

*Final Terms dated 3 November 2009*

**NORDEA BANK AB (PUBL)**

Issue of

Up to €750,000,000 Floating Rate Notes with Minimum and Maximum Rate due December 2014

Issued under the

€20,000,000,000 Euro Medium Term Note Programme

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer of the Notes may only do so in:

(i) circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or

(ii) the Public Offer Jurisdiction mentioned in Paragraph 40 of Part A below, provided such person is one of the persons mentioned in Paragraph 40 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.

**PART A – CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the base prospectus dated 29 May 2009 and the base prospectus supplements dated 23 July 2009, 10 September 2009 and 28 October 2009 which together constitute a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus as so supplemented. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus as so supplemented. The Base Prospectus and the base prospectus supplements are available for viewing during normal business hours at, and copies may be obtained from, the principal office of the Issuer, Smålandsgatan 17, SE-105 71 Stockholm, Sweden.

1. Issuer: Nordea Bank AB (publ)
2. (i) Series Number: 126  
(ii) Tranche Number: 1
3. Specified Currency or Euro ("**EUR**")  
Currencies:
4. Aggregate Nominal Amount:  
(i) Series: Up to EUR 750,000,000

(ii) Tranche: Up to EUR 750,000,000

The Aggregate Nominal Amount will not exceed EUR 750,000,000 and will be determined at the end of the Offer Period (as defined in item 40 below) and such final amount will be filed with the competent authority and published on the website of the London Stock Exchange pursuant to Articles 8 and 14(2) of the Prospectus Directive.

5. Issue Price: 100 per cent. of the Tranche

6. (i) Specified Denominations: EUR 1,000

(ii) Calculation Amount: EUR 1,000

7. (i) Issue Date: 1 December 2009

(ii) Interest Commencement Date: Issue Date

8. Maturity Date: 1 December 2014 or, where such day is not a Business Day, the next following Business Day, irrespective of such next following Business Day falling into the next calendar month

9. Interest Basis: Floating Rate

6 month EURIBOR, subject to a Minimum Rate of Interest and a Maximum Rate of Interest

(further particulars specified below)

10. Redemption/Payment Basis: Redemption at par

11. Change of Interest or Redemption/ Payment Basis: Not Applicable

12. Put/Call Options: Not Applicable

13. Status of the Notes: Unsubordinated

14. Method of distribution: Non-syndicated.

(see for further details Paragraph 40 below)

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. **Fixed Rate Note Provisions**      Not Applicable
16. **Floating Rate Note Provisions**      Applicable
- (i) Specified Period(s)/Specified Interest Payment Dates: 1 December in each year commencing on 1 December 2010 up to the Maturity Date, subject to adjustment in accordance with the Business Day Convention specified below under 16 (ii).
  - (ii) Business Day Convention: Following Business Day Convention (i.e. where any Interest Payment Date would otherwise fall on a date which is not a Business Day, it shall be postponed to the next following Business Day irrespective of such next following Business Day falling into the next calendar month)
  - (iii) Any relevant modification to the definition of Business Day for the purposes of Condition 9(6)(c)(i): Business Day means a TARGET Settlement Day
  - (iv) Manner in which the Rate(s) of Interest is/are to be determined: Screen Rate Determination
  - (v) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent): Banca IMI S.p.A.  
P. Giordano dell'Amore 3  
20121 Milan
  - (vi) Screen Rate Determination: Applicable
    - Reference Rate: 6 month EURIBOR
    - Interest Determination Date(s): The second TARGET Settlement Day before the first day of the relevant Interest Period
    - Relevant Screen Page: Reuters page EURIBOR01
  - (vii) ISDA Determination: Not Applicable
  - (viii) Margin(s): Not Applicable

(ix) Minimum Rate of 2.50 per cent. per annum  
Interest:

In the event that the Rate of Interest in respect of any Interest Period as determined in accordance with Condition 4(2) is less than the Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be the Minimum Rate of Interest

(x) Maximum Rate of 4.00 per cent. per annum  
Interest:

In the event that the Rate of Interest in respect of any Interest Period as determined in accordance with Condition 4(2) is higher than the Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be the Maximum Rate of Interest

(xi) Day Count Fraction: 30/360

(xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: The amount of interest in respect of each Interest Period shall be calculated by applying the Rate of Interest (subject to the Minimum Rate of Interest and the Maximum Rate of Interest specified above) to the Calculation Amount, multiplying the product by the Day Count Fraction and provided that no adjustment will be made to the interest amounts for any postponement of the Interest Payment Dates in accordance with the Business Day Convention specified under 16(ii).

