer of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the ICSDs and custodians or intermediaries.

### ***EU Savings Tax Directive***

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Tax Directive**"), 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 person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria is instead required to apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full 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, 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.

On 24 March 2014, the Council of the European Union formally adopted a Council Directive amending the EU Savings Directive (the "**Amending Directive**") thus broadening the scope of the requirements described above. Member States are required to implement national legislation giving effect to these changes by 1 January 2016. That domestic legislation must be applied from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest. Investors who are in any doubt as to their position should consult their professional advisers.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

*Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer*

The Notes will be represented by the Global Notes except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common safekeeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to or to the order of the common safekeeper for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Notes will not have a direct right under the Global Notes to take enforcement action against the Issuer in the event of a default under the Notes but will have to rely upon their rights under the Deed of Covenant.

### ***Change of law***

The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law except that provisions concerning the status and subordination of the Notes are governed by the laws of the Republic of Italy. Condition 13.1 (Meetings of Noteholders) and the relevant provisions of the Agency Agreement concerning meetings of Noteholders and the appointment of a Noteholders' Representative (*rappresentante comune*), where applicable, are subject to compliance with the laws of the Republic of Italy.

No assurance can be given as to the impact of any possible judicial decision or change to the English law, laws of the Republic of Italy or administrative practice after the date of this Prospectus.

### ***Legality of purchase***

Neither the Issuer, the Managers, nor any of their respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective investor in the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if

different), or for compliance by that prospective investor with any law, regulation or regulatory policy applicable to it.

### ***Risks related to Notes and the markets generally***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk and interest rate risk that may be relevant in connection with an investment in the Notes.

#### ***The secondary market generally***

There is currently no secondary market for the Notes. Applications have been made for the Notes to be admitted to trading on the Irish Stock Exchange's regulated market and listed on the Official List of the Irish Stock Exchange. There can, however, be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue. Illiquidity may have a severely adverse effect on the market value of the Notes. Any purchase of the Notes by the Issuer or any of its Subsidiaries, shall be subject to prior approval of the competent regulatory authority if and to the extent required by then applicable legislation. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. The market value of the Notes may also be significantly affected by factors such as the creditworthiness of the Issuer and the Group, variations in the Group's annual and interim results of operations, news announcements or changes in general market conditions. In addition, broad market fluctuations and general economic and political conditions may adversely affect the market value of the Notes, regardless of the actual performance of the Group. *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the euro would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency equivalent value of the principal payable on the Notes and (iii) the Investor's Currency equivalent market value of the Notes. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### ***Credit ratings may not reflect all risks***

The Notes are expected to be rated "BB" by Fitch Ratings Limited ("Fitch"). Fitch is established in the European Union and registered under Regulation No. 1060/2009/EC of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (as amended) (the "**CRA Regulation**"). As such, it is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. The ratings granted by Fitch or any other rating assigned to the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

In addition, Fitch or any other rating agency may change its methodologies for rating securities with features similar to the Notes in the future. If the rating agencies were to change their practices for rating such securities in the future and the ratings of the Notes were to be subsequently lowered, this may have a negative impact on the trading price of the Notes.



### *Interest rate and spread risks*

The Notes bearing interest at a fixed rate, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes. While the nominal interest rate of a fixed interest rate note is fixed during the life of such a note or during a certain period of time, the current interest rate on the capital market (market interest rate) typically changes on a daily basis. As the market interest rate changes, the price of such note typically changes in the opposite direction. If the market interest rate increases, the price of such note typically falls, until the yield of such note is approximately equal to the market interest rate. If the market interest rate decreases, the price of a fixed rate note typically increases, until the yield of such note is approximately equal to the market interest rate. Noteholders should be aware that movements of the market interest rate can adversely affect the price of the Notes and can lead to losses for the Noteholders if they sell Notes during the period in which the market interest rate exceeds the fixed rate of the Notes.

## OVERVIEW

*The following overview does not purport to be complete and is qualified by the remainder of this Prospectus.*

*Words and expressions defined in "Terms and Conditions of the Notes" below shall have the same meanings in this section, and references to a numbered "Condition" shall be to the relevant Condition under the Terms and Conditions set out below.*

|  |   |
|--|---|
| <b>Issuer:</b>   | ITAS Mutua ("ITAS Mutua").  |
| <b>Notes:</b>  | € 60,000,000 Fixed Rate Dated Subordinated Notes.   |
| <b>Sole Lead Manager and Sole Structuring Advisor:</b> | Société Générale  |
| <b>Co Lead Manager:</b>                                | Banca Profilo S.p.A.  |
| <b>Fiscal Agent:</b>                                   | Citibank N.A., London Branch  |
| <b>Ireland Listing Agent:</b>                          | Arthur Cox Listing Services Limited   |
| <b>Issue Price:</b>                                    | 100% of the aggregate nominal amount.   |
| <b>Issue Date:</b>                                     | 30 July 2015.   |
| <b>Maturity Date:</b>                                  | 30 July 2025 subject to Conditions to Redemption.   |
| <b>Status of the Notes and Subordination:</b>          | <p>The Notes constitute direct, unconditional and unsecured subordinated obligations of the Issuer and rank pari passu without any preference among themselves and:</p> <ul style="list-style-type: none"><li>(i) junior to any unsubordinated obligations of the Issuer (including liabilities to policyholders of the Issuer); and</li><li>(ii) at least equally with the Issuer's payment obligations in respect of any Parity Securities; and</li><li>(iii) senior to the Issuer's payment obligations in respect of any Junior Securities.</li></ul> <p>"Junior Securities" means (A) all classes of share capital (including preference shares – azioni privilegiate – and savings shares – azioni di risparmio, if any) of the Issuer; (B) any obligation, including preferred securities, guarantees or similar instruments issued by the Issuer which rank junior to the Notes or pari passu with the share capital of the Issuer; (C) any guarantee or similar instrument from the Issuer, ranking junior to the Notes or pari passu with the share capital of the Issuer, covering the preferred securities or preferred or preference shares issued by a subsidiary of the Issuer; and (D) any subordinated note or bond or other securities issued by the Issuer, guarantees, preferred or preference shares or other securities issued by the Issuer which rank, or are expressed to rank, junior to the Notes; and (E) any subordinated note or bond or other securities issued by a subsidiary of the Issuer having the benefit of a guarantee or similar instrument from the Issuer, which guarantee or instrument</p> |

ranks or is expressed to rank junior to the Notes.

"Parity Securities" means (a) any subordinated obligations of the Issuer, including notes or bonds issued by the Issuer, guarantees or other securities issued by the Issuer which rank, or are expressed to rank, *pari passu* with the Notes; and (b) any subordinated obligations, including notes or bonds or other securities issued by a subsidiary of the Issuer having the benefit of a guarantee or similar instrument from the Issuer, which guarantee or instrument ranks or is expressed to rank *pari passu* with the Notes.

**Solvency Condition:**

The "Solvency Condition" is deemed to have been satisfied if the Issuer is able to pay its debts owed to its creditors as they fall due and in any event if (i) the Issuer is solvent at the time of any payment to be made by it in respect of the Notes payable under these Conditions; and (ii) the Issuer could make such payment referred to in (i) and still be solvent immediately thereafter.

**Rate of Interest:**

The Notes will bear interest on their principal amount from (and including) the Issue Date at the rate of 6.000% per annum, payable annually in arrear on 30 July in each year ("Interest Payment Date"), commencing on 30 July 2016.

**Mandatory deferral of Interest:**

The Issuer shall defer payment of all or some only of the interest accrued to an Interest Payment Date ("Mandatory Interest Deferral Date") in respect of the Notes if:

- (i) a Solvency Capital Event has occurred and will be continuing on such Interest Payment Date, or would be caused by the payment by the Issuer of interest and/or arrears of interest on the relevant date; or
- (ii) the Solvency Condition is not satisfied at such Interest Payment Date or payment of such interest payment would cause the Solvency Condition not to be satisfied;

(each a "Mandatory Interest Deferral Event").

Provided, that in the case of (i), the relevant Interest Payment Date will not be a Mandatory Interest Deferral Date in relation to such interest (or such part thereof) if:

- (i) the Relevant Supervisory Authority has exceptionally waived the deferral of such payment (to the extent the Relevant Supervisory Authority can give such waiver in accordance with the Future Regulations);
- (ii) paying the interest does not further weaken the solvency position of the Issuer; and
- (iii) the Minimum Capital Requirement is complied with after the payment is made.

If interest is deferred pursuant to the above, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other

breach of obligations under the Notes or for any other purpose.

Any unpaid amounts of interest deferred will constitute arrears of interest ("Deferred Interest"). Deferred Interest shall not bear interest.

"Future Regulations" means the rules and regulations of the Relevant Supervisory Authority, or any legislation, rules or regulations (whether having the force of law or otherwise), implementing the Solvency II Directive and which are applicable to the Issuer.

"Italian Legislation on Solvency Margin" means provisions of Italian law in force from time to time (including, for the avoidance of doubt, the Future Regulations upon their implementation) governing the instruments or liabilities taken into account in calculating the Solvency Margin.

"Relevant Supervisory Authority" means Istituto per la Vigilanza sulle Assicurazioni (IVASS), or any successor entity of IVASS, or any other competent Relevant Supervisory Authority to which the Issuer becomes subject.

"Required Solvency Margin" means the Solvency Margin required from time to time by the Relevant Supervisory Authority under Italian Legislation on Solvency Margin in respect of the Issuer.

"Solvency Capital Event" is deemed to have occurred if:

- (i) prior to the implementation of Future Regulations, the Solvency Margin of the Issuer, on a consolidated or non-consolidated basis as calculated in accordance with applicable laws and regulations, and either (A) reported in the Issuer's reporting to the Relevant Supervisory Authority; or (B) determined by the Relevant Supervisory Authority and communicated to the Issuer, falls below the Required Solvency Margin; or
- (ii) following the implementation of Future Regulations, the own funds (or whatever the terminology employed by the Future Regulations) of the Issuer, on a consolidated or non-consolidated basis, is not sufficient to cover its Solvency Capital Requirement or the Minimum Capital Requirements (each such term as defined under the Solvency II Directive and Future Regulations) or the applicable capital adequacy requirement, whichever occur earlier and a deferral of payments in respect of the Notes is therefore required on the basis that the Notes are intended to qualify under the Solvency II Directive and Future Regulations as Tier 2 Own Funds regardless of any grandfathering.

"Solvency II Directive" means Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of insurance and

reinsurance (Solvency II) and any applicable implementing provisions.

"Solvency Margin" means, the Issuer's consolidated and non-consolidated solvency margins (margine di solvibilità) as defined in article 2(a)(i) of ISVAP Regulation no. 19 of 14 March 2008 and in accordance with EU Directive 73/239/EEC.

"Tier 2 Own Funds" means own funds eligible to be classified as Tier 2 (or whatever the terminology employed by the Future Regulations, including any transitional arrangements as applicable) under the Future Regulations.

**Deferred Interest:**

Deferred Interest may, at the option of the Issuer, be paid in whole or in part (in such latter case the payment in respect of any Note and in respect of any period will be made pro rata to the total amount of all Deferred Interest) at any time; and shall become due and payable, in whole, on the earliest of:

- (i) the next Interest Payment Date unless a Mandatory Interest Deferral Event is continuing on such Interest Payment Date; or
- (ii) the date of any redemption of the Notes; or
- (iii) the date an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer.

Deferred Interest accrued for any period shall not be payable until full payment has been made of all Deferred Interest that have accrued during earlier period.

*provided that* the Relevant Supervisory Authority has given and has not withdrawn its prior consent to payment of the relevant amounts (if such prior consent is so required under applicable legislation at the relevant time); and provided further that a Solvency Capital Event has not occurred and continuing or will not be caused by the payment of Deferred Interest.

**Scheduled redemption**

Subject to the provisions of Condition 6 (b) (*Redemption for tax reasons*) Condition 6 (c) (*Redemption for regulatory reasons*), Condition 6 (d) (*Redemption for rating reasons*), and Condition 9 (*Enforcement Events*) the Notes will be redeemed at their principal amount on the Maturity Date, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the Maturity Date, subject as provided in Condition 7 (*Payments*) and Condition 6 (g) (*Conditions to Redemption*). The Notes may not be redeemed at the option of Noteholders.

**Redemption for tax reasons:**

The Notes may be redeemed at their principal amount, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, subject to having given no less than 30 nor more than 45 calendar days' prior notice to the Noteholders (in accordance with Condition 15 (Notices)) and to the Fiscal Agent (and subject to Conditions to

Redemption if so required under Future Regulations at the relevant time), at the option of the Issuer upon the occurrence of a Tax Event.

A "Tax Event" is deemed to have occurred if:

- (i) an opinion of a recognised law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that the Issuer has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax (including any treaty to which the Republic of Italy is a party), or any change in the application or official or generally published interpretation of such laws or regulations (including a change or amendment resulting from a ruling by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date, and such obligation cannot be avoided by the Issuer taking reasonable measures it deems appropriate; or
- (ii) an opinion of a recognised law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that the deductibility of interest payable by the Issuer in respect of the Notes is materially reduced for Italian income tax purposes as a result of any change in, or amendment to, the laws or regulations or applicable accounting standards of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax (including any treaty to which the Republic of Italy is a party), or any change in the application or official or generally published interpretation of such laws or regulations or applicable accounting standards (including a change or amendment resulting from a ruling by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date, and such non-deductibility cannot be avoided by the Issuer taking reasonable measures available to it.

**Redemption for regulatory reasons:**

The Notes may be redeemed at their principal amount, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, subject to having given no less than 30 nor more than 45 calendar days' prior notice to the Noteholders (in accordance with Condition 15 (Notices)) and to the Fiscal Agent (and subject to Conditions to Redemption if so required under Future Regulations at the relevant time), at the option of the Issuer upon the occurrence of a Regulatory Event.

A "Regulatory Event" is deemed to have occurred if:

- (i) the Issuer is no longer subject to the consolidated regulatory supervision of the Relevant Supervisory

Authority; or

- (ii) prior to the implementation of Future Regulations, the Issuer is subject to the consolidated regulatory supervision of the Relevant Supervisory Authority and is not permitted under the applicable rules and regulations adopted by the Relevant Supervisory Authority, or an official application or interpretation of those rules and regulations including a decision of any court or tribunal at any time whilst any of the Notes are outstanding to treat the Notes (in whole or in part) as own funds (for the avoidance of doubt, including as own funds available to meet up to 25% of the solvency requirements) for the purposes of the determination of its Solvency Margin prior to implementation of Future Regulations; or
- (iii) following the implementation of Future Regulations, the Issuer (x) is subject to regulatory supervision by the Relevant Supervisory Authority and (y) is not permitted to treat the aggregate net proceeds of such Notes that are outstanding as eligible for the purposes of the determination of the solvency margin or capital adequacy levels of the Issuer as at least Tier 2 Own Funds,

except where, in each case (ii) or (iii), this is merely the result of exceeding any then applicable limits on the inclusion of the Notes as own funds, or Tier 2 Own Funds, as the case may be.

#### **Redemption for Rating Reasons**

The Notes may be redeemed at their principal amount, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, subject to having given no less than 30 nor more than 45 calendar days' prior notice to the Noteholders (in accordance with Condition 15 (Notices)) and to the Fiscal Agent (and subject to Conditions to Redemption if so required under Future Regulations at the relevant time), at the option of the Issuer upon the occurrence of a Rating Methodology Event.

A "Rating Methodology Event" is deemed to occur upon a change in the methodology of a Rating Agency (or in the interpretation of such methodology) as a result of which the Equity Credit previously assigned by such Rating Agency to the Notes is, in the reasonable opinion of the Issuer, materially reduced when compared to the Equity Credit first assigned by such Rating Agency.

"Equity Credit" shall include such other nomenclature as any Rating Agency may use from time to time to describe the degree to which an instrument exhibits the characteristics of an ordinary share.

"Rating Agency" means Fitch Ratings Limited and any of its successors to the rating business thereof.

**Conditions to Redemption:**

Any redemption or purchase of the Notes (including redemption at Maturity Date) as described above is subject to the following conditions:

- (i) the Issuer has obtained the prior approval of the Relevant Supervisory Authority; and
- (ii) no Solvency Capital Event has occurred and is continuing on the date due for redemption and such redemption would not itself cause a Solvency Capital Event; and
- (iii) the Solvency Condition is satisfied on the date due for redemption and such redemption would not itself cause the Solvency Condition not to be satisfied; and
- (iv) in case of redemption due to a Tax Event, Regulatory Event and/or Rating Methodology Event, the Issuer has delivered to the Fiscal Agent a certificate signed by two members of the board of directors of the Issuer stating that it would have been reasonable for the Issuer to conclude, judged at the Issue Date of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption or purchase was unlikely to occur; and
- (v) in the case of any redemption or purchase that is within five years of the Issue Date, such redemption or purchase shall be exchanged or funded out of proceeds of a new issuance of another basic own-fund item of at least the same quality as the Notes.

Upon implementation of Future Regulations, notwithstanding subparagraph (ii), but always subject to the Solvency Condition being satisfied, the Issuer may redeem or repay the Notes upon the occurrence of a Solvency Capital Event if:

- (i) the Relevant Supervisory Authority has exceptionally waived the suspension of the redemption or repayment; and
- (ii) the Notes have been exchanged for or converted into another basic own-fund item of at least the same quality; and
- (iii) the Minimum Capital Requirement is complied with after the repayment or redemption.

**Deferral of Redemption:**

If a suspension of redemption results from the occurrence of a Solvency Capital Event, the Notes shall instead become due for redemption at their principal amount, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date upon the earliest of:

- (i) The date falling 10 Business Days after the date the Solvency Capital Event has ceased (provided that if on such 10th business day a further Solvency Capital Event has occurred and is continuing or a redemption would itself cause a Solvency Capital Event to occur, the provisions of this paragraph shall apply mutatis mutandis to determine the subsequent date for redemption of the Notes); or
- (ii) The date falling 10 Business Days after the Relevant Supervisory Authority has agreed to the repayment or redemption of the Notes; or



(iii) The winding-up of the Issuer.

If a Solvency Capital Event has not occurred but the Issuer is required to defer redemption of the Notes on the Maturity Date or the date specified in the notice of redemption by the Issuer, as the case may be, only as a result of the Solvency Condition not being satisfied at such time or following such payment, such Notes shall instead become due for redemption, at their principal amount together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, on the falling 10 business days immediately following the day that the Solvency Condition is met provided that it continues to be met and a Solvency Capital Event has not occurred at such deferred date for payment.

The deferral of redemption of the Notes will not constitute a default by the Issuer and will not give Noteholders any right to accelerate the Notes such that amounts of principal, interest or Deferred Interest would become due and payable on the Notes earlier than otherwise scheduled.

**Modification following a Tax Event, Rating Methodology Event or Regulatory Event**

Where a Tax Event, Rating Methodology Event or Regulatory Event occurs and is continuing, the Issuer may, without any requirement for the consent or approval of the Noteholders and without prejudice to its option to redeem pursuant to Condition 6 (b) (*Redemption and Purchase - Redemption for tax reasons*), Condition 6 (d) (*Redemption and Purchase - Redemption for rating reasons*) or Condition 6 (c) (*Redemption and Purchase - Redemption for regulatory reasons*), as the case may be, modify the terms and conditions of the Notes to the extent that such modification is reasonably necessary to ensure that no Tax Event, Rating Methodology Event or Regulatory Event would exist after such modification, *provided that*, following such modification, the conditions set out at Condition 13.4 (*Modification following a Tax Event, Rating Methodology Event or Regulatory Event*) are satisfied.

**Enforcement events**

There will be no events of default in respect of the Notes. However, each Note shall become immediately due and payable at its principal amount, together with accrued interest thereon, to the date of payment and any Deferred Interests, in the event that (i) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer or (ii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in (i) above.

**Rating**

The Notes are expected to be rated BB by Fitch.

**Denomination:**

The Notes will be issued in bearer form in the denomination of €100,000 each.

**Governing Law:**

The Notes will be governed by, and shall be construed in accordance with, English Law, except for provisions concerning the status and subordination of the Notes which are governed by the laws of Italy and provided that provisions concerning the

meetings of noteholders and the noteholders' representative are subject to compliance with Italian law.

