

OFFERING CIRCULAR



INTERNATIONAL
INVESTMENT
BANK

INTERNATIONAL INVESTMENT BANK

(an international financial institution)

EUR 1,500,000,000

Euro Medium Term Note Programme

Under this EUR 1,500,000,000 Euro Medium Term Note Programme (the **Programme**), International Investment Bank (the **Issuer** or **IIB**), an international organisation operating on the basis of the Agreement Establishing the International Investment Bank dated 10 July 1970 (the **Establishment Agreement**) and the Charter of the International Investment Bank attached to the Establishment Agreement (as amended and restated from time to time), initially registered with the Secretariat of the United Nations on 1 December 1971 under number 11417, may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Notes may be issued in bearer or registered form (respectively **Bearer Notes** and **Registered Notes**). The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR 1,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for Notes issued under the Programme to be admitted to its official list (the **Official List**) and trading on the regulated market (the **Euronext Dublin Regulated Market**). References in this Offering Circular to the Notes being **listed** (and all related references) shall mean that, unless otherwise specified in a pricing supplement document (the **Pricing Supplement**), the Notes have been admitted to the Official List and trading on the Euronext Dublin Regulated Market. The Euronext Dublin Regulated Market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU) (as amended, **MiFID II**).

This Offering Circular has not been approved as a base prospectus by any competent authority under Regulation (EU) 2017/1129 (the **Prospectus Regulation**) or Regulation (EU) 2017/1129 as it forms part of United Kingdom (**UK**) domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**). Notes listed on the Official List and admitted to trading on the Euronext Dublin Regulated Market will not be subject to the prospectus requirements of the Prospectus Regulation as a result of the Issuer's status as a public international body of which a European Union member state is a member, but will be issued in

compliance with applicable listing rules of Euronext Dublin. This Offering Circular replaces and supersedes the Offering Circular dated 19 March 2020.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in the applicable Pricing Supplement. The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer(s) and as specified in the applicable Pricing Supplement, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (as defined below).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

The Issuer has been rated A3 with a stable outlook by Moody’s Investors Service, Inc. (**Moody’s**), A- with a stable outlook by Fitch Ratings Inc. (**Fitch**), A- with a stable outlook by Standard & Poor’s Financial Services LLC (**S&P**) and A with a stable outlook (on an international scale) by Analytical Credit Rating Agency (Joint-Stock Company) (**ACRA**).

Arranger

J.P. Morgan

Dealers

**Bank of China
ING
OTP Bank**

UniCredit Bank

**Citigroup
J.P. Morgan
Raiffeisen Bank International**

The date of this Offering Circular is 26 February 2021.

IMPORTANT INFORMATION

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

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated in it by reference (see “*Documents Incorporated by Reference*”). This Offering Circular shall be read and construed on the basis that those documents are incorporated and form part of this Offering Circular.

Other than in relation to the documents which are deemed to be incorporated by reference (see “*Documents Incorporated by Reference*”), the information on the websites to which this Offering Circular refers does not form part of this Offering Circular.

The Dealers have not independently verified all the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer in connection with the Programme.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Dealers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention.

MiFID II product governance / target market – The Pricing Supplement may include a legend entitled “MiFID II product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the 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 target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the **MiFID Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

UK MiFIR product governance / target market – The Pricing Supplement may include a legend entitled “UK MiFIR product governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **UK distributor**) should take into consideration the target market assessment; however, a UK distributor subject to the UK Financial Conduct Authority (the **FCA**) Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MIFIR Product Governance Rules.

EU PRIIPs / UK PRIIPs – As a result of the Issuer's status as a public international body of which one or more European Union Member States are members, Regulation (EU) 1286/2014 (as amended, the **EU PRIIPs Regulation**) and Regulation (EU) 1286/2014 as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) will not apply to any Notes issued under the Programme. Accordingly, the Issuer will not prepare a key information document (within the meaning of the EU PRIIPs Regulation and/or the UK PRIIPs Regulation, as applicable) in respect of any Notes issued under the Programme.

IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the UK, Belgium, Hungary, Hong Kong, Singapore and Japan see “*Subscription and Sale*”.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Issuer's financial year ends on 31 December, and references in this Offering Circular to any specific year are to the 12-month period ended on 31 December of such year. The Issuer's financial statements in this Offering Circular have, unless otherwise stated, been prepared in accordance with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board.

Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Offering Circular will have the meaning attributed to them in "*Terms and Conditions of the Notes*" or any other section of this Offering Circular. In addition, the following terms as used in this Offering Circular have the meanings defined below:

In this Offering Circular, all references to:

- **CNY** refer to Chinese Yuan;
- **CZK** refer to Czech Koruna;
- **EUR** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;
- **GBP** refer to pounds sterling;
- **HUF** refer to Hungarian Forint;
- **RON** refer to Romanian Leu;
- **RUB** refer to Russian Rouble; and
- **USD** refer to United States Dollars.

References to a **billion** are to a thousand million.

Where amounts are expressed both in a local currency and EUR in this Offering Circular, the local currency amount has been converted to EUR at a market-based exchange rate as at the date of the applicable transaction and disclosed in the consolidated financial statements of the Issuer as at and for the year ended 31 December 2020 or 31 December 2019, as applicable.

Reference to the **Group** are to the Issuer and the Issuer's sole subsidiary, JSC "IIB Capital" (the **Subsidiary**), together.

References to **Member State** means each of the countries that is a member of the Issuer which, as at the date of this Offering Circular are: the Czech Republic, Hungary, Mongolia, the Republic of Bulgaria, the Republic of Cuba, Romania, the Russian Federation, the Slovak Republic and the Socialist Republic of Vietnam (together, the **Member States**).

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

In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

SUITABILITY OF INVESTMENT

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of financial markets and any relevant indices; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND FUTURES ACT (CHAPTER 289 OF SINGAPORE)

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as amended or modified from time to time, the **SFA**) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), unless otherwise stated in the applicable Pricing Supplement in respect of any Notes, 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 CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the **MAS**) Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

Certain statements in this Offering Circular are not historical facts and are forward-looking. The Issuer may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. In addition, this Offering Circular includes forward-looking information that has been extracted from third-party sources. Forward-looking statements include statements concerning the Issuer's

plans, expectations, projections, objectives, targets, goals, strategies, future events, future operating revenues or performance, capital expenditures, financing needs, plans or intentions relating to business, competitive strengths and weaknesses, strategy, and the trends the Issuer anticipates in the industries and the political and legal environments in which the Issuer operates and other information that is not historical information.

Words such as “believe”, “anticipate”, “estimate”, “target”, “potential”, “expect”, “intend”, “predict”, “project”, “could”, “should”, “may”, “will”, “plan”, “aim”, “seek” and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

The forward-looking statements contained in this Offering Circular are largely based on the Issuer’s expectations, which reflect estimates and assumptions made by its management. These estimates and assumptions reflect the Issuer’s management best judgment based on currently known market conditions and other factors, some of which are discussed below. Although the Issuer believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond the Issuer’s control. In addition, management’s assumptions about future events may prove to be inaccurate. The Issuer cautions all readers that the forward-looking statements contained in this Offering Circular are not guarantees of future performance, and the Issuer does not undertake any obligation and cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond the Issuer’s control, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under “*Risk Factors*”, as well as those included elsewhere in this Offering Circular. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

This list of important factors and the other factors discussed in “*Risk Factors*” is not exhaustive. Other sections of this Offering Circular describe additional factors that could adversely affect the Issuer’s results of operations, financial condition, liquidity and the development of the industry in which the Issuer operates. New risks can emerge from time to time, and it is not possible for the Issuer to predict all such risks, nor can the Issuer assess the impact of all such risks on its business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this Offering Circular. Accordingly, the Issuer does not intend, and does not undertake any obligation, to update forward-looking statements set forth in this Offering Circular. Investors should interpret all subsequent written or oral forward-looking statements attributable to the Issuer or to persons acting on its behalf as being qualified by the cautionary statements in this Offering Circular. As a result, investors should not place undue reliance on such forward-looking statements.

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STABILISATION

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement.

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this Overview.