17. **Zero Coupon Note Provision** Not Applicable

18. **Index-Linked Note/other variable-linked interest Note Provisions** Not Applicable

19. **Dual Currency Note Provisions** Not Applicable

20. **Undated Subordinated Notes:** Not Applicable

21. **Optional Suspension of interest:** Not Applicable

#### **PROVISIONS RELATING TO REDEMPTION**

22. **Call Option** Not Applicable

23. **Put Option** Not Applicable

24. **Final Redemption Amount** EUR 1,000 per Calculation Amount

25. **Early Redemption Amount** In accordance with Conditions

Early Redemption Amount(s) As set out in Conditions per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption (i.e. as a result of, in the case of Subordinated Notes only, a Capital Event and in the case of Undated Subordinated Notes or Capital Contribution Securities, an Accounting Event or a Tax Event) and/or the method of calculating the same (if required or if different from that set out in the Conditions):

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

26. Form of Notes: Bearer Notes:

Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.

27. New Global Note: Yes

28. Additional cities for the purposes of the definition of Relevant Financial Centre or other special provisions relating to payment dates: Not Applicable

29. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): No

30. Details relating to Partly Paid Notes: amount of such payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit Not Applicable

the Notes and interest due on late payment:

31. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: Not Applicable
32. Redenomination, renominatisation and reconventioning provisions: Not Applicable
33. Consolidation provisions: Not Applicable
34. Other final terms: Not Applicable

## DISTRIBUTION

35. (i) If syndicated, names and addresses of Managers and underwriting commitments: Not Applicable
- (ii) Date of Subscription Agreement: Not Applicable
- (iii) Stabilising Manager(s) (if any): Not Applicable
36. If non-syndicated, name and address of Dealer: See paragraph 40 below
37. Total commission and concession: 2.10 per cent. of the Aggregate Nominal Amount to be paid to the Managers on the Issue Date.  
0.477 per cent. of the Aggregate Nominal Amount to be paid to the Lead Manager on the Issue Date.
38. Additional selling restrictions: Not Applicable
39. U.S. Selling Restrictions: Reg. S Compliance Category 2- TEFRA D
40. Non-exempt Offer: An offer of the Notes may be made through the Managers (as defined below) other than pursuant to Article 3(2) of the Prospectus Directive in the Republic of Italy (**Public Offer Jurisdiction**) from 5 November 2009 to and including 26 November 2009 (the **Offer**

Period), subject as provided below.

The following entities have agreed to place the Notes on a "best efforts" basis:

- **Intesa Sanpaolo S.p.A.** with registered office at Piazza San Carlo 156, 10121 Torino; website: [www.group.intesasnpaolo.com](http://www.group.intesasnpaolo.com)
- **Banca CR Firenze S.p.A.** with registered office at Via Bufalini 6, 50122 Firenze; website: [www.bancacrfirenze.it](http://www.bancacrfirenze.it)
- **Banca dell'Adriatico S.p.A.** with registered office at Via Gagarin, 216 - 61100 Pesaro; website: [www.bancadelladriatico.it](http://www.bancadelladriatico.it)
- **Banca di Trento e Bolzano S.p.A.** with registered office at Via Mantova, 19 - 38100 Trento; website: [www.btbonline.it](http://www.btbonline.it)
- **Banca di Credito Sardo S.p.A.** with registered office at Viale Bonaria - 09125 Cagliari; website: [www.bancadicreditosardo.it](http://www.bancadicreditosardo.it)
- **Banca Prossima S.p.A.** with registered office at Via Monte di Pietà, 8 - 20121 Milano ; website: [www.bancaprossima.com](http://www.bancaprossima.com)
- **Banco di Napoli S.p.A.** with registered office at Via Toledo, 177 - 80132 Napoli; website: [www.bancodinapoli.it](http://www.bancodinapoli.it)
- **Cassa dei Risparmi di Forlì e della Romagna S.p.A.** with registered office at Corso della Repubblica, 14 - 47100 Forlì; website: [www.cariromagna.it](http://www.cariromagna.it)
- **Cassa di Risparmio del Friuli Venezia Giulia S.p.A.** with registered office at Corso Verdi, 104 - 34170 Gorizia; website: [www.carifvg.it](http://www.carifvg.it)
- **Cassa di Risparmio del Veneto S.p.A.** with registered office at Corso Garibaldi, 22/26 - 35122 Padova; website: [www.crveneto.it](http://www.crveneto.it)
- **Cassa di Risparmio della Provincia di Viterbo S.p.A.** with registered office at Viterbo – Via Mazzini , 129; website: [www.carivit.it](http://www.carivit.it)
- **Cassa di Risparmio della Spezia S.p.A.** with registered office at Corso Cavour, 86 - 19121 La Spezia; website: [www.carispe.it](http://www.carispe.it)
- **Cassa di Risparmio di Ascoli Piceno S.p.A.** with registered office at C.so Mazzini, 190 - 63100 Ascoli Piceno; website: [www.carisap.it](http://www.carisap.it)
- **Cassa di Risparmio di Città di Castello S.p.A.**