**Listing:** Application will be made to the Irish Stock Exchange for the listing of the Notes on the Official List of the Irish Stock Exchange and admission to trading on the Irish Stock Exchange's regulated market, with effect from the Issue Date.

**Selling restrictions:** The offer of the Notes shall be carried out as an exempt offer in accordance with Article 3 of the Directive 2003/71, as implemented in Italy by the Legislative Decree No. 58/98. The Notes shall be offered only to qualified investors within the meaning of Art. 100 of Legislative Decree No. 58/98.

For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, Italy, Switzerland and France, see the paragraph "*Subscription and Sale*" in the Prospectus.

**Modification:** The Conditions of the Notes may not be amended without the prior approval of the Relevant Supervisory Authority.

**Clearing Systems:** Euroclear and Clearstream, Luxembourg.

## INFORMATION INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Central Bank of Ireland, shall be incorporated by reference in, and form part of, this Prospectus. The documents set out below that are incorporated by reference in this Prospectus are direct translations into English from the original Italian language documents. The Issuer takes responsibility for such translations:

- (1) the audited consolidated annual financial statements for each of the financial years ended 31 December 2014 and 31 December 2013 of the Group (the "**2014 Group Annual Report**" and the "**2013 Group Annual Report**", respectively) to the extent specified in the table below;

in each case together with the accompanying notes and (where applicable) audit reports,

save that any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supercedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any information not listed in the table below but included in the documents incorporated by reference is provided for information purposes only.

Copies of documents incorporated by reference in this Prospectus will be available for inspection at the registered office of the Issuer and at the specified office of the Paying Agent for the time being in London and will be published on the Issuer's website ([www.gruppoitas.it](http://www.gruppoitas.it)).

In particular, the 2014 Group Annual Report will be published on the Issuer's website in the English Language at

<http://www.gruppoitas.it/documents/10179/18683/Consolidated+Financial+Statement+2014.pdf/6f597681-d465-4ca9-be33-86db07e7c29a>.

The 2013 Group Annual Report will be published on the Issuer's website in the English language at

<http://www.gruppoitas.it/documents/10179/18683/Consolidated+Financial+Statement+2013.pdf/811be9df-c3da-4e2c-b0fd-5a1bc658f642>

Any websites referred to in this Prospectus are for information purposes only and do not form part of this Prospectus.

The information incorporated by reference that is not included in the following cross-reference lists is considered as additional information and is not required by the relevant schedules of Commission Regulation (EC) No 809/2004 of 29 April 2004, as amended, implementing the Prospectus Directive.

### Cross-reference list

The following table shows where the information incorporated by reference in this Prospectus can be found in the above-mentioned documents.

| Document | Description | Page numbers |
|----------|-------------|--------------|
|----------|-------------|--------------|

## 2014 Group Annual Report

|  |                 |
|--|-----------------|
| Balance Sheet  | Pages 24 and 25 |
| Income statement   | Page 26         |
| Statement of Comprehensive Income                          | Page 27         |
| Statement of Changes in Equity                             | Page 28         |
| Statement of Cash Flows                                    | Page 29         |
| Explanatory Notes to the Consolidated Financial Statements | Pages 30 to 143 |

## 2013 Group Annual Report

|  |                 |
|--|-----------------|
| Balance Sheet  | Pages 21 and 22 |
| Income Statement   | Page 23         |
| Statement of Comprehensive Income                          | Page 24         |
| Statement of Changes in Equity                             | Page 25         |
| Statement of Cash Flows                                    | Page 26         |
| Explanatory Notes to the Consolidated Financial Statements | Pages 27 to 135 |

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which will be endorsed on each Note in definitive form (if issued).*

*The terms and conditions applicable to the Notes in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.*

The € 60 million Fixed Rate Dated Subordinated Notes due 30 July 2025 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 14 (*Further issues*) and forming a single series therewith) of Itas Mutua (the "**Issuer**") are the subject of a fiscal agency agreement dated 30 July 2015 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Issuer, Citibank N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes).

Certain provisions of these Conditions are summaries of the Agency Agreement and are subject to its detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 1. **FORM, DENOMINATION AND TITLE**

The Notes are in bearer form in the denomination of € 100,000 with Coupons attached at the time of issue. Title to the Notes and the Coupons will pass by delivery.

The holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder. No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

### 2. **DEFINITIONS AND INTERPRETATION**

#### 2.1 Definitions

In these Conditions the following expressions have the following meanings:

**"Additional Amount"** has the meaning given to it in Condition 8 (*Taxation*).

**"Business Day"** means any day on which the TARGET System is open and on which commercial banks and foreign exchange markets settle payments generally in London and Milan.

**"Deferred Interest"** has the meaning given in Condition 5 (*Mandatory Deferral of Interest*).

**"Equity Credit"** shall include such other nomenclature as any Rating Agency may use from time to time to describe the degree to which an instrument exhibits the characteristics of an ordinary share.

**"Extraordinary Resolution"** has the meaning given in the Agency Agreement.

**"Future Regulations"** means the rules and regulations of the Relevant Supervisory Authority, or any legislation, rules or regulations (whether having the force of law or otherwise), implementing the Solvency II Directive and which are applicable to the Issuer.

**"Interest Payment Date"** has the meaning given in Condition 4 (*Interest*).

**"Issue Date"** means 30 July 2015.

**"Italian Legislation on Solvency Margin"** means provisions of Italian law in force from time to time (including, for the avoidance of doubt, the Future Regulations upon their implementation) governing the instruments or liabilities taken into account in calculating the Solvency Margin.

**"Junior Securities"** means (a) all classes of share capital (including preference shares (*azioni privilegiate*) and savings shares (*azioni di risparmio*), if any) of the Issuer; (b) any obligation, including preferred securities, guarantees or similar instruments issued by the Issuer which rank junior to the Notes or pari passu with the share capital of the Issuer; (c) any guarantee or similar instrument from the Issuer, ranking junior to the Notes or pari passu with the share capital of the Issuer, covering the preferred securities or preferred or preference shares issued by a subsidiary of the Issuer; and (d) any subordinated note or bond or other securities issued by the Issuer, guarantees, preferred or preference shares or other securities issued by the Issuer which rank, or are expressed to rank, junior to the Notes; and (e) any subordinated note or bond or other securities issued by a subsidiary of the Issuer having the benefit of a guarantee or similar instrument from the Issuer, which guarantee or instrument ranks or is expressed to rank junior to the Notes.

**"Legislative Decree No. 239"** has the meaning given in Condition 8 (*Taxation*).

**Mandatory Interest Deferral Event** has the meaning given in Condition 5 (*Mandatory Deferral of Interest*).

**"Maturity Date"** means 30 July 2025 subject to the Conditions to Redemption.

**"Minimum Capital Requirement"** has the meaning given to it in the Solvency II Directive and Future Regulations.

**"Parity Securities"** means (a) any subordinated obligations of the Issuer, including notes or bonds issued by the Issuer, guarantees or other securities issued by the Issuer which rank, or are expressed to rank, pari passu with the Notes; and (b) any subordinated obligations, including notes or bonds or other securities issued by a subsidiary of the Issuer having the benefit of a guarantee or similar instrument from the Issuer, which guarantee or instrument ranks or is expressed to rank pari passu with the Notes.

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality.

**"Rating Agency"** means Fitch Ratings Limited and any of its successors to the rating business thereof.

**"Rating Methodology Event"** has the meaning given in Condition 6(d) (*Redemption and Purchase – Redemption for rating reasons*).

**"Regulatory Event"** has the meaning given in Condition 6(c) (*Redemption and Purchase – Redemption for regulatory reasons*).

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

**"Relevant Supervisory Authority"** means *Istituto per la Vigilanza sulle Assicurazioni* (IVASS), or any successor entity of IVASS, or any other competent relevant supervisory authority to which the Issuer becomes subject.

**"Required Solvency Margin"** means the Solvency Margin required from time to time by the Relevant Supervisory Authority under Italian Legislation on Solvency Margin in respect of the Issuer.

**"Reserved Matter"** means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or, as the case may be, interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes on redemption or maturity or the date for any such payment, to effect the exchange or substitution of the Notes for, or the conversion of the Notes into, shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed; to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or to amend the definition of "Reserved Matter".

**"Solvency Capital Event"** has the meaning given in Condition 5 (*Mandatory Deferral of Interest*).

**"Solvency Capital Requirement"** has the meaning given to it in the Solvency II Directive and any Future Regulations.

**"Solvency II Directive"** means Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking up and pursuit of the business of insurance and reinsurance (Solvency II) and any applicable implementing provisions.

**"Solvency Margin"** means, the Issuer's consolidated and non-consolidated solvency margins (*margine di solvibilità*) as defined in article 2(a)(i) of ISVAP Regulation no. 19 of 14 March 2008 and in accordance with EU Directive 73/239/EEC.

**"Subsidiary"** means *società controllata*, as defined in Article 2359, first and second paragraphs, of the Italian Civil Code.

**"TARGET2"** means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

**"TARGET System"** means the TARGET2 system.

**"Tax Event"** has the meaning given in Condition 6(b) (*Redemption and Purchase - Redemption for tax reasons*).

**"Taxing Jurisdiction"** means the Republic of Italy and/or such other taxing jurisdiction to which the Issuer becomes subject or any political subdivision or any authority thereof or therein having power to tax.

**"Tier 2 Own Funds"** means own funds eligible to be classified as Tier 2 (or whatever the terminology employed by the Future Regulations, including any transitional arrangements as applicable) under the Future Regulations.

## 2.2 Interpretation

In these Conditions:

- (a) any reference to principal shall be deemed to include the principal amount of the Notes, any Additional Amounts thereon and any other amount in the nature of principal payable pursuant to these Conditions;
- (b) any reference to interest shall be deemed to include any Additional Amounts thereon and any other amount in the nature of interest payable pursuant to these Conditions; and
- (c) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement.

## 3. STATUS AND SUBORDINATION

The Notes constitute direct, unconditional and unsecured subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves and:

- (a) junior to any unsubordinated obligations of the Issuer (including liabilities to policyholders of the Issuer);
- (b) at least equally with the Issuer's payment obligations in respect of any Parity Securities; and
- (c) senior to the Issuer's payment obligations in respect of any Junior Securities.

## 4. INTEREST

The Notes bear interest from (and including) the Issue Date at the rate of 6.000 per cent. per annum, (the **"Rate of Interest"**) payable annually in arrear on 30 July in each year (each, an **"Interest Payment Date"**), subject as provided in Condition 7 (*Payments*).

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

The amount of interest payable on each Interest Payment Date shall be € 6,000 in respect of each Note of € 100,000 denomination. If interest is required to be paid in respect of a Note on any other date, it shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest cent (half a cent being rounded upwards) and multiplying such rounded figure by a fraction equal to the denomination of such Note divided by the Calculation Amount, where:

**"Calculation Amount"** means € 100,000;



**"Day Count Fraction"** means, in respect of any period the Actual/Actual (ICMA) basis, being the number of days in the relevant period, from (and including) the first day in such period to (but excluding) the last day in such period, divided by the number of days in the Regular Period in which the relevant period falls; and

**"Regular Period"** means each period from (and including) the Issue Date or any Interest Payment Date to (but excluding) the next Interest Payment Date.

## 5. MANDATORY DEFERRAL OF INTEREST

(a) The Issuer shall defer payment of all or some only of the interest accrued to an Interest Payment Date ("**Mandatory Interest Deferral Date**") in respect of the Notes if:

- (i) a Solvency Capital Event has occurred and will be continuing on such Interest Payment Date, or would be caused by the payment by the Issuer of interest and/or arrears of interest on the relevant date; or
- (ii) the Solvency Condition is not satisfied at such Interest Payment Date or payment of such interest payment would cause the Solvency Condition not to be satisfied;

(each a "**Mandatory Interest Deferral Event**").

Provided, that in the case of (i), the relevant Interest Payment Date will not be a Mandatory Interest Deferral Date in relation to such interest (or such part thereof) if:

- (i) the Relevant Supervisory Authority has exceptionally waived the deferral of such payment (to the extent the Relevant Supervisory Authority can give such waiver in accordance with the Future Regulations);
- (ii) paying the interest does not further weaken the solvency position of the Issuer; and
- (iii) the Minimum Capital Requirement is complied with after the payment is made.

Notice of any deferral of interests must be given to Noteholders (in accordance with Condition 15 (*Notices*)) and the Fiscal Agent as soon as possible, but no more than 60 calendar days prior to the relevant Interest Payment Date.

If interest is deferred pursuant to the above, the Issuer shall have no obligation to make such payment and any such non-payment of interest shall not constitute a default of the Issuer or any other breach of obligations under the Notes or for any other purpose.

A "**Solvency Capital Event**" is deemed to have occurred if:

- (i) prior to the implementation of Future Regulations, the Solvency Margin of the Issuer, on a consolidated or non-consolidated basis as calculated in accordance with applicable laws and regulations, and either (a) reported in the Issuer's reporting to the Relevant Supervisory Authority; or (b) determined by the Relevant Supervisory Authority and communicated to the Issuer, falls below the Required Solvency Margin; or

- (ii) following the implementation of Future Regulations, the own funds (or whatever the terminology employed by the Future Regulations) of the Issuer, on a consolidated or non-consolidated basis, is not sufficient to cover its Solvency Capital Requirement or the Minimum Capital Requirements or the applicable capital adequacy requirement, whichever occurs earlier and a deferral of payments in respect of the Notes is therefore required on the basis that the Notes are intended to qualify under the Solvency II Directive and Future Regulations as Tier 2 Own Funds regardless of any grandfathering.

The "**Solvency Condition**" is deemed to have been satisfied if:

- (i) the Issuer is solvent at the time of any payment to be made by it in respect of the Notes payable under these Conditions; and
- (ii) the Issuer could make such payment referred to in (i) and still be solvent immediately thereafter.

"**solvent**" means that the Issuer is able to pay its debts owed to its creditors as they fall due.

(b) **Deferred Interest**

- (i) Any unpaid amounts of interest deferred will constitute arrears of interest ("**Deferred Interest**"). Deferred Interest shall not bear interest.
- (ii) Deferred Interest may, at the option of the Issuer, be paid in whole or in part (in such latter case the payment in respect of any Note and in respect of any period will be made *pro rata* to the total amount of all Deferred Interest) at any time; and shall become due and payable, in whole, on the earliest of:
  - the next Interest Payment Date unless a Mandatory Interest Deferral Event is continuing on such Interest Payment Date; or
  - the date of any redemption of the Notes; or
  - the date an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer.
- (iii) Deferred Interest accrued for any period shall not be payable until full payment has been made of all Deferred Interest that have accrued during earlier period.

*provided that* the Relevant Supervisory Authority has given and has not withdrawn its prior consent to payment of the relevant amounts (if such prior consent is so required under applicable legislation at the relevant time). Notice of payment of any Deferred Interest must be given to Noteholders (in accordance with Condition 15 (*Notices*) and the Fiscal Agent as soon as possible, but no more than 60 calendar days prior to the payment.

## 6. **REDEMPTION AND PURCHASE**

- (a) *Scheduled redemption:* Subject to the provisions of Condition 6(b) (*Redemption for tax reasons*), Condition 6(c) (*Redemption for regulatory reasons*), Condition 6(d) (*Redemption for rating reasons*), and Condition 9 (*Enforcement Events*) the Notes will be redeemed at their principal amount on the Maturity Date, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the Maturity Date subject as provided in Condition 7 (*Payments*) and

Condition 6(g) (*Conditions to Redemption*). The Notes may not be redeemed at the option of Noteholders.

- (b) *Redemption for tax reasons*: The Notes may be redeemed at their principal amount, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, subject to having given no less than 30 nor more than 45 calendar days' prior notice to the Noteholders (in accordance with Condition 15 (*Notices*)) and to the Fiscal Agent (and subject to Conditions to Redemption if so required under Future Regulations at the relevant time), at the option of the Issuer upon the occurrence of a Tax Event.

A "**Tax Event**" is deemed to have occurred if:

- (i) an opinion of a recognised law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that the Issuer has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax (including any treaty to which the Republic of Italy is a party), or any change in the application or official or generally published interpretation of such laws or regulations (including a change or amendment resulting from a ruling by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date, and such obligation cannot be avoided by the Issuer taking reasonable measures it deems appropriate; or
- (ii) an opinion of a recognised law firm of international standing has been delivered to the Issuer and the Fiscal Agent, stating that the deductibility of interest payable by the Issuer in respect of the Notes is materially reduced for Italian income tax purposes as a result of any change in, or amendment to, the laws or regulations or applicable accounting standards of the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax (including any treaty to which the Republic of Italy is a party), or any change in the application or official or generally published interpretation of such laws or regulations or applicable accounting standards (including a change or amendment resulting from a ruling by a court or tribunal of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date, and such non-deductibility cannot be avoided by the Issuer taking reasonable measures available to it.

- (c) *Redemption for regulatory reasons*:

The Notes may be redeemed at their principal amount, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, subject to having given no less than 30 nor more than 45 calendar days' prior notice to the Noteholders (in accordance with Condition 15 (*Notices*)) and to the Fiscal Agent (and subject to Conditions to Redemption if so required under Future Regulations at the relevant time), at the option of the Issuer upon the occurrence of a Regulatory Event.

A "**Regulatory Event**" is deemed to have occurred if:

- (i) the Issuer is no longer subject to the consolidated regulatory supervision of the Relevant Supervisory Authority; or

- (ii) prior to the implementation of Future Regulations, the Issuer is subject to the consolidated regulatory supervision of the Relevant Supervisory Authority and is not permitted under the applicable rules and regulations adopted by the Relevant Supervisory Authority, or an official application or interpretation of those rules and regulations including a decision of any court or tribunal at any time whilst any of the Notes are outstanding to treat the Notes (in whole or in part) as own funds (for the avoidance of doubt, including as own funds available to meet up to 25% of the solvency requirements) for the purposes of the determination of its Solvency Margin prior to implementation of Future Regulations; or
- (iii) following the implementation of Future Regulations, the Issuer (x) is subject to regulatory supervision by the Relevant Supervisory Authority and (y) is not permitted to treat the aggregate net proceeds of such Notes that are outstanding as eligible for the purposes of the determination of the solvency margin or capital adequacy levels of the Issuer as at least Tier 2 Own Funds,

except where, in each case (ii) or (iii), this is merely the result of exceeding any then applicable limits on the inclusion of the Notes as own funds, or Tier 2 Own Funds, as the case may be.

- (d) *Redemption for rating reasons:* The Notes may be redeemed at their principal amount, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, subject to having given no less than 30 nor more than 45 calendar days' prior notice to the Noteholders (in accordance with Condition 15 (*Notices*)) and to the Fiscal Agent (and subject to Conditions to Redemption if so required under Future Regulations at the relevant time), at the option of the Issuer upon the occurrence of a Rating Methodology Event.

A "**Rating Methodology Event**" is deemed to occur upon a change in the methodology of a Rating Agency (or in the interpretation of such methodology) as a result of which the Equity Credit previously assigned by such Rating Agency to the Notes is, in the reasonable opinion of the Issuer, materially reduced when compared to the Equity Credit first assigned by such Rating Agency.

- (e) *Purchase:* The Issuer or any of its Subsidiaries or the Issuer's parent company or any Subsidiary of the Issuer's parent company may - subject to prior approval of the Relevant Supervisory Authority if so required under applicable legislation at the relevant time (and subject to Conditions to Redemption if so required under Future Regulations at the relevant time) - at any time purchase Notes in the open market or otherwise and at any price, *provided that* all unmatured Coupons are purchased therewith.
- (f) *Cancellation:* All Notes so redeemed or purchased by the Issuer or any of its Subsidiaries or the Issuer's parent company or any Subsidiary of the Issuer's parent company and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.
- (g) *Conditions to Redemption:* Any redemption or purchase of the Notes (including redemption at Maturity Date) as described above is subject to the following conditions (the "**Conditions to Redemption**"):
  - (i) the Issuer has obtained the prior approval of the Relevant Supervisory Authority; and

- (ii) no Solvency Capital Event has occurred and is continuing on the date due for redemption and such redemption would not itself cause a Solvency Capital Event; and
- (iii) the Solvency Condition is satisfied on the date due for redemption and such redemption would not itself cause the Solvency Condition not to be satisfied; and
- (iv) in case of redemption due to a Tax Event, Regulatory Event and/or Rating Methodology Event, the Issuer has delivered to the Fiscal Agent a certificate signed by two members of the board of directors of the Issuer stating that it would have been reasonable for the Issuer to conclude, judged at the Issue Date of the Notes, that the circumstance entitling the Issuer to exercise the right of redemption or purchase was unlikely to occur; and
- (v) in the case of any redemption or purchase that is within five years of the Issue Date, such redemption or purchase shall be exchanged or funded out of proceeds of a new issuance of another basic own-fund item of at least the same quality as the Notes.

