

APPLICABLE FINAL TERMS

5 November 2008

DEUTSCHE BANK AG, LONDON BRANCH

Issue of Up to EUR 300,000,000 Zero Coupon Notes due 12 January 2019 under the U.S.\$40,000,000,000 Global Structured 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:

- (i) in 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) in those Public Offer Jurisdictions mentioned in Paragraph 46 of Part A below, provided such person is one of the persons mentioned in Paragraph 46 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 Terms and Conditions set forth in the Base Prospectus dated 1 August, 2008, the First Supplement to the Base Prospectus dated 5 August 2008 and the Second Supplement to the Base Prospectus dated 25 September 2008, which together constitute a 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 the Base Prospectus as 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 supplemented. The Base Prospectus, the First Supplement to the Base Prospectus dated 5 August 2008 and the Second Supplement to the Base Prospectus dated 25 September 2008 are available for viewing at the registered office of the Issuer, the specified offices of the Paying Agents, the offices of the Distributors, and at www.db.com/ir, and copies may be obtained from Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB.

The purchase of Notes involves substantial risks and is suitable only for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Notes. Before making an investment decision, prospective purchasers of Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider carefully, in the light of their own financial circumstances, financial condition and investment objectives, all the information set forth

in the Base Prospectus (including "Risk Factors" on pages 21 to 31 thereof) and these Final Terms.

No person has been authorised to give any information or make any representation not contained in or not consistent with these Final Terms, or any other information supplied in connection with the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Dealer.

By investing in the Notes each investor represents that:

- (a) *Non-Reliance.* It is acting for its own account, and it has made its own independent decisions to invest in the Notes and as to whether the investment in the Notes is appropriate or proper for it based upon its own judgement and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the Issuer or the Dealer as investment advice or as a recommendation to invest in the Notes, it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered to be investment advice or a recommendation to invest in the Notes. No communication (written or oral) received from the Issuer or the Dealer shall be deemed to be an assurance or guarantee as to the expected results of the investment in the Notes.
- (b) *Assessment and Understanding.* It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts the terms and conditions and the risks of the investment in the Notes. It is also capable of assuming, and assumes, the risks of the investment in the Notes.
- (c) *Status of Parties.* Neither the Issuer nor the Dealer is acting as a fiduciary for or adviser to it in respect of the investment in the Notes.

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|----|-----------------------------------|---|
| 1. | Issuer: | Deutsche Bank AG, London Branch (the Offeror) |
| 2. | (i) Series Number: | 3286 |
| | (ii) Tranche Number: | 1 |
| 3. | Specified Currency or Currencies: | Euro ("EUR") |
| 4. | Aggregate Nominal Amount: | |
| | (i) Series: | Up to EUR 300,000,000 |
| | (ii) Tranche: | Up to EUR 300,000,000 |
| 5. | Issue Price of Tranche: | 65.40 per cent of the Aggregate Nominal Amount. |

The secondary market price of the Notes may be different from the Issue Price. The market price may move on an ongoing basis in accordance with the economics of the Notes and market conditions then prevailing.

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| 6. | (i) | Specified Denominations: | EUR1,000 |
| | (ii) | Calculation Amount: | Not Applicable |
| 7. | Issue Date and Interest Commencement Date: | | 12 January 2009 |
| 8. | Maturity Date: | | 12 January 2019 |
| 9. | Interest Basis: | | Zero Coupon (further particulars specified below) |
| 10. | Redemption/Payment Basis: | | Redemption at par |
| 11. | Change of Interest Basis or Redemption/Payment Basis: | | Not Applicable |
| 12. | Put/Call Options: | | Not Applicable |
| 13. | Status of the Notes: | | Senior |
| 14. | Tax Gross-Up: | | Condition 12(b) is applicable |
| 15. | Method of distribution: | | Non-syndicated |