with registered office at Piazza Matteotti, 1 - 06012 Città di Castello (PG); website: [www.caricast.it](http://www.caricast.it)

- **Cassa di Risparmio di Civitavecchia S.p.A.** with registered office at Corso Centocelle, 42 - 00053 Civitavecchia; website: [www.cariciv.it](http://www.cariciv.it)
- **Cassa di Risparmio di Foligno S.p.A.** with registered office at Corso Cavour, 36 - 06034 Foligno (PG); website: [www.carifol.it](http://www.carifol.it)
- **Cassa di Risparmio di Pistoia e Pescia S.p.A.** with registered office at Via Roma, 3 - 51100 Pistoia – website: [www.caript.it](http://www.caript.it)
- **Cassa di Risparmio di Rieti S.p.A.** with registered office at Rieti, Via Garibaldi n. 262; website: [www.cariri.it](http://www.cariri.it)
- **Cassa di Risparmio di Spoleto S.p.A.** with registered office at Spoleto, Via Felice Cavallotti, 6; website: [www.carispo.it](http://www.carispo.it)
- **Cassa di Risparmio di Terni e Narni S.p.A.** with registered office at Terni, Corso Tacito, 49; website: [www.carit.it](http://www.carit.it)
- **Cassa di Risparmio di Venezia S.p.A.** with registered office at San Marco, 4216 - 30124 Venezia; website: [www.carive.it](http://www.carive.it)
- **Cassa di Risparmio in Bologna S.p.A.** with registered office at via Farini, 22 - 40124 Bologna; website: [www.carisbo.it](http://www.carisbo.it)

(the **Managers**).

Banca IMI S.p.A., with registered office at Piazzetta G. Dell'Amore 3, 20121 Milan will act as lead manager of the placement syndicate (*Responsabile del Collocamento* as defined under article 93-bis of the Legislative Decree of 24 February 1998, n. 58, as subsequently amended (the "**Financial Services Act**") (the "**Lead Manager**") but will not act as Manager and, accordingly, will not place any Notes to the public in Italy.

The Notes are being offered to the public in Italy pursuant to Articles 17 and 18 of the Prospectus Directive and the implementing provisions in Italy.

The Lead Manager reserves the right, in its discretion – having previously informed the Issuer – to close the Offer Period early, also in circumstances where purchases of Notes are not yet equal to the maximum Aggregate Nominal Amount. Notice of the early closure



of the offer period will be given by the Lead Manager by publication on the website of the Lead Manager and the Managers. Early closure of the offer will be effective the first TARGET Settlement Day following publication.

The Lead Manager reserves the right, in its discretion – having previously informed the Issuer – to revoke or withdraw the Offer and the issue of the Notes at any time prior to the Issue Date. Notice of revocation/withdrawal of the Offer will be given by the Lead Manager by publication on the website of the Lead Manager and the Managers. Upon revocation/withdrawal of the Offer, all subscription applications will become void and of no effect, without further notice.

See further Paragraph 10 of Part B below.

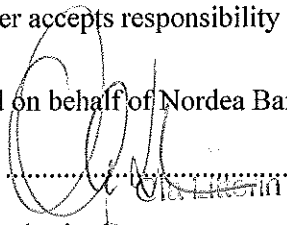
#### **PURPOSE OF FINAL TERMS**

These Final Terms comprise the final terms required for issue and admission to trading on the Regulated Market of the London Stock Exchange of the Notes described herein pursuant to the €20,000,000,000 Euro Medium Term Programme of Nordea Bank AB (publ).