Upon implementation of Future Regulations, notwithstanding sub-paragraph (ii), but always subject to the Solvency Condition being satisfied, the Issuer may redeem or repay the Notes upon the occurrence of a Solvency Capital Event if:

- (A) the Relevant Supervisory Authority has exceptionally waived the suspension of the redemption or repayment; and
  - (B) the Notes have been exchanged for or converted into another basic own-fund item of at least the same quality; and
  - (C) the Minimum Capital Requirement is complied with after the repayment or redemption.
- (h) *Deferral of redemption:* If a suspension of redemption results from the occurrence of a Solvency Capital Event, the Notes shall instead become due for redemption at their principal amount, together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date upon the earliest of:
- (i) The date falling 10 Business Days after the date the Solvency Capital Event has ceased (provided that if on such 10<sup>th</sup> Business Day a further Solvency Capital Event has occurred and is continuing or a redemption would itself cause a Solvency Capital Event to occur, the provisions of this paragraph shall apply mutatis mutandis to determine the subsequent date for redemption of the Notes); or
  - (ii) The date falling 10 Business Days after the Relevant Supervisory Authority has agreed to the repayment or redemption of the Notes; or
  - (iii) The winding-up of the Issuer.

If a Solvency Capital Event has not occurred but the Issuer is required to defer redemption of the Notes on the Maturity Date or the date specified in the notice of redemption by the Issuer, as the case may be, only as a result of the Solvency Condition not being satisfied at such time or following such payment, such Notes shall instead become due for redemption, at their

principal amount together with Deferred Interest (if any) and any other accrued but unpaid interest up to (but excluding) the redemption date, on the day falling 10 business days immediately following the day that the Solvency Condition is met provided that it continues to be met and a Solvency Capital Event has not occurred at such deferred date for payment.

Notice of any deferral of redemption must be given to Noteholders (in accordance with Condition 15 (*Notices*) and the Fiscal Agent as soon as possible, but no more than 60 calendar days prior to the redemption date.

The deferral of redemption of the Notes will not constitute a default by the Issuer and will not give Noteholders any right to accelerate the Notes such that amounts of principal, interest or Deferred Interest would become due and payable on the Notes earlier than otherwise scheduled.

## 7. PAYMENTS

- (a) *Principal*: Payments of principal shall be made only against presentation and (*provided that* payment is made in full) surrender of Notes at the Specified Office of any Paying Agent outside the United States by Euro cheque drawn on, or by transfer to a Euro account (or other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System.
- (b) *Interest*: Payments of interest shall, subject to paragraph (f) (*Payments other than in respect of matured Coupons*) below, be made only against presentation and (*provided that* payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) (*Principal*) above.
- (c) *Payments subject to fiscal laws*: All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) *Deduction for unmatured Coupons*: If a Note is presented without all unmatured Coupons relating thereto, then:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; *provided, however, that* if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the

remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; *provided, however, that* where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and

- (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; *provided, however, that*, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) (*Principal*) above against presentation and (*provided that* payment is made in full) surrender of the relevant missing Coupons. No payments will be made in respect of void coupons.

- (e) *Payments on business days*: If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means, in respect of any place of presentation, any day on which banks are open for presentation and payment of bearer debt securities and for dealings in foreign currencies in such place of presentation and, in the case of payment by transfer to a Euro account as referred to above, on which the TARGET System is open.
- (f) *Payments other than in respect of matured Coupons*: Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments*: If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and the date of such payment.

## 8. **TAXATION**

All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature ("**Taxes**") imposed, levied, collected, withheld or assessed by or on behalf of any of the Taxing Jurisdiction, unless the withholding or deduction of such Taxes is required by law. In that event, the Issuer shall pay such additional amounts (the "**Additional Amounts**") as may be necessary in order that the net amounts received by the Noteholders and the Couponholders after the withholding or deduction shall equal the respective amounts which otherwise would have been received in respect of the Notes or, as the case may be, Coupons in the absence of such withholding or deduction, except that no such Additional Amounts shall be payable in relation to any payment in respect of any Note or Coupon presented for payment:

- (i) by or on behalf of, a holder who is (i) liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with any Taxing Jurisdiction other than the mere holding of the Note or Coupon; or (ii) entitled to avoid such deduction or withholding by making a declaration of non-residence or similar claims or exemptions; or
- (ii) in the Republic of Italy; or
- (iii) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon on account of imposta sostitutiva pursuant to Legislative Decree No. 239 of 1 April 1996 (as, or as may subsequently be, amended or supplemented) and related regulations of implementation which have been or may subsequently be enacted ("Legislative Decree 239") with respect to any Note or Coupon, including all circumstances in which the procedures to obtain an exemption from imposta sostitutiva or any alternative future system of deduction or withholding set forth in Legislative Decree 239, have not been met or complied with, except where such procedures have not been met or complied with due to the actions or omissions of the Issuer or its agents; or
- (iv) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident for tax purposes in a country which does not allow for a satisfactory exchange of information with the Italian authorities according to Art. 6 of Legislative Decree 239; or
- (v) where such withholding or deduction is imposed on a payment and required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (vi) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (vii) more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such Additional Amounts if it had presented such Note or Coupon on the last day of such period of 30 days; or
- (viii) in respect of Notes classified as atypical securities where such withholding or deduction is required under Law Decree No. 512 of 30 September 1983, as amended and supplemented from time to time; or
- (ix) where such withholding or deduction is required pursuant to Sections 1471 through 1474 of the Code, any laws, regulations or agreements thereunder, any official interpretation thereof, or any law implementing an intergovernmental approach thereto; or

any combination of items (i) to (ix) above.

If, in respect of payments it makes in relation to the Notes, the Issuer becomes subject at any time to any taxing jurisdiction other than the Republic of Italy, references in this Condition to the Republic of Italy shall, where the context permits, be construed as references to such other jurisdiction.

## 9. ENFORCEMENT EVENTS

There will be no events of default in respect of the Notes. However, each Note shall become immediately due and payable at its principal amount, together with accrued interest thereon, to the date of payment and any Deferred Interests if (i) an order is made or an effective



resolution is passed for the winding-up, liquidation or dissolution of the Issuer or (ii) any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in (i).

#### 10. **PRESCRIPTION**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date.

#### 11. **REPLACEMENT OF NOTES AND COUPONS**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent and the Paying Agent having its Specified Office in London, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

#### 12. **PAYING AGENTS**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Paying Agents and their initial Specified Offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor fiscal agent and additional or successor paying agents; *provided, however, that* the Issuer shall at all times maintain (a) a fiscal agent, (b) a paying agent in an EU member state other than the Republic of Italy that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC.

Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

#### 13. **MEETINGS OF NOTEHOLDERS; MODIFICATION AND WAIVER; MODIFICATION FOLLOWING A REGULATORY EVENT, RATING METHODOLOGY EVENT OR TAX EVENT**

##### 13.1 Meetings of Noteholders

- (a) The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.
- (b) In relation to the convening of meetings, quorums and the majorities required to pass an Extraordinary Resolution subject to compliance with the laws, legislation, rules and regulation of Italy in force and applicable to the Issuer from time to time:

a meeting may be convened by the Issuer or the Noteholders' Representative and shall be convened by either of them upon the request in writing of Noteholders holding not less than one-twentieth of the aggregate principal amount of the outstanding Notes;

a meeting of Noteholders will be validly held if (i) there are one or more persons present, being or representing Noteholders holding more than one half of the aggregate principal amount of the outstanding Notes, or (ii) in the case of a second meeting following adjournment of the first meeting for want of quorum and in respect of any subsequent meeting, there are one or more persons present being or representing Noteholders holding more than one third of the aggregate principal amount of the outstanding Notes; provided, however, that the quorum shall always be at least one half of the aggregate principal amount of the outstanding Notes for the purposes of considering a Reserved Matter and provided further that the by-laws of the Issuer and/or, as the case may be, applicable provisions of Italian law, may from time to time require a different quorum at any such meeting which shall be indicated in the notice convening the relevant meeting;

the majority required to pass an Extraordinary Resolution will be (i) one or more persons holding or representing at least one more than one half of the aggregate principal amount of the outstanding Notes, or (ii) in the case of any subsequent meeting one or more persons holding or representing at least two third of the aggregate principal amount of the Notes represented at the meeting provided, however, that a Reserved Matter may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders by one or more persons holding or representing at least one half of the aggregate principal amount of the outstanding Notes and provided further that the by-laws of the Issuer and/or, as the case may be, applicable provisions of Italian law, may from time to time require a different majority which shall be indicated in the notice convening the relevant meeting.

a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will – to the extent permitted under then applicable law - take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

### 13.2 Noteholders' Representative

Pursuant to Articles 2415 and 2417 of the Italian Civil Code, a representative of Noteholders (*rappresentante comune*) (the "**Noteholders' Representative**") may be appointed, inter alia, to represent the interests of Noteholders in respect of the Notes, such appointment to be made by an Extraordinary Resolution or by an order of a competent court at the request of one or more Noteholders or the Issuer. Each such Noteholders' Representative shall have the powers and duties set out in Article 2418 of the Italian Civil Code.

### 13.3 Modification

The Conditions of the Notes may not be amended without the prior approval of the Relevant Supervisory Authority. The Notes and these Conditions may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a

formal, minor or technical nature, it is made to correct a manifest error and it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

#### 13.4 Modification following a Tax Event, Rating Methodology Event or Regulatory Event

- (a) Where a Tax Event, Rating Methodology Event or Regulatory Event occurs and is continuing, the Issuer may, without any requirement for the consent or approval of the Noteholders and without prejudice to its option to redeem pursuant to Condition 6(b) (*Redemption and Purchase - Redemption for tax reasons*), Condition 6(c) (*Redemption and Purchase - Redemption for rating reasons*) or Condition 6(d) (*Redemption and Purchase - Redemption for regulatory reasons*), as the case may be, modify the terms and conditions of the Notes to the extent that such modification is reasonably necessary to ensure that no Tax Event, Rating Methodology Event or Regulatory Event would exist after such modification provided that, following such modification:
- (i) the terms and conditions of the Notes, as so modified (the "modified Notes"), are – in the Issuer's reasonable determination and subject to the prior consultation with an independent investment bank of international standing – no more prejudicial to Noteholders than the terms and conditions applicable to the Notes prior to such modification (the "existing Notes") provided that any modification may be made in accordance with paragraphs (ii) to (iv) below and any such modification shall not constitute a breach of this paragraph (i); and
  - (ii) the person having the obligations of the Issuer under the Notes continues to be the Issuer; and
  - (iii) the modified Notes rank at least equal to the existing Notes prior to such modification and feature the same tenor, principal amount, at least the same interest rate (including applicable margins), the same interest payment dates, and the same existing rights to any accrued interest and any other amounts payable under the Notes as the existing Notes prior to such modification; and
  - (iv) the modified Notes continue to be listed on the official list of the Irish Stock Exchange (for the purposes of the Market in Financial Instrument Directive 2004/39/EC) and admitted to trading on the regulated market of the Irish Stock Exchange (provided that the existing Notes were so listed prior to the occurrence of such Regulatory Event, Rating Methodology Event or Tax Event),

and provided further that:

- (1) the Issuer obtains approval of the proposed modification from the Relevant Supervisory Authority (if such approval is required) or gives prior written notice (if such notice is required to be given) to the Relevant Supervisory Authority and, following the expiry of all relevant statutory time limits, the Relevant Supervisory Authority is no longer entitled to object or impose changes to the proposed modification;
- (2) the modification does not give rise to a change in any published rating of the existing Notes in effect at such time (to the extent the existing Notes were rated prior to the occurrence of such Regulatory Event, Rating Methodology Event or Tax Event);

- (3) the modification does not give rise to any right on the part of the Issuer to exercise any option to redeem the Notes prior to their stated maturity that does not already exist prior to such modification, without prejudice to the provisions under Condition 6(b) (*Redemption and Purchase - Redemption for tax reasons*), Condition 6(c) (*Redemption and Purchase - Redemption for rating reasons*) or Condition 6(d) (*Redemption and Purchase - Redemption for regulatory reasons*);
  - (4) the Issuer has delivered to the Fiscal Agent a certificate, substantially in the form set out in the Agency Agreement, signed by a duly authorised representative of the Issuer stating that conditions (i) to (iv) and (1) to (3) above have been complied with, such certificate to be made available for inspection by Noteholders; and
  - (5) in the case of any proposed modifications owing to a Tax Event, the Issuer has delivered to the Fiscal Agent an opinion of independent legal or tax advisers of recognised standing to the effect that the Tax Event can be avoided by the proposed modifications.
- (b) In connection with any modification as indicated in this Condition 13.4, the Issuer shall comply with the rules of any stock exchange or other relevant authority on which the Notes are then listed or admitted to trading.

#### 14. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

#### 15. NOTICES

Notices to the Noteholders shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the Financial Times) or, for so long as the Notes are listed or admitted to trading on the Irish Stock Exchange and the rules of that exchange so require, on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Noteholders.

#### 16. CURRENCY INDEMNITY

If any sum due from the Issuer in respect of the Notes or the Coupons or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the

rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

## 17. **ROUNDING**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.).

## 18. **GOVERNING LAW AND JURISDICTION**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law except that provisions concerning the status and subordination of the Notes are governed by the laws of the Republic of Italy. Condition 13.1 (*Meetings of Noteholders*) and the relevant provisions of the Agency Agreement concerning meetings of Noteholders and the appointment of a Noteholders' Representative (*rappresentante comune*), where applicable, are subject to compliance with the laws of the Republic of Italy.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including a dispute regarding any non-contractual obligation arising out of or in connection with the Notes).
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Rights of the Noteholders to take proceedings outside England:* Notwithstanding Condition 18(b) (*English courts*), any Noteholder may take proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, Noteholders may take concurrent Proceedings in any number of jurisdictions.
- (e) *Service of Process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to Law Debenture Corporate Services Limited at Fifth Floor, 100 Wood Street London EC2V 7EX, United Kingdom or to such other person with an address in England or Wales and/or at such other address in England or Wales as the Issuer may specify by notice in writing to the Noteholders. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes will be used by the Issuer to increase the solvency capital in light of the introduction of solvency 2 and to finance the acquisition of the Italian branch of Royal Sun Alliance (see "*Description of the Group - Recent Developments*")

## OVERVIEW OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

*The following is a summary of the provisions to be contained in the Temporary Global Note and the Permanent Global Note (together, the "**Global Notes**") which will apply to, and in some cases modify, the Terms and Conditions of the Notes while the Notes are represented by the Global Notes.*

The Notes will initially be in the form of the Temporary Global Note which will be deposited on or around the Closing Date with a common safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in new global note ("**NGN**") form. On 13 June 2006, the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

The Notes are intended to be held in a manner which would allow Eurosystem eligibility - that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria. The Notes do not satisfy the Eurosystem eligibility criteria applicable at the date of this Prospectus.

The Temporary Global Note will be exchangeable in whole or in part for interests in the Permanent Global Note not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

The Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of €100,000, at the request of the bearer of the Permanent Global Note if Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business.

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of €100,000.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons attached (in respect of interest which has not already been paid in full on the Permanent Global Note), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

If:

- (i) Definitive Notes have not been delivered by 5.00 p.m. (London time) on the thirtieth day after the bearer has duly requested exchange of the Permanent Global Note for Definitive Notes; or

- (ii) the Permanent Global Note (or any part of it) has become due and payable in accordance with the Conditions or the date for final redemption of the Notes has occurred and, in either case, payment in full of the amount of principal falling due with all accrued interest thereon has not been made to the bearer in accordance with the terms of the Permanent Global Note on the due date for payment,

then the Permanent Global Note (including the obligation to deliver Definitive Notes) will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Note will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Note or others may have under a deed of covenant dated 30 July 2015 (the "**Deed of Covenant**") executed by the Issuer). Under the Deed of Covenant, persons shown in the records of Euroclear and/or Clearstream, Luxembourg as being entitled to an interest in the Permanent Global Note will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Note became void, they had been the holders of Definitive Notes in an aggregate principal amount equal to the principal amount of Notes they were shown as holding in the records of Euroclear and/or (as the case may be) Clearstream, Luxembourg.

In addition, the Global Notes will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Notes. The following is a summary of certain of those provisions:

**Payments:** All payments in respect of the Temporary Global Note and the Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Temporary Global Note or (as the case may be) the Permanent Global Note to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Temporary Global Note or (as the case may be) the Permanent Global Note, the Issuer shall procure that the payment is noted in a schedule thereto.

**Payments on business days:** In the case of all payments made in respect of the Temporary Global Note and the Permanent Global Note "**business day**" means any day on which the TARGET System is open.

**Notices:** Notwithstanding Condition 15 (*Notices*), while all the Notes are represented by the Permanent Global Note and/or the Temporary Global Note, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 15 (*Notices*) on the date of delivery to Euroclear and Clearstream, Luxembourg, except that, for so long as such Notes are admitted to trading on any stock exchange and it is a requirement of applicable law or regulations, such notices shall be published in accordance with the rules of such exchange.

**Accountholders:** For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of Notes (each an Accountholder) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of that principal amount for all purposes other than with respect to the payment of principal and interest on the principal amount of such Notes, the right to which shall be vested, as against the Issuer solely in the bearer of the relevant Global Note in accordance with and subject to its terms. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.



**Purchase and Cancellation:** Cancellation of any Note to be cancelled following its purchase by the Issuer will be effected by a reduction in the principal amount of the relevant Global Note.

**Prescription:** Claims against the Issuer in respect of principal, premium and interest on the Notes while the Notes are represented by a Permanent Global Note will become void unless it is presented for payment within a period of ten (10) years (in the case of principal) and five (5) years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8 (*Taxation*)).

**Authentication and Effectuation** Neither a Temporary Global Note nor a Permanent Global Note shall become valid or enforceable for any purpose unless and until it has been authenticated by or on behalf of the Paying Agent and effectuated by the entity appointed as Common Safekeeper by Euroclear and/or Clearstream, Luxembourg.

## DESCRIPTION OF ITAS MUTUA

### Overview and History

ITAS Mutua was incorporated on 5 October 1821 to tackle the scourge of fires that were frequent in the cities and countryside, particularly when buildings were made mainly of wood. ITAS Mutua is a mutual insurance company, registered in Italy in the Company Register of Trento (registration number: 00110750221). It is incorporated and operates under the laws of Italy. ITAS Mutua is the parent company of Gruppo ITAS Assicurazioni, registered with number 010 in the special register established by IVASS under Regulation no.15 on 20 February 2008. ITAS Mutua is a mutual insurance company with the following features:

- each insured party becomes an “insured shareholder” (“socio assicurato” in Italian) and ceases to be an insured shareholder when insurance coverage expires;
- the insured shareholders participate in decisions of the Issuer;
- the earnings of the company are invested in services for the insured shareholders and for the community.

ITAS Mutua is a medium-sized, predominantly non-life insurance company in Italy. It is based in Trento, in Trentino-Alto Adige region in the north-east of Italy, where it is well known. ITAS Mutua is also present in the non-life insurance market with its subsidiaries ITAS Assicurazioni S.p.A. and Assicuratrice Val Piave S.p.A. and in the life insurance market with its subsidiary ITAS Vita S.p.A.

As of 31 December, 2014, ITAS Mutua had approximately 507,000 insured parties and more than 860,000 insurance policies. The Issuer has a focus on local investments with over €2 million invested in social and cultural initiatives, sponsorship and donations.

As of 31 December, 2014 ITAS Mutua had 257 insurance agents, 1,967 associates and agency employees, 446 employees. The general assembly consisted of 192 delegates of members insured.

The capital and reserves of ITAS Mutua comprises *inter alia*, a guarantee fund that is constituted by contributions from the insured members ("**Guarantee Fund**"). The rules governing the Guarantee Fund are defined by the laws of the Issuer. It is not contemplated in the by-laws of the Issuer the distribution of any amount of the Guarantee Fund to insured members and such Guarantee Fund serves as capital to support the on-going business. In situations of financial stress the Guarantee Fund serves as capital to pay the Issuer's liabilities.