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

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|-----|--|--|-----------------------------|
| 16. | Fixed Rate Note Provisions: | | Not Applicable |
| 17. | Floating Rate Note Provisions: | | Not Applicable |
| 18. | Zero Coupon Note Provisions: | | Applicable |
| | (i) | Accrual Yield: | 4.33793 per cent. per annum |
| | (ii) | Reference Price: | Not Applicable |
| | (iii) | Any other formula/basis of determining amount payable: | Not Applicable |
| | (iv) | Day Count Fraction in relation to Early Redemption Amounts and late payment: | 30/360 |
| 19. | Currency Linked Interest Note Provisions: | | Not Applicable |
| 20. | Commodity Linked Interest Note Provisions: | | Not Applicable |
| 21. | Fund Linked Interest Note Provisions: | | Not Applicable |
| 22. | Index Linked Interest Note Provisions: | | Not Applicable |

23. Equity Linked Interest Note Provisions: Not Applicable

PROVISIONS RELATING TO REDEMPTION

24. Issuer Call: Not Applicable
25. Investor Put: Not Applicable
26. Final Redemption Amount of each Note: 100 per cent of Specified Denomination
27. (i) Early Redemption Amount of each Note payable on redemption for taxation reasons, redemption for illegality or on event of default (or, in the case of Index Linked Redemption Notes, following an Index Adjustment Event in accordance with Condition 9(b)(ii)(y) or, in the case of Equity Linked Redemption Notes, following certain corporate events in accordance with Condition 10 (b)(ii)(B) or, in the case of Credit Linked Notes, following a Merger Event (if applicable)) and/or the method of calculating the same (if required or if different from that set out in Condition 7(f)): Condition 7 (f)(iii) is applicable.
- (i) Early Redemption Unwind Costs: Not Applicable
28. Currency Linked Redemption Notes: Not Applicable
29. Commodity Linked Redemption Notes: Not Applicable
30. Fund Linked Redemption Notes: Not Applicable
31. Index Linked Redemption Notes: Not Applicable
32. Equity Linked Redemption Notes: Not Applicable
33. Credit Linked Notes: Not Applicable

GENERAL PROVISIONS APPLICABLE TO THE NOTES

34. Form of Notes:

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| (a) | Form: | Bearer Notes: Temporary Bearer Global Note exchangeable for a Permanent Bearer Global Note which is exchangeable for definitive Bearer Notes only upon an Exchange Event |
| (b) | New Global Note: | No |
| 35. | Additional Financial Centre(s) or other special provisions relating to Payment Days: | TARGET, London |
| 36. | Talons for future Coupons or Receipts to be attached to definitive Bearer Notes (and dates on which such Talons mature): | No |
| 37. | Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: | Not Applicable |
| 38. | Details relating to Instalment Notes: | |
| | (i) Instalment Amount(s): | Not Applicable |
| | (ii) Instalment Date(s): | Not Applicable |
| 39. | Redenomination applicable: | Redenomination not applicable |
| 40. | Notice to the Issuer: | Applicable |
| | Notice Delivery Business Day Centre: | Deutsche Bank AG, London Branch Winchester House 1 Great Winchester Street London EC2N 2DB ATTN: EMTN Desk |
| 41. | Other final terms: | Not Applicable |

DISTRIBUTION

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| 42. | (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
43. If non-syndicated, name and address of relevant Dealer: Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
- For the avoidance of doubt, the Dealer will not place any Notes to the public in the Republic of Italy.
44. Total commission and concession: 5.79 per cent
45. U.S. Selling Restrictions: Reg. S Compliance Category 2; TEFRA D
46. Non exempt Offer: An offer of the Notes may be made thorough Finanza & Futuro Banca S.p.A. of Piazza del Calendario 1, 20126, Milan, Italy or Deutsche Bank S.p.A. of Piazza del Calendario 3, 20126, Milan, Italy (each a "**Distributor**" and together the "**Distributors**") other than pursuant to Article 3(2) of the Prospectus Directive in the Republic of Italy (**Public Offer Jurisdiction**) during the period from 5 November 2008 until 7 January 2009 (**Offer Period**). See further Paragraph 14 of Part B below.
- The Notes will be placed into the Republic of Italy without any underwriting commitment by the Distributors and no undertakings have been made by third parties to guarantee the subscription of the Notes.
- Deutsche Bank is the lead manager in relation to the public offer in the Public Offer Jurisdiction (the **Lead Manager**), since it has organised the placing syndicate by appointing the Distributors For the avoidance of doubt, the Lead Manager will not act as a Distributor and will not place the Notes in the Public Offer Jurisdiction.
- See further Paragraph 13 of Part B below.
47. Additional selling restrictions: The Notes may be offered only in accordance to the applicable laws and regulations in the Public Offer Jurisdiction, and in particular pursuant to Articles 8, 9 and 10-*bis* of the CONSOB Regulation 14 May 1999, n. 11971 and Articles 14, 17 and 18 of the Prospectus Directive.

