

PRICING SUPPLEMENT

Inter-American Development Bank

Global Debt Program

Series No.: 725

USD600,000,000 Floating Rate Notes due September 16, 2022 (the “Notes”)

Issue Price: 100.00 percent

Application has been made for the Notes to be admitted to the
Official List of the Financial Conduct Authority and
to trading on the London Stock Exchange plc’s
Regulated Market

Citigroup
Deutsche Bank
TD Securities
Wells Fargo Securities

The date of this Pricing Supplement is September 12, 2019.

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Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “Conditions”) set forth in the Prospectus dated January 8, 2001 (the “Prospectus”) (which for the avoidance of doubt does not constitute a prospectus for the purposes of Part VI of the United Kingdom Financial Services and Markets Act 2000 or a base prospectus for the purposes of the Regulation (EU) 2017/1129). This Pricing Supplement must be read in conjunction with the Prospectus. This document is issued to give details of an issue by the Inter-American Development Bank (the “Bank”) under its Global Debt Program and to provide information supplemental to the Prospectus. Complete information in respect of the Bank and this offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus.

MiFID II product governance / Retail investors, professional investors and ECPs target market – See “General Information—Additional Information Regarding the Notes—Matters relating to MiFID II” below.

Terms and Conditions

The following items under this heading “Terms and Conditions” are the particular terms which relate to the issue the subject of this Pricing Supplement. These are the only terms which form part of the form of Notes for such issue.

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| 1. | Series No.: | 725 |
| 2. | Aggregate Principal Amount: | USD600,000,000 |
| 3. | Issue Price: | USD600,000,000 which is 100.00 percent of the Aggregate Principal Amount |
| 4. | Issue Date: | September 18, 2019 |
| 5. | Form of Notes
(Condition 1(a)): | Registered only, as further provided in paragraph 10 of “Other Relevant Terms” below |
| 6. | Authorized Denomination(s)
(Condition 1(b)): | USD1,000 and integral multiples thereof |
| 7. | Specified Currency
(Condition 1(d)): | United States Dollars (USD) being the lawful currency of the United States of America |
| 8. | Specified Principal Payment
Currency
(Conditions 1(d) and 7(h)): | USD |

9. Specified Interest Payment Currency
(Conditions 1(d) and 7(h)): USD
10. Maturity Date
(Condition 6(a); Fixed Interest Rate): September 16, 2022
11. Interest Basis
(Condition 5): Variable Interest Rate (Condition 5(II))
12. Interest Commencement Date
(Condition 5(III)): Issue Date (September 18, 2019)
13. Variable Interest Rate (Condition 5(II)):
 - (a) Calculation Amount (if different than Principal Amount of the Note): Not Applicable
 - (b) Business Day Convention: Following Business Day Convention (Adjusted)
 - (c) Specified Interest Period: The period beginning on, and including, the Interest Commencement Date (the Issue Date) to, but excluding, the first Interest Payment Date and each successive period beginning on, and including, an Interest Payment Date to, but excluding, the next succeeding Interest Payment Date, in each case, as adjusted in accordance with the relevant Business Day Convention.
 - (d) Interest Payment Date: Quarterly in arrear on March 16, June 16, September 16 and December 16 in each year, commencing with a short first coupon on December 16, 2019, up to and including the Maturity Date.

Each Interest Payment Date is subject to adjustment in accordance with the Following Business Day Convention.
 - (e) Reference Rate: Compounded Daily SOFR

The Rate of Interest for each relevant Interest

Period shall be determined by the Calculation Agent on each Interest Determination Date in accordance with the following provisions. The Rate of Interest for each Interest Period shall apply with effect from the Reset Date for that Interest Period.

“Compounded Daily SOFR” means the rate of return of a daily compounded interest investment (with the daily secured overnight financing rate as the reference rate for the calculation of interest) calculated in accordance with the formula below and the resulting percentage being rounded, if necessary, to the nearest one hundred-thousandth of a percentage point, with 0.000005 being rounded upwards:

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{\text{SOFR}_{i-\text{USD}} \times n_i}{360} \right) - 1 \right] \times \frac{360}{d}$$

where:

“d” is the number of calendar days in the relevant Interest Period;

“d₀” for any Interest Period, means the number of U.S. Government Securities Business Days in the relevant Interest Period;

“i” is a series of whole numbers from one to d₀, each representing the relevant U.S. Government Securities Business Days in chronological order from and including the first U.S. Government Securities Business Day in the relevant Interest Period;

“n_i” for any U.S. Government Securities Business Day “i” means the number of calendar days from, and including, such U.S. Government Securities Business Day “i” up to, but excluding, the following U.S. Government Securities Business Day;

“New York Business Day” means a day (other

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than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City;

“Rate of Interest” means for each Interest Period, subject to this section 13(e), Compounded Daily SOFR plus the Spread.