As of 31 December, 2014 contribution to the Guarantee Fund were equal to:

- for the non Motor Third Part Liabilities line of business: 5% of the net premium, with a minimum of €5 and a maximum of €40 for each contract ;
- for the Motor Third Part Liabilities line of business: a fixed amount of €5 for each contract .

The increase in the Guarantee Fund from contributions during the 2014 fiscal year amounted to €6.1m compared to the 2013 fiscal year. .

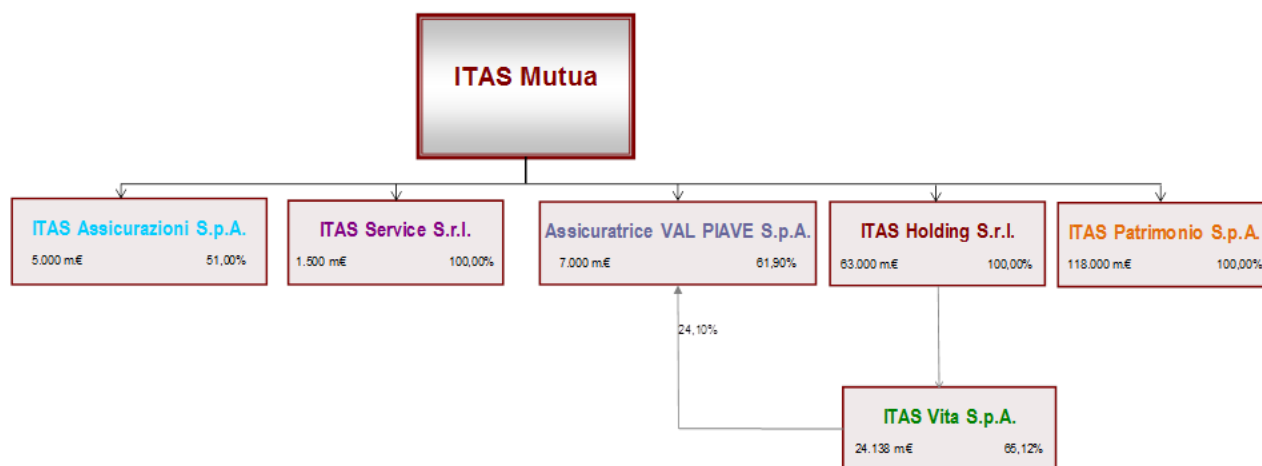
In 2014, ITAS Patrimonio S.p.A. a fully owned subsidiary of ITAS Mutua was established for real estate management (IVASS authorization n. 51-14-000574 of the 15 April 2014). The total assets of ITAS Patrimonio S.p.A. as at 31 December 2014 amounted at Euro118 million.

The Group grew with the acquisitions of the life company Edera Vita in 1977 (which in 1996 became ITAS Vita S.p.A.), Serenissima in 1991 (which became ITAS Assicurazioni S.p.A.) and Assicuratrice Val Piave S.p.A. in 1999.

### Organizational structure as of 31 December, 2014

As of 31 December 2014, ITAS Mutua is the ultimate parent company of the Group . ITAS Mutua holds directly or indirectly controlling stakes in six subsidiaries, and there are cross-shareholdings within the group and minority external shareholders (see the chart below).

ITAS Mutua holds: 51% of the share capital of ITAS Assicurazioni S.p.A., 100% of the share capital of ITAS Service s.r.l., 62% of the share capital of Assicuratrice Val Piave S.p.A., 65% of the share capital of ITAS Vita S.p.A.; 100% of the share capital of ITAS Holding s.r.l. and 100% of the share capital of ITAS Patrimonio S.p.A.



ITAS Mutua operates in the Italian non-life insurance market and is the parent company of the Group that covers both life and non life Italian insurance segments thanks to: ITAS Vita S.p.A.: operates in the life segment, has written premiums of €421,743,000 collected by banks (68%) and ITAS traditional agencies (22%). It also operates also in pension funds with a premium portfolio of more than € 64 million, and 45.000 customers.

ITAS Assicurazioni S.p.A.: is the bank-insurance company that operates in the property and casualty insurance sector, with a premium portfolio equal to € 6 million. The share capital is held by ITAS Mutua (51%) and two local banks Banca Popolare di Cividale Scpa and Cassa di Risparmio di Bolzano S.p.A. that are also insurance partners of the Company.

Assicuratrice Val Piave S.p.A. is an insurance company active in non-life segment with a premium portfolio equal to € 28 million that operates mainly in the North East of Italy.

ITAS Patrimonio S.p.A. manages the largest part of ITAS real estate properties (mainly agencies). The Group has a non-speculative policy with reference to the real estate sector and aims at improving efficiency and financial strength for its insured members.

## Financial Overview

Over the course of 2014, the Issuer's management believes that the Group has once again proved able to steer itself above market pressures, recording a significant increase in the volume of business, as highlighted by gross earned premiums reaching €842 million (+36.8% over 2013 volumes). When analysed at the segment level, the figures reveal growth of 6.3% in premiums for the non-life segment in the context of a marked contraction in the market as a whole and growth of 125.3% in premiums for the life segment (with the Life market as a whole experiencing growth of 30.2% in premium income). Total premium income, also including investment contracts, amounted to €908 million in 2014, with an increase of €234 million over the 2013 total premium income.

The strong business performance recorded during 2014 confirms the Group's ability to strengthen and to reach its objectives as set out in the 2013-2015 Strategic Plan "Qrescere Qonsapevoli" ("Growing with awareness"), with the results having been achieved under a particularly balanced business environment, as highlighted by a loss ratio (i.e. claims to premiums ratio) for retained business in the non-life segment of 69.0%, representing a marked improvement compared to 2013 (74.9%). The technical performance contributed to the enhancement of the result from insurance operations and investment management which, at the end of 2014, recorded a remarkable profit (€36.6 million), with an increase of €27.9 million over 2013 profit.

With particular reference to the non-life segment, the significant recovery in the combined ratio in 2014 has reached 99.0% - with an improvement of over 4 percentage points compared to that recorded in 2013.

Notwithstanding the general decrease in market interest rates, on the financial front, the result on the income statement grew by almost €12 million, thanks to a financial management policy which identified positive developments in the solvency of so-called peripheral countries (of the Eurozone), and so invested in sufficiently-yielding securities.

The results reflect the Group's strategy consisting in following a positive trajectory oriented towards balanced growth of the portfolio, pursued through prudent investment geared towards the introduction of innovative technology processes dedicated to technical-administrative management both internally and in support of the extensive intermediary network.

The management of infrastructure investments is conducted in a synergistic way at Group level, thus raising economies of scale, which is advantageous in particular in terms of fixed (overhead) costs. ITAS Mutua has continued to pay close attention to the shared services which it controls, in particular those of an administrative and technological nature, on the basis of dedicated service agreement protocols.

On the commercial front, in addition to the long-established Agency network which today numbers 188 agencies (and over 2,000 collaborators), the Group also distributes its products through important bancassurance agreements.

In 2014 the Group recorded a gross consolidated profit of €35 million, (€20 million net) compared to a net profit in 2013 of €2 million. The total Shareholders' Equity of the Group in 2014 was equal to €346.3 million (an increase of €74.6 million compared to 2013).

## KEY FIGURES FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF THE ISSUER

Net consolidated Group profit amounted as of 31 December 2014 to €20.2 million (with taxes for the year amounting to €14.4 million), while profit under the Statement of Comprehensive Income, which also accounts for revenues and costs charged directly to shareholders' equity, amounted to €68.6 million (compared with €15.5 million in 2013). In particular, gains from available for sale financial assets have contributed to the achievement of this result, in part already recognised also in the previous reporting period for a total of €13.2 million, in light of a marked recovery in market prices.

The following tables report the items considered to be the most significant in relation to operating performance (expressed in thousands of Euros), as calculated in accordance with international accounting standards, extracted directly from the reclassified consolidated balance sheet and income statements, together with key performance indicators widely used in the industry.

| <i>Amounts in €k</i>              |             |             |               |               |
|-----------------------------------|-------------|-------------|---------------|---------------|
| <b>Key indicators</b>             | <b>2014</b> | <b>2013</b> | <b>Change</b> | <b>Chg. %</b> |
| Investment and own-use properties | 2,715,409   | 2,241,530   | 473,879       | 21.1          |
| Net technical provisions          | 2,080,467   | 1,703,164   | 377,303       | 22.2          |
| Financial Liabilities             | 473,284     | 403,010     | 70,274        | 17.4          |
| Shareholders' Equity              | 346,301     | 271,683     | 74,618        | 27.5          |

In 2014, the composition of the investment portfolio, including investments for which insured members benefit from and are risk-bearers of and the composition of property assets categorised among tangible assets (i.e. under the Land and Buildings item), recorded an increase of 21.1% compared to the previous year (in 2013, the increase over the previous year was 11.3%). Marked growth was recorded in particular in available for sale financial assets (+37.0%), a development also supported by the recovery in securities prices in the period leading up to the end of the year and in assets for which insured members benefit from and bear the risk of (+19.5%).

In 2014, investments held to maturity instead witnessed a decline (-9.9% compared to 2013), mainly due to the redemption of bonds at maturity.

| Key performance indicators   | 2014           | 2013           | Change         | Chg. %       |
|--|----------------|----------------|----------------|--------------|
| <b>Gross Written Premiums</b>  |                |                |                |              |
| Direct business - Non-Life   | 486,158        | 457,277        | 28,881         | 6.3          |
| Indirect business - Non-Life   | 175            | 504            | -329           | -65.3        |
| Direct business - Life   | 355,532        | 157,835        | 197,697        | 125.3        |
| <b>Total</b>   | <b>841,865</b> | <b>615,616</b> | <b>226,249</b> | <b>36.8</b>  |
| Investment contracts - Life  | 66,210         | 57,969         | 8,241          | 14.2         |
| <b>Total income*</b>   | <b>908,075</b> | <b>673,585</b> | <b>234,490</b> | <b>34.8</b>  |
| Net retained premiums  | 813,712        | 593,999        | 219,713        | 37.0         |
| <b>Gross Incurred Claims</b>   |                |                |                |              |
| Direct business - Non-Life   | 322,593        | 332,890        | -10,297        | -3.1         |
| Indirect business - Non-Life   | -158           | 325            | -483           | -148.6       |
| Direct business - Life   | 381,973        | 188,388        | 193,585        | 102.8        |
| <b>Total</b>   | <b>704,408</b> | <b>521,603</b> | <b>182,805</b> | <b>35.0</b>  |
| Net incurred claims  | 698,369        | 514,890        | 183,479        | 35.6         |
| <b>Net income from financial instruments and investment properties</b> | <b>87,127</b>  | <b>75,932</b>  | <b>11,195</b>  | <b>14.7</b>  |
| <b>Operating expenses</b>  | <b>149,957</b> | <b>134,264</b> | <b>15,693</b>  | <b>11.7</b>  |
| <b>Consolidated net profit for the period</b>                          | <b>20,151</b>  | <b>1,966</b>   | <b>18,185</b>  | <b>925.0</b> |

\* The term “**income**” is herein defined as the total of insurance premiums (as defined under IFRS 4), together with the amounts relating to investment contracts (as defined under IFRS 4, which refers to IAS 39).

Premium income (including investment contracts) has shown a very robust performance, helped by a supportive pension environment in Italy and the financial markets. ITAS Group has recorded an increase of 34.8% in the volume of business, which amounted to a total of €908 million in 2014 (compared with €673.6 million in 2013).

In the Life business, in 2014 total premium income amounted to €421.7 million: an increase of 95.4% on the previous year. The increase was predominantly in the most traditional line of business that relate to length of human life (i.e. Class I policies) which recorded an increase of €198 million, with the sale of products focused on saving and term life policies. The line of business dedicated to the management of complementary (or supplementary) pensions has continued this positive trend of consolidation (recording growth of € 8.4 million), through the placement of policies in the Open-Ended Pension Fund “PensPlan Plurifonds” of ITAS Vita S.p.A. (the “Fund”), which confirms itself as one of the top players in the marketplace. At the end of 2014, the assets of the Fund, as reported under COVIP (Commissione di Vigilanza sui Fondi Pensione - the Italian Supervisory Authority of Pension Funds) rules, amounted to €446 million and recorded a significant growth compared to the previous year of 19.8%; this growth is reflected in the number of members of the Fund having increased by almost 4,000 over the course of 2014 and now exceeding 47,000 members. All segments of the Fund have demonstrated positive growth in returns with notable performance in the AequITAS and ActivITAS lines (10.7% and 6.8%, respectively). The Group’s efforts also recorded healthy rates of growth in the Non-Life segment (of +5.2% in direct business), in particular considering the overall market’s contraction in premium income (-3.5% year-on-year as of December 2014).

Claims paid and outstanding for 2014 amounted to € 698.4 million, registering an increase compared to the previous reporting year of 35.6%, in particular due to the effect of significant growth in mathematical reserves tied to the strong growth of the Life segment.

The incidence of operating expenses (of € 150 million) on total retained net premiums was equal to 18.4%. Commissions and other acquisition costs – recorded under item 2.5.1 – totalled € 119.2

million (€107.9 million in the previous reporting period), registering an increase predominantly tied to premium growth, but with an incidence on total net retained premiums which fell from 18.2% to 14.7%, a decrease of 3.5 percentage points compared to 2013.

|   |   | <i>Amounts in €k</i> |                  |                |               |
|---|---|----------------------|------------------|----------------|---------------|
| <i>Items from mandatory statements</i>      | <b>Reclassified Consolidated Statement of Financial Position</b>            | <b>2014</b>          | <b>2013</b>      | <b>Change</b>  | <b>Chg. %</b> |
| <b>Assets</b>                               |   |                      |                  |                |               |
| 4.1   | Property investments  | 79,008               | 71,058           | 7,950          | 11.2          |
| 2.1   | Land and buildings  | 57,774               | 61,096           | -3,322         | -5.4          |
| 4.2   | Investments in subsidiaries, associates and joint ventures                  | 0                    | 0                | 0              |               |
| 4.4   | Loans and receivables   | 13,175               | 12,104           | 1,071          | 8.8           |
| 4.3   | Investments held to maturity  | 461,439              | 512,391          | -50,952        | -9.9          |
| 4.5   | Available for sale financial assets   | 1,643,101            | 1,199,115        | 443,986        | 37.0          |
| 4.6   | Financial assets at fair value through profit or loss                       | 460,912              | 385,765          | 75,147         | 19.5          |
| 7   | Cash and cash equivalents   | 119,796              | 61,466           | 58,330         | 94.9          |
| 1   | Intangible assets   | 1,464                | 1,744            | -280           | -16.1         |
| 3   | Technical provisions - reinsurers' share                                    | 48,074               | 64,444           | -16,370        | -25.4         |
| 5 - 6 - 2.2                                 | Receivables, Other Assets and Other tangible assets                         | 183,870              | 164,810          | 19,060         | 11.6          |
|   | <b>Total Assets</b>   | <b>3,068,613</b>     | <b>2,533,993</b> | <b>534,620</b> | <b>21.1</b>   |
| <b>Shareholders' Equity and Liabilities</b> |   |                      |                  |                |               |
|   | Share Capital and Equity reserves   | 274,363              | 229,112          | 45,251         | 19.8          |
|   | Group Profit (loss) for the year  | 17,391               | 1,435            | 15,956         | 1,111.9       |
| 1.1   | <b>Shareholders' Equity attributable to the Group</b>                       | <b>291,754</b>       | <b>230,547</b>   | <b>61,207</b>  | <b>26.5</b>   |
|   | Share Capital and Equity reserves attributable to non-controlling interests | 51,787               | 40,605           | 11,182         | 27.5          |
|   | Profit (loss) for the year attributable to non-controlling interests        | 2,760                | 531              | 2,229          | 419.8         |
| 1.2   | <b>Shareholders' Equity attributable to non-controlling interests</b>       | <b>54,547</b>        | <b>41,136</b>    | <b>13,411</b>  | <b>32.6</b>   |
|   | <b>Total Shareholders' Equity</b>   | <b>346,301</b>       | <b>271,683</b>   | <b>74,618</b>  | <b>27.5</b>   |
| 3   | Gross technical provisions - Non-Life                                       | 711,424              | 690,895          | 20,529         | 3.0           |
| 3   | Gross technical provisions - Life   | 1,417,117            | 1,076,713        | 340,404        | 31.6          |
| 4   | Financial liabilities   | 473,284              | 403,010          | 70,274         | 17.4          |
| 2 - 5 - 6                                   | Provisions, Payables and Other liabilities                                  | 120,487              | 91,692           | 28,795         | 31.4          |
|   | <b>Total Shareholders' Equity and Liabilities</b>                           | <b>3,068,613</b>     | <b>2,533,993</b> | <b>534,620</b> | <b>21.1</b>   |

| Items from<br>mandatory<br>statements | Reclassified Consolidated Income Statement   | 2014           | 2013           | Change        | Chg. %       |
|---------------------------------------|--|----------------|----------------|---------------|--------------|
| <b>Insurance Operations</b>           |  |                |                |               |              |
| 1.1                                   | Net Premiums   | 813,712        | 593,999        | 219,713       | 37.0         |
| 2.1                                   | Net claims costs   | -698,369       | -514,890       | -183,479      | 35.6         |
| 2.5.1 - 2.5.3                         | Operating expenses net of investment management expenses                           | -145,641       | -129,274       | -16,367       | 12.7         |
| 1.6 - 2.6                             | Other technical income and expenses  | -15,883        | -12,079        | -3,804        | 31.5         |
|                                       | <b>Result of insurance business</b>  | <b>-46,181</b> | <b>-62,244</b> | <b>16,063</b> | <b>-25.8</b> |
| <b>Investment Portfolio</b>           |  |                |                |               |              |
| 1.3                                   | Income and charges from financial instruments at fair value through profit or loss | 11,210         | 8,156          | 3,054         | 37.4         |
| 1.4                                   | Income from investments in subsidiaries, associates and joint ventures             | 0              | 0              | 0             |              |
| 1.5 - 2.4                             | Net income from other financial instruments and investment properties              | 75,918         | 67,776         | 8,142         | 12.0         |
| 1.2 - 2.2                             | Commission income net of payable commissions                                       | 0              | 0              | 0             | n.a.         |
| 2.5.2                                 | Investment management expenses   | -4,317         | -4,992         | 675           | -13.5        |
|                                       | <b>Result of investment management</b>   | <b>82,811</b>  | <b>70,940</b>  | <b>11,871</b> | <b>16.7</b>  |
|                                       | <b>Result of insurance business and investment management</b>                      | <b>36,630</b>  | <b>8,696</b>   | <b>27,934</b> | <b>321.2</b> |
| 1.6 - 2.6                             | Other income net of other expenses   | -2,116         | -889           | -1,227        | 138.0        |
|                                       | <b>Profit before tax</b>   | <b>34,514</b>  | <b>7,807</b>   | <b>26,707</b> | <b>342.1</b> |
|                                       | Taxes  | -14,363        | -5,841         | -8,522        | 145.9        |
|                                       | Profit (loss) after tax  | 20,151         | 1,966          | 18,185        | 925.0        |
|                                       | Profit (loss) from discontinued operations   | 0              | 0              | 0             |              |
|                                       | <b>Consolidated profit (loss)</b>  | <b>20,151</b>  | <b>1,966</b>   | <b>18,185</b> | <b>925.0</b> |
|                                       | Profit (loss) attributable to the Group  | 17,391         | 1,435          | 15,956        | 1,111.9      |
|                                       | Profit (loss) attributable to non-controlling interests                            | 2,760          | 531            | 2,229         | 419.8        |

The 2014 overall performance of asset management shows an improvement of net income from the insurance and investments business as compared to 2013, and led to a positive result of € 36.6 million in 2014, markedly higher than that recorded in 2013 (€ 8.7 million).



