

## Federal Income Tax Consequences

The following is a general summary of the United States federal income tax consequences to participants and Duke Energy relating to awards that may be granted under the 2015 Plan. This summary is not intended to be complete and does not describe state, local, foreign or other tax consequences.

*Options.* A participant will not recognize income upon the grant of a nonqualified stock option to purchase shares of common stock. Upon exercise of the option, the participant will recognize ordinary compensation income equal to the excess of the fair market value of the shares of common stock on the date the option is exercised over the exercise price for such shares. A participant will not recognize income upon the grant of an incentive stock option to purchase shares of common stock and will not recognize income upon exercise of the option, provided the participant was an employee of Duke Energy or a subsidiary at all times from the date of grant until three months prior to exercise. Where a participant who has exercised an incentive stock option sells the shares of common stock acquired upon exercise more than two years after the grant date and more than one year after exercise, capital gain or loss will be recognized equal to the difference between the sales price and the exercise price. A participant who sells such shares of common stock within two years after the grant date or within one year after exercise will recognize ordinary compensation income in an amount equal to the lesser of the difference between (i) the exercise price and the fair market value of such shares on the date of exercise or (ii) the exercise price and the sales proceeds. Any remaining gain or loss will be treated as a capital gain or loss.

*Stock Appreciation Rights.* No taxable income is recognized by a participant upon the grant of a stock appreciation right under the 2015 Plan. Upon the exercise of a stock appreciation right, the participant will realize ordinary income in an amount equal to the fair market value of the shares of Duke Energy common stock received and the amount of cash received. Shares of Duke Energy Common stock received upon the exercise of a stock appreciation right will, upon subsequent sale, be eligible for capital gains treatment, with the capital gains holding period commencing on the date of exercise of the stock appreciation right.

*Restricted Stock.* A participant who is granted restricted stock generally will be subject to tax at ordinary income rates on the fair market value of the restricted stock (reduced by any amount paid by the participant) at the time that the shares are no longer subject to a risk of forfeiture or restrictions on transfer for purposes of Section 83 of the Internal Revenue Code. However, a participant who makes a "Section 83(b) election" within 30 days of the date of grant of the restricted stock will have taxable ordinary income on the date of grant equal to the excess of the fair market value of the Duke Energy common stock on the date of grant (determined without regard to the risk of the forfeiture or restrictions on transfer) over any purchase

price paid for the Duke Energy common stock. If a Section 83(b) election has not been made, any dividends received with respect to restricted stock that are subject at that time to a risk of forfeiture and restrictions on transfer generally will be treated as additional compensation income and not as dividend income.

*Performance Awards.* Generally, no income will be recognized upon the grant of performance awards. Upon payment in respect of the performance award, the participant generally will be required to include as taxable ordinary income in the year of receipt an amount equal to the amount of cash received and the fair market value of any unrestricted Duke Energy common stock received, and the capital gains/loss holding period for any such shares will also commence on the date such shares are received.

*Restricted Stock Units.* Generally, no income will be recognized upon the award of restricted stock units. A participant who is granted restricted stock units generally will be subject to tax at ordinary income rates on the amount of cash received and the fair market value of any unrestricted Duke Energy common stock at the time of payment of the award, and the capital gains/loss holding period for any such shares will also commence on such date.

*Stock Retainers.* Stock retainers are generally subject to tax, as ordinary compensation income, on the date of grant.

*Section 409A of the Internal Revenue Code.* Section 409A of the Internal Revenue Code ("Section 409A") imposes certain restrictions upon "nonqualified deferred compensation" (as that term is defined pursuant to Section 409A and the applicable Treasury regulations). It is intended that Awards granted under the 2015 Plan will be either exempt from, or comply with, the requirements of Section 409A. However, Duke Energy does not warrant that any Award under the 2015 Plan will qualify for favorable tax treatment under Section 409A or any other provision of federal, state, local or non-United States law.

*Certain Tax Consequences to Duke Energy.* To the extent that a participant recognizes ordinary income in the circumstances described above, Duke Energy generally will be entitled to a corresponding deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an "excess parachute payment" within the meaning of Section 280G of the Internal Revenue Code and is not disallowed by the \$1 million limitation under Section 162(m).

## Registration with the SEC

Duke Energy intends to file a Registration Statement on Form S-8 relating to the issuance of shares of common stock under the 2015 Plan with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, after approval of the 2015 Plan by Duke Energy's shareholders.