“Reset Date” means the first day of each Interest Period;

“SOFR_{i-5USBD}” means the SOFR Reference Rate for the U.S. Government Securities Business Day falling five U.S. Government Securities Business Days prior to the relevant U.S. Government Securities Business Day “i”;

“SOFR Reference Rate” means, in respect of any U.S. Government Securities Business Day, a reference rate equal to the daily secured overnight financing rate (“SOFR”) for such U.S. Government Securities Business Day as provided by the Federal Reserve Bank of New York, as the administrator of such rate, (or any successor administrator of such rate) on the website of the Federal Reserve Bank of New York currently at <http://www.newyorkfed.org>, or any successor website of the Federal Reserve Bank of New York (the “New York Fed’s Website”) (in each case, on or about at 3:00 p.m., New York City time, on the U.S. Government Securities Business Day immediately following such U.S. Government Securities Business Day); and

“U.S. Government Securities Business Day” or “USBD” means any day other than a Saturday, a Sunday or a day on which the Securities Industry and Financial Markets Association (“SIFMA”) recommends that the fixed income departments of its members be closed for the

entire day for purposes of trading in U.S. Government Securities.

If the SOFR Reference Rate in respect of a U.S. Government Securities Business Day cannot be determined as specified in the SOFR Reference Rate definition above, unless both a SOFR Index Cessation Event and a SOFR Index Cessation Effective Date (each, as defined below) have occurred, the SOFR Reference Rate for such U.S. Government Securities Business Day shall be the SOFR Reference Rate in respect of the last U.S. Government Securities Business Day for which such rate was published on the New York Fed's Website.

If the SOFR Reference Rate in respect of a U.S. Government Securities Business Day cannot be determined as specified in the SOFR Reference Rate definition above, and both a SOFR Index Cessation Event and a SOFR Index Cessation Effective Date have occurred, the SOFR Reference Rate for such U.S. Government Securities Business Day shall be the rate (inclusive of any spreads or adjustments) that was recommended as the replacement for SOFR by the Federal Reserve Board and/or the Federal Reserve Bank of New York or by a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York for the purpose of recommending a replacement for SOFR (which rate may be produced by the Federal Reserve Bank of New York or other designated administrator) (the "SOFR Replacement Rate"), provided that, if no SOFR Replacement Rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Event, then the Compounded Daily SOFR will be determined as if, for each U.S. Government Securities Business Day occurring on or after the SOFR Index Cessation Effective Date:

- (i) references to SOFR were references to the daily Overnight Bank Funding Rate (“OBFR”) as provided by the Federal Reserve Bank of New York, as the administrator of such rate (or any successor administrator of such rate), on the New York Fed’s Website on or about 5:00 p.m. (New York City time) on each day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency deposits) in New York City (“New York City Banking Day”) in respect of the New York City Banking Day immediately preceding such day (“OBFR Reference Rate”);
- (ii) references to SOFR Reference Rate were references to OBFR Reference Rate;
- (iii) references to U.S. Government Securities Business Day were references to New York City Banking Day;
- (iv) references to SOFR Index Cessation Event were references to OBFR Index Cessation Event (as defined below); and
- (v) references to SOFR Index Cessation Effective Date were references to OBFR Index Cessation Effective Date (as defined below);

and provided further that, if no such SOFR Replacement Rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Event and an OBFR Index Cessation Event has occurred, then the Compounded Daily SOFR will be determined as if, for each U.S. Government Securities Business Day occurring on or after the later of the SOFR Index Cessation Effective Date and the OBFR Index Cessation Effective Date, (x) references to the

SOFR Reference Rate were references to the short-term interest rate target set by the Federal Open Market Committee and published on the website of the Board of Governors of the Federal Reserve System currently at <http://www.federalreserve.gov>, or any successor website of the Board of Governors of the Federal Reserve System (the “Federal Reserve’s Website”) or, if the Federal Open Market Committee does not target a single rate, the mid-point of the short-term interest rate target range set by the Federal Open Market Committee and published on the Federal Reserve’s Website (calculated as the arithmetic average of the upper bound of the target range and the lower bound of the target range, rounded, if necessary, to the nearest second decimal place, 0.005 being rounded upwards), (y) references to U.S. Government Securities Business Day were references to New York City Banking Day and (z) references to the New York Fed’s Website were references to the Federal Reserve’s Website.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall be (i) that determined at the last preceding Interest Determination Date or (ii) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to the Notes for the scheduled first Interest Period had the Notes been in issue for a period equal in duration to the scheduled first Interest Period but ending on, and excluding, the Interest Commencement Date.