In the table below, the main ratios relating to the income statement are shown, split between the Non-Life and Life segments.

| <b>Key indicators - Non-Life Retained Business</b>                     | <b>2014</b> | <b>2013</b> |
|--|-------------|-------------|
| Net insurance benefits and claims / Net premiums                       | 69.0        | 74.9        |
| Operating expenses / Net premiums                                      | 29.9        | 28.5        |
| Acquisition costs / Net premiums                                       | 25.0        | 25.1        |
| Other administrative expenses / Net premiums                           | 5.2         | 4.4         |
| (Net insurance benefits and claims + Operating expenses)/ Net premiums | 99.0        | 103.3       |
| <b>Key indicators - Life business</b>                                  | <b>2014</b> | <b>2013</b> |
| Operating expenses / Premiums  | 3.4         | 5.9         |
| Acquisition costs / Premiums   | 2.3         | 3.5         |
| Other administrative expenses / Premiums                               | 0.9         | 1.8         |
| <b>Key indicators - Total</b>  | <b>2014</b> | <b>2013</b> |
| Operating expenses / Premiums  | 16.5        | 19.9        |
| Other administrative expenses / Premiums                               | 2.9         | 3.2         |

## Strategy

Mission and values:

- I. The objectives of ITAS Mutua for In the next years are continue to:
  - a. affirm its mission and role inside the geographical regions in which it traditionally operates;
  - b. become a model of excellence in the products and services offered;
  - c. increase the value of the the participation held by any insured shareholders;
  - d. increase its flexibility, modernity and efficiency;
  - e. create more value for shareholders;
  - f. guarantee financial soundness in its operation.
- II. ITAS Mutua is owned by its shareholders, which are also its customers, and follows the principles of solidarity and sustainability. Being simultaneously owner, controller and customer, makes it necessary for ITAS Mutua to strike a balance between maximizing profit (generally an interest of the owners) and delivering a top quality service.
- III. ITAS Mutua aims to mitigate risks by carefully selecting products, markets and clients.
- IV. ITAS Mutua's organizational documents do not allow the distribution of dividends, and thus profits are systematically retained.
- V. ITAS Mutua's mission is to develop the mutuality by recognizing and meeting insurance needs, delivering and maintaining high quality services, developing its human resources and values in a sustainable way in all of its lines of business.

The objective of the acquisition of the Italian branche of RSAI is:

- I. to significantly increase the business operations by leveraging synergies and complementarity between ITAS Mutua and the Italian branche of RSAI business models;
- II. to complete retail portfolio products with corporate ones;
- III. to add the North West of Italy to the current ITAS Mutua North East customers and distribution network;
- IV. to integrate the existing distribution network, currently based on agencies, with the addition of a relevant number of brokers;
- V. to internationalize its business.

## Group Insurance Business

### *Premium Classified By Acquisition Sector*

Insurance premiums are shown in the table below, with indication of the percentage in relation to total direct business for 2014 and percentage changes as compared with the previous financial year, together with investment contracts.

| Written Premiums                        |                |            |                | 2014           |            |                | 2013   |          |       | Changes in Total |                |
|---|----------------|------------|----------------|----------------|------------|----------------|--------|----------|-------|------------------|----------------|
| Classes                                 | Direct         | Indirect   | Total          | Direct         | Indirect   | Total          | Direct | Indirect | Total | %                | Abs. Amount    |
| Accident health and injury              | 49,950         |            | 49,950         | 49,438         |            | 49,438         |        |          |       | 1%               | 512            |
| Land Vehicle Hulls                      | 34,925         |            | 34,925         | 31,163         |            | 31,163         |        |          |       | 12%              | 3,762          |
| Good in transit and marine              | 1,620          |            | 1,620          | 1,458          |            | 1,458          |        |          |       | 11%              | 162            |
| Fire and natural forces                 | 107,177        | 35         | 107,212        | 89,463         | 367        | 89,830         |        |          |       | 19%              | 17,382         |
| TPL - Land motor vehicles               | 215,874        |            | 215,874        | 220,445        |            | 220,445        |        |          |       | -2%              | -4,571         |
| TPL - General                           | 55,953         | 140        | 56,093         | 53,568         | 137        | 53,705         |        |          |       | 4%               | 2,388          |
| Credit and Suretyship                   | 4,496          |            | 4,496          | 4,473          |            | 4,473          |        |          |       | 1%               | 23             |
| Sundry financial losses                 | 5,069          |            | 5,069          | 3,540          |            | 3,540          |        |          |       | 43%              | 1,529          |
| Legal Protections                       | 8,343          |            | 8,343          | 6,122          |            | 6,122          |        |          |       | 36%              | 2,221          |
| Assistance                              | 3,450          |            | 3,450          | 3,093          |            | 3,093          |        |          |       | 12%              | 357            |
| <b>Total non Life Classes</b>           | <b>486,857</b> | <b>175</b> | <b>487,032</b> | <b>462,763</b> | <b>504</b> | <b>463,267</b> |        |          |       | <b>5%</b>        | <b>23,765</b>  |
| Insurance on the duration of human life | 354,687        |            | 354,687        | 156,695        |            | 156,695        |        |          |       | 126%             | 197,992        |
| Health Insurance                        | 47             |            | 47             | 52             |            | 52             |        |          |       | -10%             | -5             |
| Capitalisation transactions             | 798            |            | 798            | 1,088          |            | 1,088          |        |          |       | -27%             | -290           |
| <b>Total Life classes</b>               | <b>355,532</b> |            | <b>355,532</b> | <b>157,835</b> |            | <b>157,835</b> |        |          |       | <b>125%</b>      | <b>197,697</b> |
| <b>Total Premiums Written</b>           | <b>842,389</b> | <b>175</b> | <b>842,564</b> | <b>620,598</b> | <b>504</b> | <b>621,102</b> |        |          |       | <b>36%</b>       | <b>221,462</b> |

source: consolidated annual report 2013:2014

In 2014 total written premiums grew outstandingly: more than 220 million (+36%).

This increase is mostly due to life premiums expansion, in particular in insurance on length of human life. This growth took advantage of a good market context, with very low interest rates that stimulated investors to move capitals towards this kind of investments.

### *Life business – Premiums*

Written Premiums - Direct - Local GAAP

| Classes                                 | Written Premiums 2014 | Written Premiums 2013 | changes %   | changes abs.   |
|---|-----------------------|-----------------------|-------------|----------------|
| Insurance on the duration of human life | 354,687               | 156,695               | 126.4       | 197,992        |
| Unit/Index linked                       | 1,958                 | 2,081                 | -5.9        | -123           |
| Health Insurance                        | 47                    | 52                    | -9.6        | -5             |
| Capitalisation transactions             | 799                   | 1,088                 | -26.6       | -289           |
| Pension Funds                           | 64,252                | 55,887                | 15.0        | 8,365          |
| <b>Total</b>                            | <b>421,743</b>        | <b>215,803</b>        | <b>95.4</b> | <b>205,940</b> |

The increasing trend (more than 95%) can be explained not only by supportive conditions in the financial markets that have determined a striking result for the whole Italian market, but also by new commercial agreements for the distribution by the bank channel and a significant performance of the agency channel.

Within this framework the pension funds class confirmed its increasing trend, a market segment that ITAS Vita considers strategic for its whole growth, consistently with the mutualist business approach of the Group.

## Non-Life Businesses – written Premiums

Written Premiums - Direct - Local GAAP

| Classes                   | Written<br>Premiums 2014 | Written<br>Premiums 2013 | changes<br>% | changes abs.  |
|---------------------------|--------------------------|--------------------------|--------------|---------------|
| Fire                      | 44,094                   | 40,757                   | 8.2          | 3,337         |
| Theft                     | 9,837                    | 9,200                    | 6.9          | 637           |
| Accident/Injury           | 38,871                   | 38,488                   | 1.0          | 383           |
| Health                    | 11,079                   | 10,950                   | 1.2          | 129           |
| Other damages/glasses     | 1,485                    | 1,442                    | 3.0          | 43            |
| TPL - General             | 55,953                   | 53,568                   | 4.5          | 2,385         |
| Legal protections         | 8,343                    | 6,122                    | 36.3         | 2,221         |
| Other damages/breeding    | 1,003                    | 1,007                    | - 0.4 -      | 4             |
| Credit                    | -                        | -                        | - -          | -             |
| Suretyship                | 4,496                    | 4,473                    | 0.5          | 23            |
| Other damages/general     | 23,816                   | 22,331                   | 6.6          | 1,485         |
| Engineering               | 2,153                    | 1,990                    | 8.2          | 163           |
| Hail                      | 24,789                   | 12,736                   | 94.6         | 12,053        |
| Train Vehicle Hulls       | 2                        | 1                        | 100          | 1             |
| Marine                    | 629                      | 561                      | 12.1         | 68            |
| Sundry financial losses   | 5,069                    | 3,541                    | 43.2         | 1,528         |
| Assistance                | 3,449                    | 3,093                    | 11.5         | 356           |
| Good in transit           | 439                      | 349                      | 25.8         | 90            |
| TPL - Good in transit     | 517                      | 436                      | 18.6         | 81            |
| Non motor                 | 236,024                  | 211,045                  | 11.8         | 24,979        |
| TPL - Land motor vehicles | 215,357                  | 220,009                  | - 2.1 -      | 4,652         |
| Land Vehicle Hulls        | 34,925                   | 31,163                   | 12.1         | 3,762         |
| TPL - Marine              | 551                      | 546                      | 0.9          | 5             |
| Motor                     | 250,833                  | 251,718                  | - 0.4 -      | 885           |
| <b>Total</b>              | <b>486,857</b>           | <b>462,763</b>           | <b>5.21</b>  | <b>24,094</b> |

In 2014 non-life business showed a relevant growth rate (+5.2% compared to 2013) despite the market trend in 2014 was highly negative (-2.7% compared to 2013). Non motor classes, in particular, increased about 25 million (+11.8%) against a stable performance in the Italian market (+1.2%) and Motor classes reached approximately 2013 levels showing an encouraging capacity in contrast to Italian Market whose performance in 2014 was negative (-5.8% compared to 2013).

These dynamics in portfolio rates allowed ITAS Mutua to restore a more efficient motor/non motor premiums mix rate. In this process, in particular, the weight of general Third Party Liability (TPL) line has decreased since the class growth rate was lower than the other non-motor classes.

## Recent Developments

In the summer of 2014, the Company examined dossiers of some Italian insurance companies given its objective to expand its operations also via acquisitions. ITAS Mutua examined with particular interest the Italian branches of Royal Sun Alliance (RSA). On 10 September 2014, following the completion of the due diligence conducted on RSA, the Board of Directors of ITAS Mutua provided its formal approval of the offer for the acquisition of the Italian branches of Royal Sun Alliance (RSAI and Sun Insurance Office), a long-established insurance group founded in 1710 and headquartered in London. The execution of the transaction is now subject to the so-called Part VII Transfer Process under English Law and to the obtaining of the necessary authorisations by the relevant Supervisory Authorities. It is expected that the transaction will be completed in the second half of 2015, with effect from 1st January 2016.

With reference to the business operations, it worth mentioning the launch of the new Portal 2.0, the flagship of a new generation of innovative projects which will lead the Company to operate increasingly in the online network. This will involve web-based, social media and mobile platforms, leveraging on the Company's mutualist spirit, which put at the center the benefit for the insured member. This action will also support the physical distribution network. The same logic can be found in the launch of the new agency management, the Customer relationship management platform (CRM) (project QUORE), which aims at improving business processes and enabling even more efficient sales initiatives.

## Outlook

Upon completion of the "Qrescere Qonsapevoli" Strategic Plan, launched in 2012, over the course of 2015 (in light of an economic context of modest recovery), particular attention will be paid to seizing the most favourable business opportunities, taking also into account the top priority of a balanced underwriting position. In addition, in order to create from the start a strong commercial momentum, the management will optimize the organisational structure in view of the integration of the RSA non-life insurance segments.

With particular reference to the financial side, investments will generally be held on the basis of prudent positions paying attention to seize the most attractive income-generating opportunities available, also in consideration of a changed overall market environment showing yields in general contraction.

Economic and financial stability following extraordinary events will continue to be guaranteed by appropriate reinsurance agreements, almost unchanged in their structure compared to 2014, therefore providing the necessary support to ensure stable and lasting development.

In the context of the Group's corporate strategy and taking into account the impact of *Solvency II*, a process of corporate reorganisation will soon be initiated, which could be executed through the merger of ITAS Service S.r.l. into the Company.

As of the first quarter of 2015 results are favourable with an increase in non-life premium portfolio equal to € 112 million (+3,1%) associated with an improvement of claim ratio (69.7%, driven by Auto Segment) and a strong growth in life segment (over 100%) that will be mitigated in the second half of the year.

## Regulatory

Italian insurance companies are subject to a comprehensive regulatory scheme determined by law and administered primarily by **IVASS** (formerly *Istituto per la Vigilanza sulle Assicurazioni*) and the Italian Stock Exchange Commission (*Commissione per le Società e la Borsa* (**CONSOB**)). The most important insurance laws are consolidated into the Italian Private Insurance Code (**Codice delle Assicurazioni Private**) (Legislative Decree No. 209/2005). The Italian Private Insurance Code provides for *inter alia*:

- (a) access to insurance and reinsurance activities;
- (b) requirements to be met by the insurance companies in connection with the conduct of their business, including (i) holding proper technical reserves covering their obligations *vis-à-vis* the policyholders and (ii) the maintenance of certain solvency margins;
- (c) general financial and accounting principles for insurance companies;
- (d) access and conduct of the reinsurance business;
- (e) requirements applicable to shareholdings and groups;
- (f) the activities of insurance and reinsurance intermediaries;
- (g) transparency rules; and
- (h) the liquidation regime of the insurance companies.

In addition, the Italian Civil Code contains certain provisions applicable to insurance contracts.

Provisions concerning solvency margin of Italian insurance companies are set out in the Code of Private Insurance (Title III, Chapter IV) as implemented by IVASS Regulations no. 18 of 12 March 2008 (Regulation on the adjusted solvency calculation in accordance with Title XV of the Italian Private Insurance Code) and no. 19 of 14 March 2008 concerning the solvency margin of insurance undertakings as referred to in Title III, Chapter IV, and in article 223 of the Code of Private Insurance as further amended and integrated.

Under the regulatory scheme currently in force, with the exception of certain powers specifically reserved to the Ministry of Economic Development, all control and supervisory powers in respect of the insurance industry is exercised autonomously by IVASS. IVASS's role includes:

- (i) monitoring technical, financial and asset and liability management and monitoring solvency ratios;
- (ii) reviewing financial statements;
- (iii) supervising the activities of insurance brokers and agencies;
- (iv) granting authorisation to conduct insurance and reinsurance activities;
- (v) proposing disciplinary measures, including revocation of authorisations;
- (vi) approving restructuring plans;

- (vii) advising the Ministry of Economic Development with respect to admission to the forced liquidation procedure for financially troubled entities; and
- (viii) communicating and collaborating with other EU insurance regulatory authorities.

IVASS has the power to request information from insurance companies, conduct audits of their activities and question their legal representatives, managing directors and statutory auditors and to convene shareholders', directors' and statutory auditors' meetings in order to propose measures necessary to conform the management of the insurance company to the requirements provided by the applicable law and regulations.

Intragroup transactions carried out by Italian insurance and reinsurance companies with the relevant counterparties exceeding certain thresholds or carried out at no market conditions are subject to a prior notification to IVASS in accordance with ISVAP Regulation no. 25 of 27 May 2008.

IVASS has the power to order the sale or a decrease of the shareholding owned in such companies if they do not meet the requirements set forth in the applicable law and regulations and to apply sanctions. In certain cases, IVASS may also advise the Italian Ministry of Economic Development to revoke certain authorisations to conduct insurance activities.

From a European law perspective, Italian insurance companies are also subject to EU Directives concerning the insurance sector and to the relevant applicable implementing rules (including, without limitation, the EU Directives on life insurance, non-life insurance, solvency matters, etc.).

In the European Union, risk based capital requirements are being introduced pursuant to the Solvency II Directive, which was agreed to by the European Parliament in April 2009 and formally approved by a meeting of the European Union's Economic and Financial Affairs Council in November 2009.

On 19 January 2011, the European Commission proposed the adoption of Omnibus II Directive to introduce a number of changes to the Solvency II regime. The Omnibus II Directive will also empower the Commission to apply more flexible transitional provisions for insurance undertakings affected by Solvency II and grant extended powers to the new European Insurance and Occupational Pensions Authority (EIOPA, which has replaced CEIOPS, The Committee of European Insurance and Occupational Pensions Supervisors since 1 January 2011). In November 2013, representatives from the European Parliament, the European Commission and the Council of the European Union reached an agreement on the Omnibus II Directive, which was adopted by the European Parliament on 11 March 2014. The agreed text of Omnibus II Directive confirms the implementation date for Solvency II Directive as of January 2016, but moves back the transposition date to March 2015.

On 10 October 2014, the European Commission adopted the Commission Delegated Regulation (EU) 2015/35. Following approval of the European Parliament and Council, this was published in the Official Journal on 17 January 2015 and entered into force the following day.

The Commission Delegated Regulation (EU) 2015/35 is intended to specify a range of aspects of that Solvency II Directive in view of its consistent implementation throughout the European Union with particular regard to capital requirements and other measures related to long term investments, requirements on the composition of insurers' own funds, remuneration issues, requirements for valuation of assets and liabilities, and reporting. On 10 February 2015 the Italian Government published a draft scheme of the Italian legislative decree implementing the Solvency II Directive in Italy. Until such Legislative Decree will be passed by the Italian Parliament, the Issuer will not be able to foresee all potential changes to the applicable Italian legal framework. The current draft of

Legislative Decree provides for a transitional regime to be phased in gradually starting as of 1 April 2015 until 1 January 2016, according to which, inter alia, IVASS will be granted the power to (i) authorise specific matters related to own funds and internal models and (ii) determine the scope and the level of supervision on groups.

The Solvency II Directive has been enacted using the EU's Lamfalussy Process as a Level 1 Directive. Under the Lamfalussy Process, the details required for application of the principles set out in the Level 1 Directive will be developed and formulated as part of the implementing measures (Level 2).

The Omnibus II Directive also provides for the development of binding technical implementing standards by EIOPA and to be confirmed, following public consultation, by the European Commission. EIOPA is continuing to develop the detailed rules that will complement the high-level principles of the Solvency II Directive. EIOPA recently published a number of ITS and Guidelines consultation papers. Set 1 of the Guidelines relevant for approval processes, including Pillar 1 (quantitative basis) and internal models have been published in February 2015 following completion of the consultation process. Set 2 of the ITS are expected to be submitted to the European Commission in June 2015, while Set 2 of the Guidelines are expected to be published by EIOPA in July 2015.

## **Risk Management**

The Group is exposed to a variety of risks through its core insurance activities. These include financial market, credit, insurance and operational risks.

In this section, supplementary information is provided regarding the nature, scope and tools of managing the risk related to financial instruments and insurance contracts which the Group is exposed to as it conducts its business.

The Group is in the process of implementing a risk management system which allows the identification, assessment and control of the most significant risks on a systematic basis. The objective of this system is that of maintaining the identified and quantified risks at a level appropriate to the available capital of each of the individual companies of the Group. Considering profitability and the associated risks together, it is possible to both protect the Issuer's assets and grow its value over the long term, in line with the principles of the core "Mission" of the Group.

The philosophy and risk positioning followed and approved by the Board of Directors refers, where possible, directly to the Enterprise Risk Management (ERM) model. Through the adoption of a framework of this type, the Group seeks to frame its Risk Management System within an integrated model which is internationally recognised and validated.

The Risk Management processes involve and affect all Group companies.

### **The Risk Management System**

The general process of risk management lays out a series of risk evaluation steps encompassing a "virtuous" circle of mapping, measurement, absorption and allocation of capital, mitigation and reporting.

Clearly, the monitoring phase, as with that of internal and external communication, contributes to the guarantee of better management of risk on top of a progressive diffusion of a culture of control and management of risk.



For the classification of the types of risk, the so-called ‘standard’ approach is followed, in line with the framework defined by EIOPA, moreover validated by the European Commission itself in Solvency II Directive. Valuable reference has therefore emerged in the modular method of “building blocks” for quantifiable risks (i.e. the so-called “Pillar One”) for which both qualitative and quantitative profiling is carried out.

For risks not adequately captured in the “Pillar One” system of classification – for example, operational risks, compliance risks, reputational risks, strategic risks and ‘risks of belonging to the Group’ – at least a qualitative assessment in a proactive and coherent approach is being set up, in keeping with the future requirements of “Pillar Two” under the Solvency II Directive regime itself.