#### **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms.

Signed on behalf of Nordea Bank AB (publ):

By:  Ola Linder

Duly authorised

Date: 3 November 2009

By:  Michael Persson

Duly authorised

Date: 3 November 2009

## **PART B – OTHER INFORMATION**

### **1. LISTING**

- (i) Listing: Application has been made for the Notes to be listed on the Official List of the FSA
- (ii) Admission to Trading: Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's Regulated Market with effect from 1 December 2009.

### **2. RATINGS**

Ratings: The issuance of Notes itself has not been rated

The following ratings reflect the ratings allocated to Notes of the type being issued under the Issuer's EUR 20,000,000,000 Euro Medium Term Note Programme generally.

S & P: AA-

Moody's: Aa2

Fitch: AA-

DBRS: AA

### **3. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer: For general banking and other corporate purposes of the Nordea Group

(ii) Estimated net proceeds: Up to EUR 730,672,500 .

For the avoidance of doubt, the estimated net proceeds reflect the proceeds to be received by the Issuer on the Issue Date.

(iii) Estimated total expenses: Up to EUR 3,250

### **4. HISTORIC INTEREST RATES**

Details of historic EURIBOR rates can be obtained from Reuters at page EURIBOR01.

5. **OPERATIONAL  
INFORMATION**

ISIN Code: XS0464440279

Common Code: 046444027

CUSIP: Not Applicable

New Global Note intended Yes

to be held in a manner  
which would allow  
Eurosystem eligibility:

Note that the designation "Yes" simply means that the Notes are intended upon issue to be deposited with Euroclear or Clearstream, Luxembourg as common safe-keeper and does not necessarily mean that the Notes will 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 satisfactions of the Eurosystem eligibility criteria.

Any clearing system(s) Not Applicable  
other than Euroclear,  
Clearstream, Luxembourg  
and DTC and the relevant  
identification number(s):

Delivery: Delivery against payment

The Notes will be issued on the Issue Date against payment by the Managers, via the Lead Manager, to the Issuer of the subscription moneys.

Name(s) and address(es) Citibank N.A  
of initial Paying  
Agents(s):

Name(s) and address(es) Not Applicable  
of additional Paying  
Agents(s) (if any):

10. **TERMS AND CONDITIONS OF THE OFFER**

Offer Price: The Notes will be offered at the Issue Price (of which, as described at Paragraph 37 of Part A above, 2.10 per cent. is represented by commissions to be paid to the Managers and 0.477 per cent is represented by commissions to be paid to the Lead Manager on the Issue Date. Investors should take into consideration that if the Notes are sold on

the secondary market immediately after the Offer Period, the above mentioned commissions included in the Offer Price are not taken into consideration in determining the price at which such Notes may be sold in the secondary market.)

Conditions to which the offer is subject: The Offer of the Notes is conditional upon their issue.

Description of the application process:

During the Offer Period, prospective investors may subscribe the Notes during normal Italian banking hours at the offices (*filiali*) of the Managers by filling in, duly executing (also by appropriate attorneys) and delivering a specific acceptance form (the "**Acceptance Form**") (*Scheda di Adesione*). Prospective investors will not be required to enter into any contractual arrangements directly with the Issuer related to the subscription for the Notes.

The Acceptance Form is available at each Managers' office.

There is no limit to the number of subscription applications which may be filled in and delivered by the same prospective investor with the same or different Manager.

The subscription requests can be revoked by the potential investors through a specific request made at the offices of the Manager which has received the relevant subscription forms within the last day of the Offer Period or, if earlier, prior to the early closure of the Offer Period.

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:

Not Applicable

Details of the minimum and/or maximum amount of application:

The Notes may be subscribed in a minimum lot of no. one (1) Note (the "**Minimum Lot**") or an integral number of Notes higher than the Minimum Lot and being an integral multiple of 1. There is no maximum amount of application within the maximum Aggregate Nominal Amount of EUR750,000,000.

Details of method and time limits for paying up and

The Notes will be made available on a delivery versus

delivering the Notes: payment basis.

Each investor will be notified by the relevant Manager of the settlement arrangements in respect of the Notes at the time of such investor's application.