If the Notes become due and payable in accordance with Condition 9, the final Interest Determination Date shall, notwithstanding any Interest Determination Date specified in this section 13(e), be deemed to be the date on which the Notes became due and payable and the Rate of Interest on the Notes shall, for so

long as any such Notes remain outstanding, be the Rate of Interest determined on such date.

“SOFR Index Cessation Event” means the occurrence of one or more of the following events:

- (a) a public statement by the Federal Reserve Bank of New York (or any successor administrator of SOFR) announcing that it has ceased or will cease to provide SOFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to provide SOFR; or
- (b) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or any successor administrator of SOFR) has ceased or will cease to provide SOFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to provide SOFR; or
- (c) a public statement by a U.S. regulator or other U.S. official sector entity prohibiting the use of SOFR that applies to, but need not be limited to, all swap transactions, including existing swap transactions.

“SOFR Index Cessation Effective Date” means, in respect of a SOFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of SOFR), ceases to publish SOFR, or the date as of which SOFR may no longer be used.

“OBFR Index Cessation Event” means the occurrence of one or more of the following events:

- (a) a public statement by the Federal Reserve Bank of New York (or any successor administrator of the OBFR) announcing that it has ceased or will cease to provide OBFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to provide OBFR; or
- (b) the publication of information which reasonably confirms that the Federal Reserve Bank of New York (or any successor administrator of OBFR) has ceased or will cease to provide OBFR permanently or indefinitely, provided that, at that time, there is no successor administrator that will continue to publish or provide OBFR; or
- (c) a public statement by a U.S. regulator or other U.S. official sector entity prohibiting the use of OBFR that applies to, but need not be limited to, all swap transactions, including existing swap transactions.

“OBFR Index Cessation Effective Date” means, in respect of an OBFR Index Cessation Event, the date on which the Federal Reserve Bank of New York (or any successor administrator of the OBFR), ceases to publish the OBFR, or the date as of which the OBFR may no longer be used.

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| (f) | Calculation Agent: | See “8. Identity of Calculation Agent” under “Other Relevant Terms” |
| (g) | Interest Determination Date: | The date five U.S. Government Securities Business Days prior to the end of each Interest Period. |

14. Other Variable Interest Rate Terms (Conditions 5(II) and (III)):
 - (a) Spread: plus (+) 0.26 percent
 - (b) Variable Rate Day Count Fraction if not actual/360: Act/360
 - (c) Relevant Banking Center: London and New York
15. Relevant Financial Center: London and New York
16. Relevant Business Days: A day which is a U.S. Government Securities Business Day and a New York Business Day.
17. Issuer's Optional Redemption (Condition 6(e)): No
18. Redemption at the Option of the Noteholders (Condition 6(f)): No
19. Early Redemption Amount (including accrued interest, if applicable) (Condition 9):

In the event the Notes become due and payable as provided in Condition 9 (Default), the Early Redemption Amount with respect to the minimum Authorized Denomination will be USD1,000 plus accrued interest, if any, as determined in accordance with "13. Variable Interest Rate (Condition 5(II)) and "14. Other Variable Interest Rate Terms (Conditions 5(II) and (III)).
20. Governing Law: New York
21. Selling Restrictions:
 - (a) United States: Under the provisions of Section 11(a) of the Inter-American Development Bank Act, the Notes are exempted securities within the meaning of Section 3(a)(2) of the U.S. Securities Act of 1933, as amended, and Section 3(a)(12) of the U.S. Securities Exchange Act of 1934, as amended.