## **Financial Risks**

Included in the field of Financial Risks are the macro-classes of Liquidity Risk, Market Risk and Credit Risk (the last one, credit risk, regards reinsurers, counterparties in financial derivative instruments and intermediaries). Market risks are categorised in their own sub-classes of risk for considering the oscillations in value of equities, interest rates, property, exchange rates or variations in credit quality of issuers of securities held in the portfolio. In addition, a dedicated module for concentration risk is evaluated.

### ***Liquidity Risk***

Liquidity risk, defined as the inability or difficulty in meeting one’s obligations towards insured parties and of the costs arising from the management of such obligations, is managed by the Group in a strictly defined manner.

Within the domain of the Group’s Investment Policy, possible difficulties linked to asset liquidity are explicitly considered, following dedicated guidelines on this theme. In fact, the risk of not being in possession of sufficient liquid assets for meeting payment demands in respect of liabilities is attributed to the need to be equipped with a suitable asset allocation policy capable of meeting liquidity demands even in periods of market duress and other unfavourable scenarios. Therefore, a strategy which takes account of the presence of assets with a limited duration and which are tradable on regulated markets has been implemented. The combination of these two factors permits the Group to face possibly extra-ordinary funding demands, which may not be manageable over the normal premium cycle, with the ability to transform investments into liquid means without excessive price or rate (of various kinds - including penalties, charges, taxes, etc.) risks. For this reason, an investment policy has been implemented in which exposure of not greater than 10% of technical provisions in securities not quoted on regulated markets is not permitted and a minimum level of securities with a modified duration lower than 2.5 has been stipulated.

Liquidity risk is pre-emptively monitored and managed, also through the analysis of future cash flows and simulations based on various sensitivities and/or stress testing. These last two testing methodologies have the scope of evaluating the Group’s vulnerability to extreme, but nonetheless plausible events.

In the Life business, a full Asset Liability Management (ALM) evaluation is carried out at least every six months with the aim of examining the coherence (i.e. “matching”) between the cash flows of the liabilities and of the portfolio of assets. In addition, in compliance with IVASS Regulation no.21, an assessment on the possible inclusion in the statutory financial statements of a specific reserve for the coverage of minimum guaranteed obligations is carried out. In this context, the methodology resulting in the most conservative approach and calculation is adopted.

Projections of future cash flows generated by managing the pool of insured risks (i.e. premiums, claims and expenses) as well as those generated by portfolio assets are also carried out periodically

for the property and casualty/Non-Life business, and the relative level of mismatching is analysed. Due attention is given to a rational distribution of acquired securities consistent with the observations made in the ALM exercises.

### **Market Risks**

In carrying out its insurance activities, the Group naturally finds itself exposed to adverse movements in financial markets, or, more directly, to unexpected price movements of the securities it holds, in its real estate assets, in currencies and interest rates, as well as to changes in the credit quality of the issuers of securities held in the portfolio.

Currency risk consists of the financial risk linked to the level and/or volatility of exchange rates. It is applicable to the assets and liabilities in the portfolio which are sensitive to exchange rate movements. Regarding the management policy in place, precise limits have been set out in the Group's Investment Policy, specifying a maximum percentage of the portfolio which can be invested in securities of single companies denominated in foreign currencies and not adequately supported by instruments which hedge such risk.

Property risk arises as a result of sensitivity of assets, liabilities and financial investments to the level or volatility of market prices of property. As of the year ended 31 December 2014, the real estate assets of the Group had a fair value totalling € 261.3 million. The corresponding balance sheet value amounts to €136.8 million. Also present in the portfolio are investments in specialised Real Estate funds and shareholdings in companies operating in the sector for a total amount of €39.4 million.

| <b>Asset type</b>              | <i>Amounts in €k</i> |                   |                   |                   |
|--------------------------------|----------------------|-------------------|-------------------|-------------------|
|                                | <b>31/12/2014</b>    |                   | <b>31/12/2013</b> |                   |
|                                | <b>Fair value</b>    | <b>Book Value</b> | <b>Fair value</b> | <b>Book Value</b> |
| Land and buildings             | 64,138               | 57,774            | 81,783            | 61,096            |
| Investment properties          | 197,188              | 79,008            | 174,052           | 71,058            |
| Equities and Real Estate Funds | 39,384               | 39,384            | 41,862            | 41,862            |
| <b>Total</b>                   | <b>300,710</b>       | <b>176,166</b>    | <b>297,697</b>    | <b>174,016</b>    |

Regarding the management policy, the Group follows a non-speculative investment policy in respect of the Real Estate sector. As stated by IAS 36, a verification process for any impairments of asset values is carried out at least annually, for example losses in which the book value exceeds the recoverable value. Various indicators of impairment are in use and are periodically reviewed, such as the tendency for declines in the market value of similar assets, unfavourable changes in the reference environment (technological, legislative or competitive), obsolescence of or physical damage to an asset, evidence of performance inferior to that expected or the necessity for an asset to be restructured.

Equity risk arises from the level or volatility of market prices for equities. Exposure to equity risk refers to all assets and liabilities whose value is sensitive to changes in equity prices. For management purposes, equity risk is monitored periodically through analyses based on VaR (Value at Risk), for all the portfolios of the companies of the Group, in compliance with the guidelines set out in the Investment Policy. Then, in order to evaluate the Group's exposure to the volatility of financial markets, a series of scenario analysis and stress tests are conducted.

Interest rate risk is linked to the level and volatility of interest rates; it is measured and realised in the context of the probability of incurring losses as a result of an unfavourable movement in rates. Exposure to such risks mainly concerns fixed-rate securities held in the portfolio and in particular those with a long maturity (and, by implication, high(er) duration). As of the year ended 31

December 2014, the composition of the bond portfolio – which totals €1,967 million was as follows: 79% with fixed rate coupons (77% on 31 December 2013) and 21% with floating rate coupons (23% on 31 December 2013).

*Amounts of AFS and HTM securities held expressed in €k*

| <b>Portfolio Mix</b>        | <b>AFS</b>       | <b>HTM</b>     | <b>Duration</b> | <b>Modified Duration</b> |
|-----------------------------|------------------|----------------|-----------------|--------------------------|
| Fixed rate securities       | 1,108,396        | 444,494        | 5.7             | 5.5                      |
| Floating rate securities    | 397,119          | 16,945         | 1.1             | 1.1                      |
| <b>Bond Portfolio Total</b> | <b>1,505,515</b> | <b>461,439</b> | <b>4.2</b>      | <b>4.2</b>               |

For management purposes, interest rate risk is monitored periodically also through sensitivity analysis and risk analysis based on Value at Risk (VaR) for all portfolios belonging to the Group.

Life insurance in particular is subject to (guaranteed) interest rate risk insofar as the structure of the product must generate defined interest payments and guarantee the contractually agreed payment amount. Such correlations are monitored through specific analysis of ALM, within which there is specific and explicit reference to the liquidity risk contained therein.

In order to evaluate the financial and balance sheet impact of a possible variation in interest rates, a scenario analysis is carried out. In particular, the effects on the consolidated financial statements in two symmetrical market scenarios are studied, one of a general increase in and one of a general decline in the level of rates for each maturity (i.e. both an upward and downward parallel shift of the yield curve).

Spread risk results from the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure. The portfolio of securities is characterised by a conservative investment approach, with the issuers of the securities predominantly being Sovereign States (Governments).

The following table shows total asset exposure to issuer credit risk:

| Type of Bond                | Rating Class         | HTM Assets (€k) | AFS Assets (€k)  | Total Debt Securities (€k) | % of total   |
|-----------------------------|----------------------|-----------------|------------------|----------------------------|--------------|
| <b>Sovereign</b>            | AAA                  | 3,019           | 51,958           | 54,977                     | 2,8          |
|                             | AA                   | 0               | 24,155           | 24,155                     | 1,2          |
|                             | A                    | 0               | 0                | 0                          | 0,0          |
|                             | BBB                  | 407,900         | 1,062,291        | 1,470,191                  | 74,7         |
|                             | Non investment grade | 0               | 0                | 0                          | 0,0          |
|                             | Not rated            | 0               | 0                | 0                          | 0,0          |
| <b>Corporate</b>            | AAA                  | 0               | 0                | 0                          | 0,0          |
|                             | AA                   | 0               | 5,043            | 5,043                      | 0,3          |
|                             | A                    | 2,090           | 24,116           | 26,206                     | 1,3          |
|                             | BBB                  | 7,529           | 28,222           | 35,751                     | 1,8          |
|                             | Non investment grade | 3,036           | 3,317            | 6,353                      | 0,3          |
|                             | Not rated            | 0               | 310              | 310                        | 0,0          |
| <b>Bank Paper</b>           | AAA                  | 0               | 0                | 0                          | 0,0          |
|                             | AA                   | 0               | 6,441            | 6,441                      | 0,3          |
|                             | A                    | 19,293          | 30,022           | 49,315                     | 2,5          |
|                             | BBB                  | 11,548          | 198,341          | 209,889                    | 10,7         |
|                             | Non investment grade | 7,024           | 26,909           | 33,933                     | 1,7          |
|                             | Not rated            | 0               | 44,390           | 44,390                     | 2,3          |
| <b>Bond portfolio total</b> |                      | <b>461,439</b>  | <b>1,505,515</b> | <b>1,966,954</b>           | <b>100,0</b> |

As of 31 December 2014, securities with a BBB rating dominate in the portfolio, due to the holding of national Italian Government Bonds. Regarding the management policies in place, the Group has explicitly defined the control and management of risk tied to (individual) issuers of securities within the Business's overall policy on financial investments. In this regard, it has set a series of parameters to operate under in its financial management, specifying the minimum rating and the permissible percentage of unrated debt securities. All positions are periodically monitored and, in addition, scenario analysis is conducted with the scope of quantifying the impact on the portfolio's valuation due to a given change in credit risk premiums (i.e. credit spreads).

Finally, concentration risk is the financial risk in which significant exposures to the same counterparty can be incurred. In view of this, quantitative limits of the permitted concentration per individual issuer and per group have been established and compliance with these limits is monitored at regular intervals.

#### ***Counterparty Credit Risk (Counterparty default risk)***

According to EIOPA approach, the counterparty default risk reflects possible losses due to unexpected default of the counterparties and debtors of undertakings over the forthcoming twelve months. The scope of the counterparty default risk module includes risk-mitigating contracts, such as reinsurance arrangements, securitisations and derivatives, and receivables from intermediaries, as well as any other credit exposures which are not covered in the spread risk sub-module.

Credit risk as a whole is composed of the possibility that one of the parties in a financial contract does not fulfil its obligations, causing a financial loss to the (other) counterparty. The Group manages the level of credit risk it is exposed to through a careful, thorough and appropriate selection of counterparties. Such risk is manifested in reinsurance, in financial derivative(s) instruments, in its commercial relationships with the distribution network and with insured clients. Reference to credit risk tied to issuers of the securities in the portfolio has already been made in the previous section ("Spread risk"), to which we refer the reader for further details.

#### ***Reinsurance credit risk***

Counter-risk agreements in passive reinsurance have the aim of limiting exposure to claims liability in the portfolio of policies. Reinsurance cessions, however, generate credit risk for cases in which reinsurers may not be able to meet their contractual obligations, through reinsurance agreements entered into by the Group. For this reason, a careful and responsible management process for the Group's exposure to reinsurance counterparties is in place. Reinsurers are periodically monitored and limits of exposure to each of them are revised at least annually; this is in respect of the policy indicated by the Administrative Body of each Company in light of the IVASS regulations pertaining to this matter and in particular that of Circular no. 574/D dated 23/12/2005 and successive modifications.

The creditworthiness of each reinsurer is evaluated through rating analysis, with the aim of control of specific limits of exposure per individual company and on any need arising to write down reinsurance-related receivables recorded on the balance sheet.

As of 31 December 2014, the companies of the Group had, by and large, relationships with Reinsurance Companies with a Standard & Poor's rating of A or above (or equivalent ratings of other Rating Agencies).

| <b>Rating Class</b> | <b>Life segment<br/>(€k)</b> | <b>Non-Life<br/>segment<br/>(€k)</b> | <b>Total</b>  | <b>% of total</b> |
|---------------------|------------------------------|--------------------------------------|---------------|-------------------|
| AAA                 | 0                            | 0                                    | <b>0</b>      | 0,0               |
| AA                  | 15,533                       | 24,950                               | <b>40,483</b> | 84,2              |
| A                   | 0                            | 6,449                                | <b>6,449</b>  | 13,4              |
| BBB                 | 0                            | 0                                    | <b>0</b>      | 0,0               |
| unrated             | 0                            | 1,142                                | <b>1,142</b>  | 2,4               |
| <b>TOTALE</b>       | <b>15,533</b>                | <b>32,541</b>                        | <b>48,074</b> | <b>100,0</b>      |

***Counterparty risk in financial derivative(s) instruments:***

Trading in financial derivative(s) instruments undertaken by the Group is executed in compliance with the regulations issued by Regulatory Bodies. It is incumbent upon the companies of the Group to take out derivatives both for the purposes of risk reduction, as well as for the optimal management of their investments. Such contracts are taken out with counterparties with a high credit standing. Trading in financial derivative(s) instruments is subjected to quarterly controls and checks by IVASS and is subject to specific controls, as well as specific and timely reporting to the Board of Directors (which have established defined operational methods and procedures in risk assessment).

***Credit risk exposure to policyholders and intermediaries:***

With regards to credit risk exposure to policyholders, one can argue that in the Life business, such risk is mitigated by specific contractual safeguards under which the benefits are recalculated on the basis of premiums paid. Receivables due from policyholders are, however, reviewed periodically to examine their recoverability. In the non-life businesses, in addition, a policy on the management of excesses is in place, while management with regards to credit on premium payments is delegated to the distribution network (the agency channel, etc.).

Credit risk exposure to intermediaries (insurance agents – both those which the Group has a current relationship with and those with which the relationship has been discontinued or is no longer active, brokers, banks, etc.) is managed through a strict selection policy, with reviews conducted through daily and fortnightly checks, tests and inspections.

## **Insurance Risk**

Insurance risk is defined as the risk of unexpected or unplanned losses through entering into contracts of insurance. It stems from inappropriate pricing methodologies and assumptions leading to inadequate premiums, deterioration of reserve, exposure to catastrophe, insufficient reinsurance arrangements and the risk of increased expenses.

Some information relating to the management of insurance risks in both the life and non-life businesses is reported in the following paragraphs.

### ***Life Insurance Risk***

Life underwriting risks include biometric risks arising from events related to mortality and mortality trends, to morbidity, disability and longevity, as well as risks related to trends in lapses and expenses related to contracts in place.

The risks related to policies with a prevailing saving component and with minimum interest rate guarantee are adequately measured in a prudent way in the pricing process in accordance with the particular situation of the financial markets, and taking also into account any relevant regulatory constraint.

In order to better manage risks and costs associated with embedded options included in the above products, the Group is continuing to pursue the policy of redefining the structure of related financial guarantees.

The Life Company applies the underwriting guidelines and operating limits which defines the process in order to maintain the risk exposure between the set up limits and to ensure a coherent use of the capital.

In particular, in relation to mortality or temporary or permanent disability risks, risk factors which could result in an overall increase in their frequency could include epidemics and natural disasters which would have the effect of significantly raising the sources of such risks compared to those (normally) expected. The Company limit and stabilise exposure to such risks through diversification of policyholders by age and gender. The Company uses tailored questionnaires for correct pricing, also with reference to declarations made by policyholders regarding their own medical, professional and sporting circumstances.

In particular, the insured amount is underwritten through fixed, predefined rules included in an “underwriting scale” categorised on the basis of the degrees of insured capital for which different types of health checks are required. Premium surcharges may be applied in the case of professional and sporting activities undertaken by the policyholder and/or the presence of medical conditions considered “higher risk”. Beyond a certain level of insured capital, the Company also obtains a range of financial information regarding the Client in order to evaluate his/her financial circumstances and personal wealth and, therefore, to verify that the offer is suitable and appropriate. In each case, beyond a certain threshold of insured capital and/or age of the policyholder, a Health Assessment is requested without exception on the basis of specific types of medical documentation. Moreover, for (insured) amounts beyond a given threshold, the underwriting of risk is conditional on the explicit acceptance on the part of a Reinsurer.

Following the underwriting phase, a policy of risk limitation is adopted for the event that claimable events beyond those expected arise, through the use of reinsurance contracts.

Longevity risk is that which is typical of annuity contracts and arises from the development of medical science and, in general, from the improvement in public health and social conditions. This risk is significant in a forward-looking context. Annuities being paid are, in fact, not at all substantial in terms of quantity, however the presence of certain tariffs such as the Open Pension Fund and of contractual options included in lump-sum policies potentially expose the Company to this type of risk. In this regard, the management policy adopted stipulates the allocation of a specific reserve which

takes account of the latest longevity projections in comparison to the statistics used in pricing. In calculating the reserve, the propensity of policyholders to draw annuity income is also taken into account in a prudent manner.

Life Catastrophe Risk originates from extreme and/or irregular events not considered in the pricing phase. In reality, it is concerned with an additional risk level, which should take account of adverse extreme movements both of biometric characteristics (mortality/longevity, disability) and redemptions. Such risk is managed, in particular for collective contracts, through contractual limitations of coverage and through the use of reinsurance contracts.

Test of adequacy in respect of obligations towards insured risks recorded in the balance sheet: an evaluation of the maintenance of technical provisions recorded in the balance sheet through the so-called Liability Adequacy Test is undertaken periodically. Through this test, the reserves are compared to the present value of cash flows deriving from contracts, inclusive of all operating expenses linked to them.

### ***Non-Life Insurance Risk***

Non-life underwriting risk is the risk arising from non-life insurance obligations, in relation to the perils covered and the processes used in the conduct of business. Non-life underwriting risk also includes the risk resulting from uncertainty included in assumptions about exercise of policyholder options like renewal or termination option.

Premium risk is defined as the risk that premiums charged to policyholders may not be sufficient to cover claims and future expenses. In general, for all lines of business, monitoring to this effect is carried out on a regular basis with the aid of key indicators concerning both trends in premium rates and claims rates. In the Motor line, particular attention is paid to the main variables which determine pricing, such as: claims frequency, average claims cost and expenses in such a way as to detect (pricing) leakage or otherwise of the tariff.

The underwriting of non-life contracts is principally concerned with Individuals and Small & Medium Sized Enterprises (SMEs), with the adoption of a rigorous policy which sets out the application of excesses, limitation of insurable events and the ceding of risk to reinsurers, with the aim of creating a homogenous base of insured risks characterised by low volatility of operational results.

Reserving risk is concerned with the uncertainty in reserve run-off, or the risk that claims reserves may not be sufficient to cover liabilities towards insured and/or damaged parties. In general, such risk is mitigated through monthly monitoring of the claims reserve run-off; given its status as a long-tail line of business, statistical-actuarial methodologies are also used for the Motor TPL line and the Third-party liability line. The assumptions adopted under each method are comprehensively reported in the Technical Report written by the Appointed Actuary and sent to IVASS, pursuant to Regulation No. 16/2008, implementing article 37, paragraph 1 of the Codice delle Assicurazioni Private. In the indicated report, an analysis of the sensitivity of the results dependent on the actuarial assumptions (and changes in such assumptions) made under each method are reported, with the aim of gaining a better understanding of the possible financial impact(s) of changes in said assumptions.

Regarding the catastrophe risk, it is defined in the Solvency II Directive as the risk of loss, or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events. According to EIOPA approach, the CAT risk consists mainly of the following sub-modules: the natural catastrophe risk sub-module (Earthquake, Flood and Hail) and the man-made catastrophe risk sub-module. The Group on a regular basis monitors its exposure and relative capital requirements associated to catastrophe risk.

### **Compliance Risks**

In the context of the system of Internal Controls and of Risk Management, the Group has furnished itself with a Compliance function which is centralised at the Company level and is responsible for the following activities:

- assessing whether the organisational structure and internal procedures of the Company are suitable for preventing the risks of incurring legal or administrative sanctions, financial losses or damage to reputation, as a result of infringement of legislation, regulations or orders of the Supervisory Authorities or self-regulatory codes;
- and to support the Board of Directors and Senior Management in the identification of the risk of non-compliance with the relevant regulations.