Issuer: International Investment Bank

LEI: 2534000PHLD27VN98Y03

Risk Factors: There are certain factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under “*Risk Factors*”.

Description: Euro Medium Term Note Programme

Arranger: J.P. Morgan AG

Dealers: Bank of China Limited, London Branch
Citigroup Global Markets Europe AG
ING Bank N.V.
J.P. Morgan AG
OTP Bank Nyrt.
Raiffeisen Bank International AG
UniCredit Bank AG

and any other Dealers appointed in accordance with the Programme Agreement.

Certain Restrictions: Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “*Subscription and Sale*”) including the following restrictions applicable at the date of this Offering Circular:

Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the UK, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (FSMA) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale*”.

Issuing and Principal Paying Agent:	Citibank, N.A., London Branch
Programme Size:	Up to EUR 1,500,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Subject to any applicable legal or regulatory restrictions, notes may be denominated in any currency or currencies agreed between the Issuer and the relevant Dealer.
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully-paid basis (or such other basis as is set out in the applicable Pricing Supplement) and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in either bearer or registered form as described in “ <i>Form of the Notes</i> ”. Registered Notes will not be exchangeable for Bearer Notes and <i>vice versa</i> .
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: <ul style="list-style-type: none"> (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or (b) on the basis of the reference rate set out in the applicable Pricing Supplement.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed

between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Benchmark Discontinuation:

In the case of Floating Rate Notes, if a Benchmark Event occurs, then the Issuer shall use its reasonable endeavours to appoint an Independent Adviser to determine a Successor Rate, failing which, an Alternative Rate and, in either case, the applicable Adjustment Spread and any Benchmark Amendments (each term as defined in the “*Terms and Conditions of the Notes*”). If the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser so appointed fails to make such determinations, then the Issuer (acting in good faith and in a commercially reasonable manner) is permitted to make such determinations, as further described in Condition 5.2(h).

Redemption:

The applicable Pricing Supplement will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution (see “*Certain Restrictions - Notes having a maturity of less than one year*” above).

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see “*Certain Restrictions - Notes having a maturity of less than one year*” above).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Relevant Jurisdiction as provided in Condition 8. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8, be required to pay additional amounts to cover the amounts so deducted.

Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 4.
Cross Acceleration:	The terms of the Notes will contain a cross acceleration provision as further described in Condition 10.
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Rating:	Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Listing:	<p>Application has been made for Notes issued under the Programme to be listed on Euronext Dublin.</p> <p>Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.</p> <p>The applicable Pricing Supplement will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.</p>
Governing Law:	The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.
Selling Restrictions:	There are restrictions on the offer, sale and transfer of the Notes in the United States, the UK, Belgium, Hungary, Hong Kong, Singapore and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “ <i>Subscription and Sale</i> ”.
United States Selling Restrictions:	Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Pricing Supplement.

RISK FACTORS

An investment in Notes issued under the Programme involves a high degree of risk. Prospective investors should carefully consider the risks described below, together with the information contained elsewhere in this Offering Circular, before deciding whether to invest in any Notes issued under the Programme. Any of the following risks, individually or together, could have a material adverse effect on the Issuer's and/or the Group's business, financial condition and results of operations or prospects, which could impair the Issuer's ability to fulfil its obligations under Notes or the trading price of Notes, potentially causing a loss of all or part of the investment made when purchasing Notes issued under the Programme.

The Issuer has described below certain risks and uncertainties that it believes are material as at the date of this Offering Circular, but these risks and uncertainties may not be the only ones the Issuer or the Group faces. Additional risks and uncertainties relating to the Issuer or the Group may also have adverse effects on the Issuer or the Group's business, financial condition, results of operations and future prospects and, consequently, on the trading price of Notes. Any of such risks could impair the Issuer's ability to fulfil its obligations under Notes or the trading price of Notes, and investors could lose all or part of their investment.

The following risks relate to the Issuer's and the Group's business and the environment in which the Issuer and the Group operate. The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Issuer's or the Group's business, financial condition, results of operations, future prospects or the trading price of Notes.