- (b) United Kingdom: Each of the Managers represents and agrees that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.
- (c) Singapore Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”), the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).
22. Amendment to Condition 7(a)(i): **Condition 7(a)(i)** is hereby amended by **deleting the first sentence** thereof and **replacing it** with the following: *“Payments of principal and interest in respect of Registered Notes shall be made to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the “Record Date”).”*

23. Amendment to Condition 7(h):

The following shall apply to Notes any payments in respect of which are payable in a Specified Currency other than United States Dollars:

Condition 7(h) is hereby amended by **deleting the words** “*the noon buying rate in U.S. dollars in the City of New York for cable transfers for such Specified Currency as published by the Federal Reserve Bank of New York on the second Business Day prior to such payment or, if such rate is not available on such second Business Day, on the basis of the rate most recently available prior to such second Business Day*” and **replacing them with the words** “*a U.S. dollar/Specified Currency exchange rate determined by the Calculation Agent as of the second Business Day prior to such payment, or, if the Calculation Agent determines that no such exchange rate is available as of such second Business Day, on the basis of the exchange rate most recently available prior to such second Business Day. In making such determinations, the Calculation Agent shall act in good faith and in a commercially reasonable manner having taken into account all available information that it shall deem relevant*”.

Other Relevant Terms

1. Listing:

Application has been made for the Notes to be admitted to the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange plc’s Regulated Market

2. Details of Clearance System
Approved by the Bank and the
Global Agent and Clearance and
Settlement Procedures:

The Depository Trust Company (DTC);
Euroclear Bank SA/NV; Clearstream Banking
S.A.

3. Syndicated: Yes
4. If Syndicated:
 - (a) Liability: Several and not joint
 - (b) Joint Lead Managers: Citigroup Global Markets Limited
Deutsche Bank AG, London Branch
The Toronto-Dominion Bank
Wells Fargo Securities, LLC
5. Commissions and Concessions: 0.03% of the Aggregate Principal Amount
6. Estimated Total Expenses: None. The Managers have agreed to pay for certain expenses related to the issuance of the Notes.
7. Codes:
 - (a) Common Code: 205305912
 - (b) ISIN: US45818WCP95
 - (c) CUSIP: 45818WCP9
8. Identity of Calculation Agent: Citibank, N.A., London Branch
9. Identity of Managers: Citigroup Global Markets Limited
Deutsche Bank AG, London Branch
The Toronto-Dominion Bank
Wells Fargo Securities, LLC
10. Provision for Registered Notes:
 - (a) Individual Definitive Registered Notes Available on Issue Date: No
 - (b) DTC Global Note(s): Yes, issued in accordance with the Global Agency Agreement, dated January 8, 2001, as amended, among the Bank, Citibank, N.A. as Global Agent, and the other parties thereto.
 - (c) Other Registered Global Notes: No

11. Additional Risk Factors: As set forth in the Additional Investment Considerations

General Information

Additional Information Regarding the Notes

1. Matters relating to MiFID II

The Bank does not fall under the scope of application of the MiFID II regime. Consequently, the Bank does not qualify as an “investment firm”, “manufacturer” or “distributor” for the purposes of MiFID II.

MiFID II product governance / Retail investors, professional investors and ECPs target market – Solely for the purposes of the manufacturers’ product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties, professional clients and retail clients, each as defined in MiFID II; and (ii) all channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

For the purposes of this provision, the expression MiFID II means Directive 2014/65/EU, as amended.

2. Additional Investment Considerations

The Prospectus and this Pricing Supplement do not describe all of the risks and other ramifications of an investment in the Notes. An investment in the Notes entails significant risks not associated with an investment in a conventional fixed rate or floating rate debt security. Investors should consult their own financial and legal advisors about the risks associated with an investment in the Notes and the suitability of investing in the Notes in light of their particular circumstances, and possible scenarios for economic, interest rate and other factors that may affect their investment.

The Secured Overnight Financing Rate is published by the Federal Reserve Bank of New York (the “Federal Reserve”) and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The Federal Reserve reports that the Secured Overnight Financing Rate includes all trades in the Broad General Collateral Rate, plus bilateral Treasury repurchase agreement transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the “FICC”), a subsidiary of the Depository Trust and Clearing Corporation (“DTCC”). The Secured

Overnight Financing Rate is filtered by the Federal Reserve to remove a portion of the foregoing transactions considered to be “specials”.

The Federal Reserve reports that the Secured Overnight Financing Rate is calculated as a volume-weighted median of transaction-level tri-party repo data collected from The Bank of New York Mellon as well as General Collateral Finance repurchase agreement transaction data and data on bilateral Treasury repurchase transactions cleared through the FICC’s delivery-versus-payment service. The Federal Reserve notes that it obtains information from DTCC Solutions LLC, an affiliate of DTCC. The Federal Reserve notes on its publication page for the Secured Overnight Financing Rate that use of the Secured Overnight Financing Rate is subject to important limitations and disclaimers, including that the Federal Reserve may alter the methods of calculation, publication schedule, rate revision practices or availability of the Secured Overnight Financing Rate at any time without notice.