The Issuer estimates that the Notes will be delivered to the purchaser's respective book-entry securities accounts on or around the Issue Date.

Manner and date in which results of the offer are to be made public: Not later than 5 days on which the TARGET2 System is open following the closing of the Offer Period, the Lead Manager will notify the public of the results of the offer through a notice published on the website of the Lead Manager and the Managers.

Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: Not Applicable

Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries: The Notes will be offered only to the public in Italy. Qualified investors, as defined in Article 2 (i) (e) of the Prospectus Directive 2003/71/EC, are not allowed to subscribe any Notes.

Process for notification to applicants of the amount allotted and the indication whether dealing may be made before notification is made:

Each Manager shall notify applicants with amounts allotted.

Subscription applications will be satisfied until reaching the maximum Aggregate Nominal Amount of EUR750,000,000; thereafter Managers will immediately suspend receipt of further subscription applications and the Offer Period will be closed early accordingly to the procedure described in paragraph 40 of Part A above.

Upon the close of the Offer Period, in the event that, notwithstanding the above, the aggregate amount of Notes requested to be subscribed exceed the aggregate nominal amount of the Notes, the Lead Manager will allot the Notes in accordance with allotment criteria so to assure equal treatment amongst all potential subscribers thereof.

Dealings in the Notes may not commence before the Issue Date

Amount of any expenses and taxes specifically charged to the subscriber or purchaser:

In respect of the offer price (which embeds the commissions perceived by the Lead Manager and the Managers), see "Offer Price" above.

No expenses and duties will be charged by the Issuer to the subscribers of the Notes.

In respect of the tax regime applicable to investors in Italy, see Schedule 1 attached hereto. Taxes charged in connection with the subscription, transfer, purchase or holding of Notes must be paid by the relevant investor and the Issuer shall not have any obligation in relation thereto. Investors should consult their professional tax advisers to determine the tax regime applicable to their particular situation.

Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:

See Part A, Paragraph 40

## Schedule 1

### ITALIAN TAXATION

*The statements herein regarding taxation are based on the laws in force in Italy as at the date of these Final Terms and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of Notes.*

#### **Tax treatment of the Notes**

Legislative Decree No. 239 of 1 April 1996, as subsequently amended, ("**Decree No. 239**") provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from Notes falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, inter alia, by non-Italian resident issuers.

#### ***Interest, premium and other income***

Where an Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime – see "Capital Gains Tax" below), (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 12.50 per cent. In the event that the Noteholders described under (i) and (iii) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, interest, premium and other income from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation ("**IRES**", levied at the rate of 27.5 per cent.) and, in certain circumstances, depending on the "status" of the Noteholder, also to regional tax on productive activities (**IRAP**, generally levied at the rate of 3.9 per cent, even though regional surcharges up to 0.92 per cent. may apply).

Under the current regime provided by Law Decree No. 351 of 25 September 2001 converted into law with amendments by Law No. 410 of 23 November 2001, as clarified by the Italian Ministry of Economics and Finance through Circular No. 47/E of 8 August 2003, payments of interest in respect of the Notes made to Italian resident real estate investment funds established pursuant to Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 are subject neither to substitute tax nor to any other income tax in the hands of a real estate investment fund. However, Law Decree No. 112 of 25 June 2008, converted with amendments into Law No. 133 of 6 August

2008, has introduced a 1 per cent property tax applying on real estate investment funds' net value, where (i) their units are not expected to be listed on regulated markets and (ii) their equity is less than Euro 400,000,000, if: (a) there are less than 10 unitholders, unless 50 per cent. of the units are held by (i) institutional investors, by (ii) non-Italian resident subjects resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy (the "**White List State**"), by (iii) individuals, companies and entities to which the units are connected and/or by (iv) non-commercial private entities, public entities or social-security institutions, or (b) funds are speculative funds and their units are held during the fiscal year, for more than 2/3, by individuals, among them relatives, trusts or other entities or companies referable to individuals, among them relatives, unless the units are connected to commercial entities or to Italian permanent establishment of foreign entities.

If an investor is resident in Italy and is an open-ended or closed-ended investment fund (the "**Fund**") or a SICAV, and the Notes are held by an authorised intermediary, interest, premium and other income accrued during the holding period on the Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund or SICAV accrued at the end of each tax period, subject to an *ad-hoc* substitute tax applicable at a 12.50 per cent. rate.