In particular, the Issuer's operations are carried out across a wide region. As an international organisation operating largely in the countries of its Member States, its performance is significantly affected by the economic conditions in those Member States which may be, in turn, adversely affected by global and regional financial crises making it particularly vulnerable to external events of this nature.

Investors should consider carefully whether an investment in an individual issue of Notes is suitable for them and determine for themselves the relevance of the information contained in this Offering Circular. Any investment in an issue of Notes under the Programme should be based upon individual investigation, assessment of the risks involved and determination of the suitability of an investment in such issue of Notes, by each prospective investor, with particular reference to its own investment objectives and experience and any other factors that may be relevant to such investor in connection with its investment decision.

Words and expressions defined in the "Terms and Conditions" of the Notes below or elsewhere in this Offering Circular have the same meanings in this section.

FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME

Risk factors related to the Issuer and its Group

Conditions and actions of Member States may affect the Issuer and the inherent risk from operating in emerging markets

Although the Issuer is an international organisation with a separate legal personality from its Member States, the Issuer and its business operations may be affected by the performance, actions and decisions of its Member States, including in their relations with other nations. The Issuer's operations are therefore subject to risks resulting from political and economic uncertainties, default under obligations and downturns in the economies of Member States as well as the policies (such as monetary and financial) approved or pursued by Member States and no assurance can be given that such decisions and circumstances will not adversely affect the Issuer's business, prospects, financial condition, cash flows and results of its operations.

Although the Issuer operates in a diverse geographical area, a significant amount of the Issuer's operations are conducted in emerging markets, in addition to a number of the Issuer's Member States falling into that category, including five Member States located in Central and Eastern Europe (CEE). As the Issuer's business and its customers and assets are predominantly located in emerging markets, it is inherently subject to greater risks, including in some cases significant legal, economic and political risks, than an investment in more developed markets. In addition, despite various reform efforts, corruption and money laundering continue to be issues that could impact certain of the jurisdictions in which the Issuer does business. Investors should be aware that these risks may be applicable to the Issuer notwithstanding that its status as an international organisation affords it certain privileges, immunities and political protection. Investors should also note that emerging markets are subject to rapid change and that the information set out in this Offering Circular relating to certain jurisdictions may become out-dated relatively quickly.

The five Member States located in the CEE (being the Czech Republic, Hungary, the Republic of Bulgaria, Romania and the Slovak Republic) are an intrinsic part of the Issuer's European operations as well as being recipients of substantial financial inflows from core European Union (EU) countries (including Germany, France and the Netherlands). Any adverse developments in the Eurozone economy may negatively impact the economic growth of such core EU countries and consequently negatively impact the CEE region and the Issuer's operations in these jurisdictions too. For example, EU member states were impacted by the European sovereign debt crisis which originated with the Greek government-debt crisis in 2009. The Issuer may also be indirectly impacted by geopolitical events on a global scale such as the trade war between the United States of America (US) and China which, should such trade war continue through the new administration of the US under President Biden, in particular could cause a restructuring of global supply chains and may, therefore, negatively impact the growth potential of the CEE region. Many of the Issuer's operating countries are open economies with a high ratio of exports to gross domestic product (GDP) and, in the event of a slowdown in global trade, this would negatively impact the growth dynamics of these countries.

Furthermore, a severe acute respiratory illness caused by a new coronavirus (named "COVID-19") was identified in Wuhan, Hubei Province, China at the end of 2019 and subsequently spread through China and globally. On 11 March 2020, the World Health Organization declared the outbreak of the coronavirus to be a pandemic and, as at the date of this Offering Circular, the number of identified cases and fatalities as a result of COVID-19 continues to rise. The COVID-19 pandemic caused turbulence in the global economy and financial markets throughout 2020 and as at the date of this Offering Circular continues to create uncertainty for the global economy. In particular, in 2020, CEE countries were impacted by the COVID-19 crisis both directly (through local restrictions) but also indirectly, through a fall in export demand, particularly from neighbouring EU countries. Towards the end of 2020, the EU, alongside a number of other countries, approved a number of vaccines targeting the effects of COVID-19, which, once deployed, should reduce the threat of the COVID-19 pandemic to Member States. The implementation of vaccination programmes in each relevant country will, however, take time and is subject to supply chain disruptions. Moreover, there is a risk that new variants of COVID-19 will occur that are immune to the vaccines that have been approved as at the date of this Offering Circular.