To this end, a Group Compliance Policy has been established which details the principles and guidelines on such matters. In the identification and assessment of the risk of non-compliance with laws and regulations, particular attention is paid to compliance with regulations governing matters of transparency, fairness of treatment and professional conduct towards insured and injured parties, pre-contractual and contractual disclosures, the proper performance of contracts, specifically in regard to the management of claims and, more generally, consumer protection.

### **Operational risks**

Operational risk considers the possibility of incurring losses derived from the inadequacy, underperformance or failure of internal processes, human resources and systems, or from other causes which may result from external events. Management of operational risks are principally assigned to the Heads of each Business Unit, who are called on to identify and create risk mitigation initiatives.

In relation to Information & Communication Technology (ICT) systems, their relative efficacy is monitored both internally and by analysis and testing procedures undertaken by companies specialised in this field. Security and access requirements, as well as those of continuity and performance of ICT systems are guaranteed at high levels, together with those in Disaster Recovery, which are physically located at some distance away from the Group's Corporate Headquarters.

The Group is equipped with a Disaster Recovery Plan, which is a strategic plan aimed at minimising data and corporate information losses, as well as the times of their restoration in particularly critical situations; the Plan defines the combination of technological measures needed to restore systems and data and the infrastructure necessary for the provision of services in the event that exceptional and/or catastrophic events occur.

In relation to the Group's Organisational Structure, an important role is played by the mapping of company processes (of business, governance and support) and from the formalisation and dissemination of related information, including control hubs. In this regard, a Library of Company Processes of the Group has been created, readily accessible when needed, including in Disaster Recovery situations.

The existing library of information will be enriched with progressive activity on the qualitative profiling of macro-classes of operational risks, thereby resulting in the development of an ever more integrated system of processes, risk and aligned controls.

In relation to the measurement of the above-mentioned type of risk and the definition of the related capital requirement, the Risk Management function uses the methodology outlined by EIOPA (European Insurance and Occupational Pensions Authority) under the so-called "Standard Formula" in the Solvency II Directive framework.

Furthermore, the Group has established metrics to assess operational risk. In particular, the identified risks are assessed using the probability impact matrix and ranked in terms of significance.

The Group conduct an assessment of the current risk exposure of material risks identified and the effectiveness of associated controls. The process put in place ensures at least the following is performed:



- Inherent Risk Assessment: an assessment of the inherent risk exposure i.e. an assessment of the probability and impact of the risk occurring as a worst case and assuming no mitigating controls or actions are in place;
- Controls Assessment: an assessment of the design and operational effectiveness of the key controls for all risks identified; and
- Residual Risk Assessment: an assessment of the residual risk exposure to ascertain whether this is within appetite i.e. an assessment of the probability and impact of the risk occurring, given the inherent risk and control assessment.

## **Risk Governance**

After examining the different categories of risk, it is useful to dedicate a specific paragraph to the roles and responsibilities of the corporate bodies concerned.

The bodies which have direct responsibility regarding the Risk Management System are: the Boards of Directors, the Internal Control Committee, Senior Management and the Control Functions (Risk Management, Compliance and Internal Audit). It is important to note that all personnel employed in the various operating business units are also constantly involved in the management of risk under their domain.

In the context of works of a strategic and organisational nature, the respective Boards of Directors of the Companies of the Group, in line with the decrees of the Company, have deliberated with regards to the policies on the assumption, evaluation and management of the most heavily significant risks. Such policies, which are binding for the Operational units, have the scope of maintaining an appropriate degree of control and of avoiding unforeseen growth in risk exposure.

The Boards have fixed and periodically reviewed risk tolerance levels, also on the basis of results obtained in solvency analysis (own risk and solvency assessment) and in the analyses resulting from stress testing.

Through the dedicated Internal control committee, the Boards moreover verify that Senior Management maintains an appropriate degree of integrity in the overall Risk Management strategy and system.

The administrative bodies of the Group's entities are periodically informed and updated on the Risk Management strategy and system through Risk Reports.

The Internal control committee monitors the adequacy and suitability of the overall system of controls in place, carrying out consultative activities with the Board of Directors. In particular, it assists the administrative body in determining policy guidelines in relation to the system of internal controls, periodical checks on its adequacy and its effective functioning, the identification and management of main corporate risks.

In accordance with the Guidelines set out by the Board of Directors, in addition to the ordinary responsibilities assigned to it, Senior Management is responsible for implementing, maintaining and monitoring the Risk Management system and carries out the following functions in this respect:

- implements policies on the assumption, evaluation and management of risks as set out by the Administrative body (i.e. the Board of Directors);
- has responsibility for maintenance of the overall functioning and suitability of the organisational structure of the Risk Management System; and
- proposes initiatives to the Administrative body (i.e. the Board of Directors) regarding the suitability and strengthening of the Risk Management System.

Important tasks and functions pertaining to Risk Management System are governed by IVASS Regulation No. 20/2008 on the Risk Management function within insurance companies. Set on the basis of the principles of “separation” and “independence” from operational areas, this law decrees the placement of the Risk Management function of the Group into a specific position in the hierarchical structure, directly under the Boards of Directors.

The Regulation defines the Risk Management function’s main responsibilities as including those of:

- contribution towards the definition of the risk management policy and defines the criteria and relevant methods of measuring risks as well as the results of the evaluations, which it shall submit to the administrative body. After discussing and approving them, the administrative body shall disclose them to the senior management and to the structures concerned along with its conclusions;
- contribution towards the definition of the operational limits assigned to the operational structures and defines the procedures for promptly checking such limits;
- validation of the information flows required to ensure prompt control of exposures to risk and the immediate detection of faults found in operations;
- makes the evaluations referred to in article 19 bis, of the undertaking's risk profile and reports to the administrative body the risks that the undertaking has identified as being particularly significant;
- preparation of the procedures for reporting to the administrative body, senior management and the heads of the operational structures regarding the development in risks and the breach of established operational limits;
- check the adequacy of the risk measuring models with the operations carried out by the undertaking and contribution to the carrying out of the quantitative analyses;
- ensuring the execution of stress tests and the implementation of any corrective action needed; and
- monitoring of the implementation of the risk management policy and the overall undertaking's risk profile.

A ‘holistic’ analysis of business risks is conducted on a regular basis, namely a study of the Company’s solvency in the context of Solvency II Directive, in accordance with the guidelines indicated by EIOPA at the European level.

Then, with the aim of preventing the risk of incurring legal or administrative sanctions, financial losses or damage to reputation as a result of infringement of legislation, regulations or orders of the Supervisory Authorities or self-regulatory codes, a compliance function has been established as well. Among its main activities are those of:

- ongoing identification of the regulations and laws applicable to the Company and assessment of their impact on corporate processes and procedures;
- assessing the adequacy and effectiveness of organisational measures adopted for the prevention of the risk of non-compliance with laws and regulations and proposing organisational and procedural changes aimed at ensuring adequate control of risk;
- assessing the effectiveness of organisational adjustments resulting from the suggested changes; and

- providing and maintaining adequate information flows to the Company's governing bodies and other involved parties in regard to matters of compliance.

## ***Board of Directors***

The Board of Directors of ITAS Mutua as of the Date of the Prospectus is constituted as follows:

| <b>Principal Occupation</b> | <b>Name</b>           | <b>Principal activities performed by the Directors outside the Group</b>  |
|-----------------------------|-----------------------|---|
| Chairman                    | Di Benedetto Giovanni | Member of the Executive Committee at <i>Associazione Nazionale fra le Imprese Assicuratrici</i> (“ <b>ANIA</b> ”)<br>Member of the Strategic Committee at ANIA  |
| Deputy Chairman             | Consoli Giuseppe      |   |
| Director                    | Boccardo Antonia      | Secretary-general at AIBA<br>Chief Executive Officer at FIBAIBA Srl   |
| Director                    | Bortoli Giancarlo     | Chairman of the Board of Statutory Auditors at Sviluppo Artigiano Scarl<br>Chairman of the Board of Statutory Auditors at <i>Istituto di ricerca di storia sociale e religiosa di Vicenza</i><br>Councilor of the Board of Directors at <i>Monte Miela S.r.l.</i> |
| Director                    | Fusciani Marco        | Deputy Chairman at <i>Fondazione ANIA per la sicurezza stradale</i>   |
| Deputy Chairman             | Gostner Gerhart       | Councilor of Board of Directors at <i>Torggler S.p.A.</i><br>Councilor of Board of Directors at <i>Hypo-Voralberg Leasing S.p.A.</i><br>Councilor of Board of Directors at <i>Maxi S.r.l.</i>   |
| Director                    | Lorenz Fabrizio       |   |
| Director                    | Lütke-Bornefeld Peter | President of the Supervisory Board at <i>Versicherungen</i> (“ <b>VHV</b> ”) Insurance Group<br>Member of the Supervisory Board at <i>VPV Lebensversicherungs-AG</i> Life Insurance   |

|                 |                    |   |
|-----------------|--------------------|---|
|                 |                    | President of the Supervisory Board at <i>Marschollek, Lautenschläger und Partner AG</i>                         |
| Director        | Negrin Dino        |   |
| Director        | Reuter Uwe         | Chief Executive Officer at VHV Insurance Group  |
| Director        | Vescovi Ilaria     | Chief Executive Officer at <i>Tecnoclima S.p.A.</i><br>Director of Board of Directors at <i>C.a.g.i. S.r.l.</i> |
| Director        | Von Egen Alexander | Director of Board of Directors at <i>Birra Forst S.p.A.</i>   |
| Deputy Chairman | Zanoni Danilo      |   |

The Board of Directors is composed of 13 members.

The business address of the Board of Directors is Piazza delle Donne Lavoratrici, 2, 38122 Trento, Italy. The telephone number of the Issuer's business address is 00390461891711.

#### ***Conflicts of Interest of members of the Board of Directors***

The Directors of ITAS Mutua may, from time to time, hold directorships or other significant interests with companies outside the Group which may have business relationships with the Group. ITAS Mutua has in place procedures aimed at identifying and managing any conflicts or potential conflicts of interests, to ensure where possible that no actual or potential conflicts of interest will arise. So far as the Issuer is aware, there are no potential conflicts of interest between any of the Directors' duties to ITAS Mutua and their private interests or other duties.

#### ***Board of Statutory Auditors***

The Board of Statutory Auditors in office is composed of three permanent members and two substitute auditors and shall cease to hold office upon the approval of the balance sheet for the financial year 2017.

The appointment of the Board of Statutory Auditors, which occurred during the meeting of 28 April 2015, took place by voting on the sole list of candidates submitted by the Board of Directors.

| <b>Name</b>    | <b>Office held</b> |
|----------------|--------------------|
| Michele Grampa | Chairman           |

|                     |                              |
|---------------------|------------------------------|
| Dario Ghidoni       | Statutory Auditor            |
| Alessandro Trevisan | Statutory Auditor            |
| Stefano Angheben    | Substitute Statutory Auditor |
| Gino Glisenti       | Substitute Statutory Auditor |

The business address of the Statutory Auditors is Piazza delle donne lavoratrici, 2 Trento - Italy.

***Conflicts of Interest of members of the Board of Statutory Auditors***

There are no conflicts of interest between any of the Statutory Auditors' duties to ITAS Mutua and their private interests or other duties.

***Independent Auditors***

The Auditing Firm appointed is Reconta Ernst & Young S.p.A. The relevant mandate for the financial years 2012-2020 was approved at the Shareholders' Meeting dated 30 April 2011.

In 2011, before such meeting, the auditing firm in charge of auditing the accounts was Bdo S.p.A.

**Employees**

As of 31 December 2014, the headcount of the Company the full-time equivalent employees were 364, compared with 348 as of the end of 2013.

**ITAS Mutua shareholders**

***Major Shareholders***

As of the Date of 31<sup>st</sup> December 2014, the major shareholders were:

| Shareholder                       | %     |
|-----------------------------------|-------|
| Insured Shareholders <sup>1</sup> | 85.59 |
| HANNOVER RUCK                     | 2.83  |
| ISA SPA                           | 2.83  |
| BANCA DI TRENTO E BOLZANO         | 5.93  |

---

<sup>1</sup> Please note that none of the insured shareholders holds a relevant participation in the Issuer's share capital.

|     |      |
|-----|------|
| VHV | 2.83 |
|-----|------|

## Corporate Objects

The corporate purpose of ITAS Mutua is as hereunder:

- A. the mutual insurance by Shareholders of all forms of non-life insurance;
- B. the stipulation of fixed premium contracts by which the insured acquires the status of Shareholder if the insurance is stipulated exclusively with ITAS Mutua or for co-insurance, exclusively with the latter's subsidiaries;
- C. the re-insurance of all forms of non-life insurance;
- D. equity interests in companies, consortia and other entities which perform insurance, capitalization and re-insurance transactions either in Italy or abroad;
- E. transactions connected with or similar to or consequent on the foregoing;
- F. the acquisition and transfer of equity interests in companies which are established or in course of establishment, acquisition and divestment of securities and of movable and immoveable property and all financial transactions deemed instrumental to achieving the corporate purpose.

The Company, in its capacity of the parent company of the Group named Gruppo ITAS Assicurazioni, in the exercise of its management and coordination pursuant to article 87 (3) of the Italian Private Insurance Code has adopted vis-a-vis the companies comprising the Group, provisions implementing the measures established by ISVAP in the interests of stable and efficacious management of the insurance Group.

## Pending litigation

At the end of the year 2014, there were no enforcement decisions pending by IVASS. The companies of the Group are involved in litigation in Italy and abroad both as plaintiffs or petitioners, and as defendants or respondents. Based on the information currently available, ITAS Mutua does not foresee that the outcome of these pending or threatened proceedings are likely, individually or in the aggregate, to have a material effect on the results of operations or financial position of ITAS Mutua or on the Group as a whole.

## TAXATION

*The following is a general summary of certain tax consequences in Italy and the Republic of Ireland of acquiring, holding and disposing of Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to the decision to purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. This summary is based upon tax laws and/or practice in force as at the date of this Prospectus, which are subject to any changes in law and/or practice occurring after such date, which could be made on a retroactive basis. The Issuer will not update this summary to reflect changes in law and, if any such change occurs, the information in this summary could be superseded.*

*Prospective purchasers of the Notes should consult their tax advisers as to the overall tax consequences of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws. Prospective purchasers of the Notes should not apply any of the information below to other areas including (but not limited to) the legality of transactions involving the Notes.*

### ITALY

#### Interest

Interest received outside the conduct of a business activity is deemed to be received for Italian tax purposes at each interest payment date (in the amount actually paid) and also when it is implicitly included in the selling price of the Notes.

Interest received by Italian resident companies, commercial partnerships or individual entrepreneurs within the context of a business enterprise is taxable on an accrual basis.

#### *Interest and other proceeds*

Pursuant to Legislative Decree No. 239 of 1 April 1996 ("**Decree No. 239**"), as amended and restated, and pursuant to Article 44, paragraph 2(c) of Decree No. 917 of 22 December 1986 ("**Decree No. 917**"), in general, interest and other proceeds (including the difference between the redemption amount and the issue price) ("**Interest**") in respect of notes that qualify as "bonds" or "debentures similar to bonds" ("*obbligazioni*" or "*titoli similari alle obbligazioni*") for Italian tax purposes issued, *inter alia*, by Italian companies other than small capitalised companies, provided that the notes are traded on a EU or EEA regulated market or multilateral trading facility. For these purposes, notes qualify as "bonds" or "debentures similar to bonds" if they incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value and that do not give any right to directly or indirectly participate in the management of the relevant issuer or of the business in relation to which they are issued, are included in the category of "bonds and debentures similar to bonds" referred to in Decree No. 239, subject to the above regime.

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 insurance companies, other than shares and assimilated instruments.

#### Interest on the Notes

Interest on the Notes received by Italian resident companies, commercial partnerships or individual entrepreneurs within the context of a business enterprise is included in the taxable base for the purposes of corporate income tax (*imposta sul reddito delle società*, "**IRES**"), at 27.5% or individual income tax (*imposta sul reddito delle persone fisiche*, "**IRPEF**", at progressive rates), as applicable



and - under certain circumstances - of the regional tax on productive activities (*imposta regionale sulle attività produttive*, "**IRAP**").

Interest on the Notes is subject to a 26 substitute tax ("*imposta sostitutiva*") if the recipient is included among the following categories of Italian residents: individuals, non-commercial partnerships, non-profit organisations, the Italian State and public entities or entities that are exempt from IRES.

The 26% *imposta sostitutiva* does not apply where the Notes are held in a discretionary investment portfolio managed by an Italian authorised financial intermediary and the beneficial owner thereof, where possible, has opted to be taxed at a flat rate of 26% on the year-end increase in value of the investment portfolio accrued, even if not realised (which increase in value includes any Interest accrued on the Notes), pursuant to the so-called portfolio management tax regime ("*regime del risparmio gestito*") provided for by Article 7 of Legislative Decree 21 November 1997, No. 461 ("**Decree 461/1997**").

If the holders of the Notes are individuals or non-profit organisations engaged in an entrepreneurial activity and the Notes are connected to such entrepreneurial activity, the 26% *imposta sostitutiva* applies on a provisional basis and may be deducted from the taxation on income due.

Interest accrued on the Notes held by Italian open-ended or closed-ended investment funds ("investment funds"), *società di investimento a capitale variabile* ("**SICAV**"), investment company with fixed capital ("**SICAF**"), is not subject to such *imposta sostitutiva* but is included in the aggregate income of the investment funds, SICAV or SICAF. A withholding tax of 26% will be levied on income of the investment funds, SICAV or SICAF derived by unitholders through distribution and/or redemption or disposal of the units.

Interest accrued on the Notes held by pension funds is not subject to such *imposta sostitutiva* but is included in the aggregate income of the pension funds which is subject to a substitute tax at the rate of 20%. As of 1 January 2015, Italian pension funds benefit from a tax credit equal to 9% of the result of the relevant portfolio accrued at the end of the tax period, provided that such pension funds invest in certain medium long term financial assets to be identified with a Ministerial Decree.

Interest on the Notes held by real estate investment funds to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply and Italian resident SICAFs to which the provisions of Article 9 of Legislative Decree No. 44 of 4 March 2014 (the "**Decree No. 44**") apply, are not subject to *imposta sostitutiva*: no tax is levied on the aggregate income of the real estate fund.

Pursuant to Decree No. 239, *imposta sostitutiva* is levied by banks, SIMs, fiduciary companies, SGRs, stockbrokers, and other entities identified by a Decree of the Ministry of Finance (the "**Intermediaries**"). The Intermediaries must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident intermediary and (ii) intervene, in any way, in the collection of Interest or in the transfer of the Notes. Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying Interest to the Noteholder.

Non-resident holders are not subject to such 26% *imposta sostitutiva* according to Article 6, paragraph 1, of Legislative Decree No. 239 of 1 April 1996, provided that:

- (b) they are either (i) resident for tax purposes in a State which allows an adequate exchange of information with Italy or, in the case of institutional investors not subject to tax, they are established in such a State, or (ii) supranational entities set up in accordance with an international treaty executed by Italy, or (iii) central banks or other authorities engaged in the management of the official reserves (of a foreign State). According to Law No. 244 of 24 December 2007, 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 an adequate exchange of information with Italy;

- (c) the Notes are deposited directly or indirectly (i) with a bank or a SIM resident in Italy, (ii) with the Italian permanent establishment of a non-resident bank or brokerage company which is electronically connected with the Italian Ministry of Finance or (iii) with a non-resident entity or company which has an account with a centralised clearance system (such as Euroclear or Clearstream, Luxembourg) which has a direct relationship with the Italian Ministry of Economy and Finance;
- (d) the banks or brokers mentioned in (b) above receive a self-declaration from the beneficial owner, which states that the beneficial owner is a resident of a State that allows an adequate exchange of information with Italy. The declaration, which is not requested for supranational entities set up in accordance with international agreements which have entered into force in Italy nor in the case of foreign central banks or entities which manage, *inter alia*, the official reserves of a foreign State, which must be in conformity with the form approved with ministerial decree 12 December 2001, is valid until it is revoked;
- (e) the banks or brokers mentioned above receive all necessary information to identify the non-resident beneficial owner of the deposited Notes, and all the necessary information in order to determine the amount of Interest that such beneficial owner is entitled to receive.