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and public offer in the Public Offer Jurisdictions and admission to trading on the Regulated Market of the Luxembourg Stock Exchange of the Notes described herein pursuant to the U.S.\$40,000,000,000 Global Structured Note Programme of Deutsche Bank AG, London Branch.

RESPONSIBILITY

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

Signed on behalf of the Issuer:

By:
Duly authorised

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

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| (i) | Listing: | Luxembourg |
| (ii) | Admission to trading: | Application has been made for the Notes to be admitted to trading on the regulated market of the Luxembourg Stock Exchange, with effect from the Issue Date. |
| (iii) | Estimate of total expenses related to trading: | EUR 5,350 |

2. RATINGS

Ratings: Not Applicable

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

Save for any fees payable to/by the Dealer, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer.

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

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|-------|---------------------------|---|
| (i) | Reasons for the offer: | As set out under "Use of Proceeds" in the Base Prospectus |
| (ii) | Estimated net proceeds: | up to EUR 196,200,000 |
| (iii) | Estimated total expenses: | EUR 10,350 |

5. YIELD (*Fixed Rate Notes Only*)

Indication of yield: Not Applicable

6. HISTORIC INTEREST RATES (*Floating Rate Notes Only*)

Not Applicable

7. PERFORMANCE OF [RATE[S] OF EXCHANGE/FORMULA/CURRENCIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE [RATE[S] OF EXCHANGE/FORMULA/CURRENCIES]] (*Currency Linked Notes Only*)

Not Applicable

8. PERFORMANCE OF [THE COMMODITY], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE COMMODITY]] (*Commodity Linked Notes Only*)

Not Applicable

9. PERFORMANCE OF [THE FUND], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE FUND]] (*Fund Linked Notes Only*)

Not Applicable

10. PERFORMANCE OF [INDEX/BASKET OF INDICES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE [INDEX/BASKET OF INDICES]] (*Index Linked Notes Only*)

Not Applicable

11. PERFORMANCE OF [THE EQUITY/BASKET OF EQUITIES], EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING [THE EQUITY/BASKET OF EQUITIES]] (*Equity Linked Notes Only*)

Not Applicable

12. INFORMATION IN RELATION TO THE REFERENCE ENTITY, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS [AND OTHER INFORMATION CONCERNING THE REFERENCE ENTITY] (*Credit Linked Notes Only*)

Not Applicable

13. TERMS AND CONDITIONS OF THE OFFER (*Public Offer Only*)

Offer Price: Issue Price (of which 5.79 per cent. is represented by commissions payable to the Distributors)

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

The Issuer reserves the right to withdraw the offer and cancel the issuance of the Notes for any reason at any time on or prior to the Issue Date. For the avoidance of doubt, if any application has been made by a potential investor and the Issuer exercises such a right, each such potential investor shall not be entitled to subscribe or otherwise acquire the Notes.

Description of the application process: Applications for the Notes can be made in the Public Offer Jurisdiction through the Distributors. The applications can be made in accordance with the Distributor's usual procedures. Prospective investors will not be

required to enter into any contractual arrangements directly with the Issuer or the Lead Manager related to the subscription for the Notes.

Details of the minimum and/or maximum amount of application: The minimum allocation per investor will be equal to EUR1,000 in nominal amount of the Notes. The maximum allocation of Notes will be subject only to availability at the time of the application.

There are no pre-identified allotment criteria. The Distributors will adopt allotment criteria that ensures equal treatment of prospective investors. All of the Notes requested through the Distributors during the Offer Period will be assigned up to the maximum amount of the Offer.