In response to the COVID-19 pandemic, the Issuer has adopted certain measures and made adjustments to its risk framework and liquidity management policy to seek to limit the potential negative effects on its Member States' economies and the Bank's operations and investments (see "*Description of the Issuer – Key Business Strengths - Stress-resilient liquidity management*")

There can be no assurance that resulting conditions from any crises and geopolitical developments similar to the aforementioned will not negatively affect the economic performance of, or investor confidence in, developing markets, including the Member States and, therefore, the Notes. Accordingly and in light of the Issuer's presence in a large number of emerging market economies, investors should exercise care in evaluating the risks and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully understand the significance of the risks involved. Investors are encouraged to consult with their own legal

and financial advisers before making an investment in any Notes issued under this Offering Circular. In addition, international investors' reactions to events occurring in one country sometimes demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors.

Prospective investors should ensure that they have sufficient knowledge and awareness of global financial and economic developments and the economic situation and outlook in the jurisdictions in which the Issuer operates, or whose economical or financial situation may otherwise impact the Issuer, as they consider necessary to enable them to make their own evaluation (including in consultation with any tax, legal and financial advisers as it deems necessary) of the risks and merits of an investment in an individual issuance of Notes. No assurance can be given that such developments and circumstances will not adversely affect the creditworthiness of borrowers and increase the Issuer's funding costs, and accordingly, adversely affect the Issuer's business, prospects, financial condition, cash flows and results of its operations.

Deterioration of Russia's relations with other countries or a downturn in general economic conditions in the Russian Federation and in the other Member States of the Issuer may adversely impact the Issuer's operations and financial condition

Although the Issuer relocated its headquarters from Moscow to Budapest in April 2019, it nevertheless continues to conduct some of its business and operations in Russia. To the extent the Issuer (although being a self-standing international organisation) is perceived as having a strong connection to the Russian Federation and since the Issuer is directly and indirectly financially exposed to entities in the Russian Federation, a downturn in general economic conditions in the Russian Federation and other Member States could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. Ongoing or heightened tensions between Russia and the US, member states of the EU, UK, Ukraine or other countries, the imposition of further sanctions on Russian persons and entities, or the impact of actions taken by the Russian government in response to actions by the US, EU and other governments, could have a further adverse effect on the Russian economy and, consequently, could have an adverse effect on the Group's business, financial condition, results of operations and prospects. See "*Risk Factors – Factors that may affect the Issuer's ability to fulfil its obligations under Notes issued under the Programme – Sanctions could affect the Issuer's activity and operations*" below. However, the diverse shareholding of the Issuer and its strategy of diversification of its treasury assets, sources of funding and lending portfolio has significantly reduced the potential negative consequences derived from various external factors such as sanctions; this being demonstrated by the Issuer's financial performance over recent years as well as the recent rating upgrades from S&P (in March 2019), Moody's (in April 2018) and Fitch (in September 2020). As such, the Issuer's ratings and outlook have been, in some respects, decoupled from the ratings and market conditions of its individual Member States (such as in the case of Russia). Moreover, the relocation of the Issuer's headquarters from Moscow to Budapest in April 2019 was seen as credit positive as reflected in the public notices released by Fitch, S&P and Moody's in September 2019, March 2019 and December 2018, respectively, with Moody's stating in its press release dated 12 December 2018 that: "*The relocation decision is credit positive since it is expected to lower the Issuer's cost of funding by reducing the perceived risks associated with having its headquarters in Russia. It will also increase the Issuer's investor diversity and its visibility and attractiveness to potential new shareholders*". In 2020, S&P (in March), Moody's (in May) and Fitch (in September) all confirmed or upgraded their long-term credit ratings of the Issuer (respectively A-, A3 and A-) with a stable outlook. According to Fitch, the upgrade of the Issuer's long-term issuer default rating to "A-" reflects an improvement in the assessment of the Issuer's business environment, reflecting the strategy and the diversification of the Issuer's operations and activities across the EU.