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

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *Società di intermediazione mobiliare* ("**SIMs**"), fiduciary companies, *Società di gestione del risparmio* ("**SGRs**"), stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an **Intermediary**).

For the Intermediary to be entitled to apply the *imposta sostitutiva*, it must (i) be (a) resident in Italy or (b) resident outside Italy, with a permanent establishment in Italy or (c) an entity or a company not resident in Italy, acting through a system of centralised administration of securities and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree 239; and (ii) intervene, in any way, in the collection of interest or in the transfer of the Notes. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change of the ownership of the relevant Notes.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any entity paying interest to a Noteholder.

#### *Early Redemption*

Without prejudice to the above provisions, in the event that Notes having an original maturity of at least 18 months are redeemed, in full or in part, prior to 18 months from their issue date, Italian resident Noteholders will be required to pay, by way of a withholding to be applied by the Italian intermediary responsible for payment of interest or the redemption of the Notes, an amount equal to 20 per cent. of the interest and other amounts accrued up to the time of the early redemption.

#### *Non-Italian Resident Noteholders*



No Italian *imposta sostitutiva* is applied on payments to a non-Italian resident Noteholder of interest or premium relating to the Notes provided that, if the Notes are held in Italy, the non-Italian resident Noteholder declares itself to be a non-Italian resident according to Italian tax regulations.

### ***Capital Gains Tax***

Any gain obtained from the sale, early redemption 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 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 effectively connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not holding the Notes in connection with an entrepreneurial activity, any capital gain realised by such Noteholder from the sale, early redemption or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 12.50 per cent. Under some conditions and limitations, Noteholders may set off losses with gains. This rule applies also to certain other entities holding Notes.

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

Under the "tax declaration" regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any offsettable capital loss, realised by the Italian resident individual Noteholder holding Notes not in connection with an entrepreneurial activity pursuant to all sales, early redemption or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding 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 of 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.

As an alternative to the tax declaration regime, Italian resident individual Noteholders holding Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale, early redemption or redemption of Notes (the "*risparmio amministrato*" regime provided for by Article 6 of the Legislative Decree No. 461 of November 21, 1997, as a subsequently amended, "**Decree No. 461**"). 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 valid election for the *risparmio amministrato* regime being punctually 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, early redemption or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale, early redemption or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same Notes management, in the same tax year or in any of the four succeeding tax years. Under the

*risparmio amministrato* regime, a Noteholder is not required to declare the capital gains in its annual tax return.

Any capital gains realised or accrued 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 validly opted for the so-called "*risparmio gestito*" regime (regime provided by Article 7 of Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.50 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, a Noteholder is not required to declare the capital gains realised in its annual tax return.

Any capital gains realised by a Noteholder which is a Fund or a SICAV will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 12.50 per cent. substitute tax.

Any capital gains realised by a Noteholder which is an Italian pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 11 per cent. substitute tax.

#### *Non-Italian Resident Noteholders*

Capital gains realised by non-Italian resident Noteholders from the sale, early redemption or redemption of Notes are not subject to Italian taxation, provided that the relevant Notes (i) are transferred on regulated markets, or (ii) if not transferred on regulated markets, are held outside Italy.

#### **Substitution of the Issuer**

If a Substitution of the Issuer takes place and the Issuer is substituted by an Italian resident entity the taxation of the Notes may become different in some aspects than that described above.

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

Pursuant to Law Decree No. 262 of 3 October 2006, ("**Decree No. 262**"), converted into Law No. 286 of 24 November 2006, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding Euro 1,000,000;
- (ii) transfers in favour of relatives to the fourth degree and relatives-in-law to the third degree, are subject to an inheritance and gift tax applied at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding Euro 100,000; and
- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

#### **Transfer Tax**

Article 37 of Law Decree No 248 of 31 December 2007 ("**Decree No. 248**"), converted into Law No. 31 of 28 February 2008, published on the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax, provided for by Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds are subject to fixed registration tax at rate of EUR 168; (ii) private deeds are subject to registration tax only in case of use or voluntary registration.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC ("**EU Savings Directive**") on the taxation of savings income, Member States, including Belgium from 1 January 2010, are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to impose a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. The European Parliament approved an amended version of this proposal on 24 April 2009. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

### **Implementation in Italy of the EU Savings 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.