In the event that during the Offer Period the requests exceed the amount of the offer destined to prospective investors, equal to 300,000 Notes, the Issuer will proceed to early terminate the Offer Period and will immediately suspend the acceptance of further requests.

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: Not Applicable

Details of the method and time limits for paying up and delivering the Notes: The Notes will be issued on the Issue Date against payment to the Issuer by the Distributors of the gross subscription moneys. Each investor will be notified by the Distributors of the settlement arrangements in respect of the Notes at the time of such investor's application.

Manner in and date on which results of the offer are to be made public: The result of the offer will be available from the Distributors following the Offer Period and prior to the Issue Date.

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: Offers may be made through the Distributors in the Republic of Italy to any person. Qualified investors may be assigned only those Notes remaining after the allocation of all the Notes requested by the public in the Public Offer Jurisdiction during the Offer Period. Offers (if any) in other EEA countries will only be made by the Distributors pursuant to an exemption

from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus.

Any investor not located in the Republic of Italy should contact its financial advisor for more information, and may only purchase the Notes from its financial advisor, bank or financial intermediary.

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

Each investor will be notified by the Distributors of its allocation of Notes after the end of the Offer Period and before the Issue Date.

No dealings in the Notes may take place prior to the Issue Date.

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

The Issuer is not aware of any expenses and taxes specifically charged to the subscriber or purchaser.

For the tax regime applicable to subscribers in the Republic of Italy, see Schedule 1 hereto.

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

The Notes will be placed in the Republic of Italy by:

Finanza & Futuro Banca S.p.A. of Piazza del Calendario 1, 20126, Milan, Italy or Deutsche Bank S.p.A. of Piazza del Calendario 3, 20126, Milan, Italy

14. OPERATIONAL INFORMATION

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|-------|--|--|
| (i) | ISIN Code: | XS0396592049 |
| (ii) | Common Code: | 039659204 |
| (iii) | (insert here any other relevant codes such as CUSIP and CNS codes) | Not Applicable |
| (iv) | Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): | Not Applicable |
| (v) | Delivery: | Delivery against payment |
| (vi) | Names and addresses of initial Paying Agents: | Deutsche Bank AG, London Branch Winchester House 23 Great Winchester Street London EC2N 2DB |

- (vii) Names and addresses of additional Paying Agent(s) (if any): Not Applicable
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: No

SCHEDULE 1

ITALIAN TAXATION

The statements herein regarding taxation are based on the laws in force in Italy as at the date of this 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 the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.

Tax Treatment of the Notes

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

Italian Resident Noteholders

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 12.5 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 (and, in certain circumstances, depending on the "status" of the Noteholder, also to IRAP - the regional tax on productive activities).

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 (Decree No. 58), 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 € 400,000,000, if: (a) there are less than 10 unitholders, or (b) funds are reserved to institutional investors or are speculative funds and their units are held, for more than 2/3, by individuals, trusts or other companies referable to individuals.

If the 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 accrued at the end of each tax period, subject to an ad-hoc substitute tax (the Collective Investment Fund Tax) applicable at a 12.5 per cent. rate.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of 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 239, imposta sostitutiva is applied by banks, SIMs, fiduciary companies, SGRs, stockbrokers and other entities identified by a decree of the Ministry of Economics and Finance (each an **Intermediary**).

An Intermediary must (i) be resident in Italy or be a permanent establishment in Italy of a non-Italian resident financial intermediary 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 or in a change of the Intermediary with which the Notes are deposited.

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

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 or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the "status" of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is an individual not holding the Notes in connection with an entrepreneurial activity and certain other persons, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an imposta sostitutiva, levied at the current rate of 12.5 per cent. Noteholders may set off losses with gains.

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

Under the "tax declaration" regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding 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 the Notes not in connection with an entrepreneurial activity may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 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, the Noteholder is not required to declare the capital gains realised in the annual tax return.

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

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

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:

- (a) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding € 1,000,000;
- (b) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax 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 € 100,000; and
- (c) any other transfer is 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 on the taxation of savings income (EU Savings Directive), Member States 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. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate 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 adopted similar measures (a withholding system in the case of Switzerland).

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.