Sanctions could affect the Issuer's activity and operations

Recent geopolitical tensions have resulted in sanctions being implemented against certain countries and individuals, including countries in which the Issuer has operations and with which the Issuer conducts business. For example, in December 2020, the EU announced that it would extend economic sanctions against Russia until the middle of 2021. The sanctions target whole sectors of the Russian economy

(including oil and banks). The EU requires that the 2015 Minsk accords must be fully implemented before relations can be normalised.

The Issuer has in place internal mechanisms to monitor compliance by the Issuer with sanctions applicable to it. While the current regime of sanctions applicable to the Issuer has not had an adverse effect on the Issuer's operations to date, sanctions regimes can be subject to sudden change and there can be no assurance that any such change to, or expansion of, the current sanctions regimes would not impact or limit the ability of the Issuer to undertake certain operations in the jurisdictions where it currently carries out its operations or otherwise affect the financial performance of the Issuer's clients and counterparts in such jurisdictions.

The legal infrastructure and enforcement systems in the Member States are less developed than in western European countries

The legal infrastructure and the law enforcement systems in the Member States are less developed than in western European countries. In some circumstances, it may not be possible to obtain legal remedies to enforce contractual or other rights in a timely manner or at all in certain Member States. Although institutions and legal and regulatory systems characteristic of parliamentary democracies have been developed or are beginning to be developed in the Member States, the lack of an institutional history remains a problem. As a result, shifts in government policies and regulations tend to be less predictable in the Member States than in countries with more developed democracies. A lack of legal certainty or the inability to obtain effective legal remedies vis-à-vis its borrowers or other counterparties in each Member State in a timely manner or at all may have a material adverse effect on the Group's business, results of its operations or financial condition.

The Issuer has limited modern operational history

Although the Issuer was founded in 1970, its modern operating history is relatively limited. In particular, from 1991 to 2012, the Issuer temporarily reduced its activity.

At the end of 2012, the Issuer's Member States unanimously approved a new re-launch strategy (the **Re-launch Strategy 2013-2017**). As a result of the Re-launch Strategy 2013-2017, the Issuer overcame a period of stagnation, and achieved measurable success in all areas of its core activity: the Issuer's assets reached EUR 1,096 million as of 31 December 2017, representing a three-fold increase in value during the period of implementation of the Issuer's Re-launch Strategy 2013-2017. This increase in the value of the Issuer's assets was mainly driven by the growth of the Issuer's portfolio comprising loans, irrevocable letters of credit and guarantees, which amounted to EUR 712.4 million at the end of 2017 and included loans and documentary products in all nine Member States.

In June 2017, the Issuer adopted a new development strategy (the **2018-2022 Strategy**), aimed at increasing the value of its total assets to EUR 1.7 billion by 2022 while transforming the Issuer into an advanced, rapidly expanding and financially sustainable multilateral development bank, as well as raising its profile to be a recognised player in key target markets with a significant role for its shareholders and key partners. The 2018-2022 Strategy also determines the global vector of the Issuer's growth path until the end of 2032.

In December 2019, the Issuer adopted a new business plan for the period 2020-2022 (the **Business Plan 2020-2022**) which was prepared in accordance with target indicators set out in the 2018-2022 Strategy and the Issuer's budget for 2020, including related assumptions. According to the Business Plan 2020-2022, the Issuer's on-balance lending operations will increasingly be focused on European Member States such that the share of the Issuer's lending operations into the EU is estimated to reach in the range of 55% to 60% out of all lending operations of the Issuer by 2022. By the end of 2022, it is estimated that the Issuer's loan portfolio will reach the Issuer's target of its loan portfolio representing 70% of the Issuer's total assets as set out in the 2018-2022 Strategy. In addition, the Business Plan 2020-2022 assumes off-balance sheet growth in the form of both long-term guarantees and trade finance reaching 10% of the Issuer's total assets by 31 December 2022 as compared to 3% as at 31 December 2020.