Because the Secured Overnight Financing Rate is published by the Federal Reserve based on data received from other sources, the Bank has no control over its determination, calculation or publication. There can be no guarantee that the Secured Overnight Financing Rate will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in the Notes. If the manner in which the Secured Overnight Financing Rate is calculated is changed, that change may result in a reduction of the amount of interest payable on the Notes and the trading prices of the Notes.

The Federal Reserve began to publish the Secured Overnight Financing Rate in April 2018. The Federal Reserve has also begun publishing historical indicative Secured Overnight Financing Rates going back to 2014. Investors should not rely on any historical changes or trends in the Secured Overnight Financing Rate as an indicator of future changes in the Secured Overnight Financing Rate. Also, since the Secured Overnight Financing Rate is a relatively new market index, the Notes will likely have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Market terms for debt securities indexed to the Secured Overnight Financing Rate, such as the spread over the index reflected in interest rate provisions, may evolve over time, and trading prices of the Notes may be lower than those of later-issued indexed debt securities as a result. Similarly, if the Secured Overnight Financing Rate does not prove to be widely used in securities like the Notes, the trading price of the Notes may be lower than those of notes linked to indices that are more widely used. Investors in the Notes may not be able to sell the Notes at all or may not be able to sell the Notes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

To the extent that the SOFR Reference Rate does not appear as specified herein, the applicable rate to be used to calculate the Interest Rate on the Notes will be determined using the alternative methods described under Term 13(e). Any of the fallbacks described under Term 13(e) may result in interest payments that are lower than, or do not otherwise correlate over time with, the payments that would have been made on the Notes if the SOFR

Reference Rate had been provided by the Federal Reserve Bank of New York in its current form. In addition, use of the fallbacks described under Term 13(e) may result in a fixed rate of interest being applied on the Notes.

3. United States Federal Income Tax Matters

The following supplements the discussion under the “Tax Matters” section of the Prospectus regarding the U.S. federal income tax treatment of the Notes, and is subject to the limitations and exceptions set forth therein. Any tax disclosure in the Prospectus or this pricing supplement is of a general nature only, is not exhaustive of all possible tax considerations and is not intended to be, and should not be construed to be, legal, business or tax advice to any particular prospective investor. Each prospective investor should consult its own tax advisor as to the particular tax consequences to it of the acquisition, ownership, and disposition of the Notes, including the effects of applicable U.S. federal, state, and local tax laws and non-U.S. tax laws and possible changes in tax laws.

The Notes should be treated as variable rate debt instruments that are issued without original issue discount. A United States holder will generally be taxed on interest on the Notes as ordinary income at the time such holder receives the interest or when it accrues, depending on the holder’s method of accounting for tax purposes. Upon the sale or maturity of the Notes, a United States holder should generally recognize gain or loss equal to the difference between the amount realized by such holder, excluding any amounts attributable to accrued but unpaid interest (which will be treated as interest payments), and such holder’s tax basis in the Notes. Such gain or loss generally should be capital gain or loss and should be treated as long-term capital gain or loss to the extent the United States holder has held the Notes for more than one year. Long-term capital gain of individual taxpayers may be eligible for reduced rates of taxation. The deductibility of capital loss is subject to significant limitations.

Due to a change in law since the date of the Prospectus, the second paragraph of “— Payments of Interest” under the “United States Holders” section should be updated to read as follows: “Interest paid by the Bank on the Notes constitutes income from sources outside the United States and will generally be “passive” income for purposes of computing the foreign tax credit.”

Information with Respect to Foreign Financial Assets. Owners of “specified foreign financial assets” with an aggregate value in excess of USD50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. “Specified foreign financial assets” may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts that have non-United States issuers or counterparties, and (iii) interests in foreign entities. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the Notes.

Medicare Tax. A United States holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax (the “Medicare tax”) on the lesser of (1) the United States holder’s “net investment income” (or “undistributed net investment income” in the case of an estate or trust) for the relevant taxable year and (2) the excess of the United States holder’s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between USD125,000 and USD250,000, depending on the individual’s circumstances). A holder’s net investment income will generally include its interest income and its net gains from the disposition of Notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). United States holders that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Medicare tax to their income and gains in respect of their investment in the Notes.