Non-resident holders are subject to the 26% *imposta sostitutiva* on Interest if any of the above conditions (a), (b), (c) or (d) is not satisfied.

### Capital gains

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.

A 26% *imposta sostitutiva* is applicable on capital gains realised on the disposal of Notes by Noteholders included among the following categories of Italian residents: individuals holding the Notes not in connection with an entrepreneurial activity, non-commercial partnerships, non-profit organisations, the Italian State and public entities or entities that are exempt from IRES.

In respect of the application of such substitute tax, 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 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. 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% of the relevant capital losses realised before 1 January 2012; (ii) 76.92% 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 (*regime del risparmio amministrato*). 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 *regime del risparmio amministrato* 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 *regime del risparmio amministrato*, 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. 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% of the relevant capital losses realised before 1 January 2012; (ii) 76.92% of the capital losses realised from 1 January 2012 to 30 June 2014. Under the *regime del risparmio amministrato*, the Noteholder is not required to declare the capital gains in the annual tax return.

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 *regime del risparmio gestito* will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26% substitute tax, to be paid by the managing authorised intermediary. Under the *regime del risparmio gestito*, 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. Depreciations of the managed 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% of the relevant depreciations in value registered before 1 January 2012; (ii) 76.92% of the depreciations in value registered from 1 January 2012 to 30 June 2014. Under the *regime del risparmio gestito*, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Capital gains accrued on the Notes held by Italian investment funds, SICAVs and SICAF are included in the annual accrued increase of the net asset value of such investment funds, SICAVs and SICAF. A withholding tax of 26% will be levied on income of the investment funds or the SICAV derived by unitholders through distribution and/or redemption or disposal of the units.

Capital gains on the Notes held by real estate investment funds to which the provisions of Law Decree No. 351 of 25 September 2001, as subsequently amended, apply and Italian resident SICAFs to which the provisions of Article 9 of Legislative Decree No. 44 apply, are not subject to substitute tax: no tax is levied on the aggregate income of the real estate fund.

Any capital gains on the Notes held by pension funds will be included in the aggregate income of the pension funds which is subject to a substitute tax at the rate of 20%. As of 1 January 2015, Italian pension funds benefit from a tax credit equal to 9% of the result of the relevant portfolio accrued at the end of the tax period, provided that such pension funds invest in certain medium long term financial assets to be identified with a Ministerial Decree.

Capital gains realised by non-residents not having a permanent establishment in Italy to which the Notes are connected from the sale of the Notes are in principle subject to a 26% tax. However, such gains are exempt from tax in Italy if:

- (a) the Notes are listed on a regulated market;

- (b) the Notes are not listed on a regulated market but the Noteholder is entitled to the exemption from the 26% substitute tax on Interest pursuant to Article 6, paragraph 1, of Legislative Decree No. 239 of 1 April 1996 as described in "*Interest on the Notes*"; or
- (c) the Noteholder may benefit from a double tax treaty with Italy providing that capital gains realised upon the sale or redemption of the Notes are to be taxed only in the country of tax residence of the recipient.

### ***Inheritance and gift taxes***

The transfer of Notes by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

- (a) 4 per cent. for transfers in favour of the spouse and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding €1,000,000 (per beneficiary);
- (b) 6 per cent. for transfers in favour of siblings; in this case, the transfer is subject to the tax on the value exceeding €100,000 (per beneficiary);
- (c) 6 per cent. for transfers in favour of relatives up to the fourth degree and to all relatives in law in direct line and to other relatives in law up to the third degree, on the entire value of the inheritance or the gift; and
- (d) 8 per cent. for transfers in favour of any other person or entity, on the entire value of the inheritance or the gift.

If the heir/heirress and/or the donee is a person with a severe disability pursuant to Law n. 104 of February 5, 1992, inheritance tax or gift tax is applied to the extent that the value of the inheritance or gift exceeds € 1,500,000.

With respect to Notes listed on a regulated market, the value for inheritance and gift tax purposes is the average stock exchange price of the last quarter preceding the date of the succession or of the gift (including any accrued interest). With respect to unlisted Notes, the value for inheritance tax and gift tax purposes is generally determined by reference to the value of listed debt securities having similar features or based on certain elements as presented in the Italian tax law.

Italian inheritance tax and gift tax applies to non-Italian resident individuals for bonds issued by Italian resident companies.

### **Transfer tax**

Contracts relating to the transfer of Notes are subject to a €200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; and (ii) private deeds are subject to registration only in the case of voluntary registration.

### **Stamp duty**

Any communication that refers to financial products, including the Notes, held through an Italian intermediary, is subject to stamp duty at the rate of 0.20 per cent. and it cannot exceed € 14,000 for taxpayers which are not individuals. This stamp duty is determined on the market value or – in the absence of a market value – on the nominal value or the redemption amount of any financial product or financial instruments (including the Notes). Stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

### **Wealth tax**

Financial investments, including the Notes, held abroad by resident individuals in Italy without the involvement of an Italian intermediary are subject to tax at the rate of 0.20%. The tax basis is the market value, if any, resulting at the end of each given year in the state where the financial investments are held and also from the documentation issued by the reference foreign intermediary, or – in the lack of the market value – on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory. Similar foreign wealth taxes paid in the State where the financial investments are held are creditable.

### **Tax Monitoring Obligations**

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended by Law No. 97 of 6 August 2013 and subsequently amended by Law No. 50 of 28 March 2014, individuals, non-profit entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy who hold investments abroad or have financial activities abroad must, in certain circumstances, disclose the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, on the condition that the items of income derived from the Notes have been subject to tax by the same intermediaries and with respect to foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a €15,000 threshold throughout the year.

### **EU SAVINGS TAX DIRECTIVE**

Under EU Savings Tax Directive, 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 person (within the meaning of the EU Savings Tax Directive) within its jurisdiction to, or collected by such a person (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 is instead required to apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full 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, 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.

On 24 March 2014, the Council of the European Union formally adopted the Amending Directive thus broadening the scope of the requirements described above. Member States are required to implement national legislation giving effect to these changes by 1 January 2016. That domestic legislation must be applied from 1 January 2017. The changes made under the Amending Directive include extending the scope of the EU Savings Tax Directive to payments made to, or collected for, certain other entities and legal arrangements. They also broaden the definition of "interest payment" to cover income that is equivalent to interest.

However, the European Commission has proposed the repeal of the EU Savings Tax Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Tax Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

### **Implementation in Italy of the EU Savings Tax Directive**

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April, 2005 ("**Decree No. 84**"). Under Decree No. 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 not apply the withholding tax and shall report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner. Please refer to paragraph "EU Savings Tax Directive" above.

Either payments of interest on the Notes or the realisation of the accrued interest through the sale of the Notes would constitute "payments of interest" under Article 6 of the Directive and, as far as Italy is concerned, Article 2 of Decree No. 84. Accordingly, such payment of interest arising out of the Notes would fall within the scope of the Directive being the Notes issued after 1 March 2001.

Noteholders who are individuals and receive Interest on the Notes should note that additional amounts which, at present, may become due as described in Condition 8 (*Taxation*) of the Terms and Conditions of the Notes above should not be due in respect of withholding tax imposed under or pursuant to the Directive, or any law implementing or complying with, or introduced in order to conform to the Directive.

### **IRELAND**

*The following is a summary based on the laws and practices currently in force in Ireland of certain matters regarding the tax position of investors who are the absolute beneficial owners of the Notes. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, including dealers in securities and trusts. The summary does not constitute tax or legal advice and the comments below are of a general nature only and it does not discuss all aspects of Irish taxation that may be relevant to any particular holder of Notes. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of payments thereon under the laws of their country of residence, citizenship or domicile.*

## **Withholding tax**

Tax at the standard rate of income tax (currently 20%) required to be withheld from payments of Irish source interest. The Issuer will not be obliged to withhold Irish income tax from payments of interest on the Notes so long as such payments do not constitute Irish source income. Interest paid on the Notes may be treated as having an Irish source if:

- (i) the Issuer is resident in Ireland for tax purposes; or
- (ii) the Issuer has a branch or permanent establishment in Ireland, the assets or income of which are used to fund the payments on the Notes; or
- (iii) the Issuer is not resident in Ireland for tax purposes but the register for the Notes is maintained in Ireland or (if the Notes are in bearer form) the Notes are physically held in Ireland.

It is anticipated that, (i) the Issuer is not and will not be resident in Ireland for tax purposes; (ii) the Issuer does not and will not have a branch or permanent establishment in Ireland; and (iii) bearer Notes will not be physically located in Ireland and the Issuer will not maintain a register of any registered Notes in Ireland.

## **Encashment tax**

In certain circumstances, Irish tax will be required to be withheld at the standard rate of income tax (currently 20%) on any interest, dividends or annual payments payable out of or in respect of the stocks, funds, shares or securities of a company not resident in Ireland, where such interest, dividends or annual payments are collected or realised by a bank or encashment agent in Ireland for payment to any person who is Irish resident.

Encashment tax will not apply where the holder of the Notes is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

## **Taxation of receipts**

Notwithstanding that a Noteholder may receive payments of interest, premium or discount on the Notes free of Irish withholding tax, the Noteholder may still be liable to pay Irish income or corporation tax (and in the case of individuals, the universal social charge) on such interest if (i) such interest has an Irish source, (ii) the Noteholder is resident or (in the case of a person other than a body corporate) ordinarily resident in Ireland for tax purposes (in which case there may also be a social insurance (PRSI) liability for an individual in receipt of interest on the Notes), or (iii) the Notes are attributed to a branch or agency of the Noteholder in Ireland. Ireland operates a self-assessment system in respect of income and corporation tax, and each person must assess its own liability to Irish tax.

Relief from Irish income tax may be available under the specific provisions of a double taxation agreement between Ireland and the country of residence of the recipient.

## **Capital gains tax**

A Noteholder will be subject to Irish tax on capital gains realised on a disposal of Notes unless such holder is neither resident nor ordinarily resident in Ireland and the Notes were not used in or for the

purposes of a trade carried on by the Noteholder in Ireland through a branch or agency and were not used or held or acquired for the purposes of such a branch or agency.

### **Capital acquisitions tax**

A gift or inheritance comprising of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs is currently levied at 33%) if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland. A foreign domiciled individual will not be regarded as being resident or ordinarily resident in Ireland at the date of the gift or inheritance unless that individual (i) has been resident in Ireland for the five consecutive tax years immediately preceding the tax year in which the gift or inheritance is taken, and (ii) is either resident or ordinarily resident in Ireland on that date.

Bearer notes are generally regarded as situated where they are physically located at any particular time. Notes in registered form are regarded as property situate in Ireland if the register of the Notes is in Ireland. The Notes may, however, be regarded as situated in Ireland regardless of their physical location if they secure a debt due by an Irish resident debtor and/or are secured over Irish property. Accordingly, if Irish situate Notes are comprised in a gift or inheritance, the gift or inheritance may be within the charge to tax regardless of the residence status of the disponent or the donee/successor.

### **Stamp duty on transfer of Notes**

As the Issuer is not registered in Ireland, stamp duty will not arise on any document effecting a transfer of the Notes so long as the instrument of transfer of Notes does not relate to:

- (i) any immovable property situated in Ireland or any right over or interest in such property; or
- (ii) any stocks or marketable notes of a company which is registered in Ireland (other than a company which is (a) an investment undertaking within the meaning of section 739B of the Taxes Consolidation Act, 1997 (TCA) or (b) a qualifying company within the meaning of section 110 of the TCA).



## SUBSCRIPTION AND SALE

Société Générale (the "**Sole Lead Manager and Sole Structuring Advisor**") and Banca Profilo S.p.A. (the "**Co Lead Manager**" and, together with the Sole Lead Manager and Sole Structuring Advisor, the "**Managers**") have, in a subscription agreement dated 28 July 2015 (the "**Subscription Agreement**") and made between the Issuer and the Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to procure subscription and failing which to subscribe for the Notes at their issue price of 100 per cent. of their aggregate nominal amount less combined commissions to be paid by the Issuer as set forth in the Subscription Agreement. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Managers are entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

### United States of America

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

The Managers have agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the issue date of the Notes, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Managers have represented, warranted and agreed with the Issuer that:

(a) except to the extent permitted under U.S. Treasury Regulation §1.163-5(c)(2)(i)(D) (the D Rules):

(i) it has not offered or sold, and during the 40 day restricted period will not offer or sell, Notes in bearer form to a person who is within the United States or its possessions or to a United States person; and

(ii) it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes in bearer form that are sold during the restricted period;

(b) it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes in bearer form are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;

(c) if it is a United States person, (i) it is acquiring the Notes in bearer form for the purposes of resale in connection with their original issue and (ii) if it retains Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treasury Regulation §1.163-5(c)(2)(i)(D)(6); and

(d) with respect to each Affiliate (as defined in Rule 405 of the Securities Act) of the Managers that acquires Notes in bearer form from the Managers for the purpose of offering or selling such Notes during the restricted period, the Managers undertake to the Issuer that they will either (i) repeat and confirm the representations and agreements contained in sub-paragraphs (a), (b) and (c) above on its behalf or (ii) obtain from such affiliate for the benefit of the Issuer the representations and undertakings contained in sub-paragraphs (a), (b) and (c) above.

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Managers have acknowledged that the Notes will be represented upon issuance by the Temporary Global Note which is not exchangeable for definitive Notes until the expiration of the 40-day distribution compliance period and, for persons other than distributors, until certification of beneficial ownership of the Notes by a non-U.S. person or a U.S. person who purchased the Notes in a transaction that did not require registration under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

#### **Public offer selling restriction under the Prospectus Directive**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Managers have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall require the Issuer or the Managers to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of the Notes to the public in relation to any of the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

## United Kingdom

Each of the Managers has represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA") received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## Republic of Italy

The offering of the Notes has not been registered with the Commissione Nazionale per le Società e la Borsa ("**CONSOB**") pursuant to Italian securities legislation and, accordingly, each of the Managers has represented and agreed that no Notes may be offered, sold or delivered nor may copies of the Prospectus or any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (investitori qualificati) as defined under Article 100 of the Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**"), as implemented by Article 34-ter, first paragraph, letter b) of Commissione Nazionale per le Società e la Borsa ("**CONSOB**") Regulation No. 11971 of 14 May 1999, as amended ("Regulation No. 11971") and by Article 26, paragraph 1(d) of CONSOB Regulation No. 16190 of 29 October 2007, as amended ("**CONSOB Regulation No. 16190**"); or
- (b) in other circumstances where an exemption from the rules governing public offers of securities applies, pursuant to Article 100 of Financial Services Act and Article 34-ter, first paragraph of CONSOB Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of this Prospectus or any other document relating to the Notes in the Republic of Italy in compliance with the selling restrictions under (a) and (b) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Financial Services Act, CONSOB Regulation No. 16190 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time); and
- (b) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

## Switzerland

Any offering of the Notes may only be made in or from Switzerland to Qualified Investors pursuant to Article 10 Paragraphs 3, 3bis, 3ter and 4 of the Swiss Federal Collective Investment Schemes Act ("**CISA**") and the related Ordinance.

## France

Each of the Managers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*.

## **General**

No action has been or will be taken in any jurisdiction by the Issuer or the Managers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

## **GENERAL INFORMATION**

### **Approval, Listing and Admission to Trading**

The Central Bank of Ireland has approved this Prospectus as a prospectus for the purposes of the Prospectus Directive. Application has also been made for the Notes to be listed on the Official List of the Irish Stock Exchange and admitted to trading on the regulated market of the Irish Stock Exchange.

### **Authorisations**

The issuance of the Notes was approved by resolution of the board of directors of the Issuer dated 30 June 2015, and has been authorised by IVASS.

### **Clearing of the Notes**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi, Albert I, B-1210 Brussels, Belgium and the address of Clearstream is 42 Avenue J.F. Kennedy, L-1855 Luxembourg. The common code of the Notes is 126859325 and the ISIN code is XS1268593255.

### **Legal and Arbitration Proceedings**

Save as disclosed in the section "Description of the Group – Pending litigation" of this Prospectus, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

### **No significant change**

Save as disclosed in the section "Description of the Group - Recent Developments" of this Prospectus, since 31 December 2014 there has been no significant change in the financial or trading position of the Issuer and the Group.

### **Material adverse change**

Save as disclosed in the section "Description of the Group - Recent Developments" of this Prospectus, there has been no material adverse change in the prospects of the Issuer and the Group since 31 December 2014.

### **Material Contracts**

As at the date of this Prospectus, neither the Issuer nor any of its Subsidiaries has entered into any contracts outside the ordinary course of business that have been or may be reasonably expected to be material to the Issuer's ability to meet its obligations to Noteholders.

### **Change in control**

There are no arrangements known to the Issuer the operation of which may result in a change of control of the Issuer.

### **Expenses related to admission to trading**

The total expenses in relation to the admission to trading are estimated by the Issuer to be € 6,790.

## **U.S. tax**

The Notes and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

## **Documents available for inspection**

For so long as any Notes shall be outstanding, copies and, where appropriate, English translations of the following documents in electronic format may be inspected during normal business hours at the specified office of the Fiscal Agent, namely:

- (a) the Agency Agreement;
- (b) the Deed of Covenant;
- (c) the by-laws (*Statuto*) of the Issuer (with an English translation thereof);
- (d) a copy of this Prospectus (including any supplement to this Prospectus); and
- (e) the most recent publicly available annual consolidated financial statements of the Issuer, beginning with the consolidated financial statements as at and for the years ended 31 December 2014 and 2013 (together with English translations).

In addition, copies of this Prospectus and each document incorporated by reference herein are available on the Issuer's website at [www.gruppoitas.it](http://www.gruppoitas.it).

## **Auditors**

The auditors of the Issuer are Reconta Ernst & Young S.p.A., who have audited the Issuer's consolidated financial statements, without qualification, in accordance with International Financial Reporting Standards ("**IFRS**") as adopted by the European Union for the financial year ended on 31 December 2014 and the financial year ended on 31 December 2013.

Reconta Ernst & Young S.p.A. is authorised and regulated by the Italian Ministry of Economy and Finance ("**MEF**") and registered on the special register of auditing firms maintained by the MEF. The registered office of Reconta Ernst & Young S.p.A. is at Via Po 32, 00198, Rome, Italy. Reconta Ernst & Young S.p.A., is a member of Assirevi, the Italian professional association of auditors.

The auditors of the Issuer have no material interest in the Issuer.

## **Potential Conflicts of Interest**

The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may have performed (or may in the future perform) services for, or may have provided (or may in the future provide) financing to, the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates or any entity related to the Notes. The Managers and their affiliates that have a lending relationship with the Issuer or the Issuer's affiliates routinely hedge their credit exposure to the Issuer or the Issuer's affiliates consistent with their

customary risk management policies. Typically, the Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. In particular the Managers shall receive certain commissions for the services rendered under the Subscription Agreement. The Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the avoidance of doubt, the term "affiliate" includes also parent companies.

### **Yield**

The yield on the Notes will be 6.000 per cent. calculated on an annual basis on the basis of the issue price of the Notes of 100 per cent.

### **Post-issuance information**

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

**REGISTERED OFFICE OF THE ISSUER**

**ITAS Mutua**  
Piazza delle Donne Lavoratrici, 2  
38122 Trento  
Italy

**SOLE LEAD MANAGER  
AND SOLE STRUCTURING  
ADVISOR**

**Société Générale**  
29 Boulevard Haussmann  
75009  
Paris  
France

**CO LEAD MANAGER**

Banca Profilo S.p.A.  
Via Cerva 28  
20122 Milan  
Italy

**FISCAL AGENT, PAYING AGENT AND CALCULATION AGENT**

**Citibank, N.A. London Branch**  
Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
United Kingdom

**LEGAL ADVISERS**

*To the Issuer as to English and Italian Law:*

**White & Case LLP Piazza Diaz 1**  
20123 Milan  
Italy

*To the Managers as to English and Italian Law:*

**Clifford Chance Studio Legale Associato**  
Piazzetta M. Bossi 3  
20121 Milan  
Italy



**AUDITORS**

**Reconta Ernst & Young S.p.A.**

32, Via Po  
00198 Rome  
Italy

**IRISH LISTING AGENT**

**Arthur Cox Listing Services Limited**

Earlsfort Centre  
Earlsfort Terrace  
Dublin 2