Whilst the Issuer has, therefore, increased its operational activity substantially since 2012, prospective investors can only base their evaluation of an investment in any issuance of Notes on the limited operating history of the Issuer in the context described above. There can be no assurance that the Issuer will be successful in implementing its business strategy in the future or that its business will continue to grow at a similar or comparable rate. Any failure to achieve these results could have a material adverse effect on its business, prospects, financial condition, cash flows and results of operations.

General credit risks facing the Issuer

The nature of the Issuer's business exposes it to credit risk. The quality of the Issuer's credit exposures will have a significant impact on its earnings. While following best practice, the Issuer estimates and establishes allowances for losses resulting from credit risks and expected credit losses inherent in its credit exposure in accordance with International Financial Reporting Standards (**IFRS**), there is no assurance that the models and techniques used by the Issuer will be accurate in their predictions of future behaviour, valuations or estimates, particularly considering the uncertainty associated with current financial and economic market conditions. Any failure by the Issuer to accurately assess the creditworthiness of its clients or to estimate the value of potential losses for which allowances should be established could result in increased default rates of the Issuer's clients, adversely impacting the Issuer's cash flow and, potentially, its ability to comply with obligations under its own borrowings including any Notes.

As a result of current economic uncertainty, the demand for loans from creditworthy customers may decline. In addition, there is a greater likelihood that more of the Issuer's customers or counterparties (including other financial institutions) could default on their loans or fail to comply with other obligations to the Issuer, which, in turn, could result in a higher level of write-offs and provisions for credit losses and/or lead to requirements that the Issuer purchase assets or provide other funding, any of which could adversely affect the Issuer's and its customers' business, prospects, financial condition, cash flows and results of operations.

Furthermore, the value of collateral provided by the Issuer's customers or counterparties may decline as a result of macroeconomic and other factors outside of the Issuer's control and the Issuer may encounter difficulty and/or delays in enforcing such collateral in certain jurisdictions in which it operates.

Following the implementation of the Issuer's Re-launch Strategy 2013-2017 and the 2018-2022 Strategy, the Issuer has been building a track record of low and sustainable non-performing loan (**NPL**) levels (being 2.4% of its total loan portfolio as of 31 December 2020) which the rating agencies indicated was one of the factors leading to the recent positive rating actions by the international rating agencies.

Credit risk due to lending concentration

For the purpose of achieving the Issuer's mission, which includes ensuring the sustainable and inclusive growth of the Member States, the Issuer's loan and trading portfolio includes, and is likely to continue to include, concentrations in particular Member States.

The Issuer has a concentration target per sector of no more than 25 per cent of the overall loan portfolio save for in respect of loans to the financial sector. Although the Issuer does not have in place a hard limit for the concentration of loans and documentary transactions to the financial sector in its loan and documentary transactions portfolio, the Issuer has a long-term target to gradually reduce the level of concentration of such loans and documentary transactions to the financial sector.

Loan concentration may result in an adverse impact on the business, prospects, financial condition, cash flows and results of operations of the Issuer if any short-term economic changes affect, in particular, its largest customers, or its customers in the countries or business sectors in respect of which its loan portfolio is concentrated and exposed. As a result, the Issuer is potentially subject to high credit risk concentration and earnings volatility.

Withdrawal of a Member State may adversely affect the Issuer's financial condition and operations

The Issuer's Statutory Documents provide that any Member State may withdraw its membership by giving the Issuer six months' written notice. The outstanding rights and obligations of any Member State withdrawing its membership, including with regard to the withdrawal of contributed capital, are subject to and shall be governed by the provisions of the Statutory Documents including any additional procedures approved by the Board of Governors. Both Poland and Hungary have withdrawn from the Issuer (in 1999 and 2000, respectively) and whilst Hungary re-joined the Issuer as a Member State in 2015 there can be no assurance that a Member State of the Issuer will not withdraw from the Issuer in the future. The withdrawal of a Member State may adversely affect the Issuer's capital and financial condition, as well as its business, prospects and results of its operations.

Foreign exchange rate risk and interest rate risk

The Group conducts its business in various currencies including EUR, USD, RUB, RON, HUF, CZK and CNY. As a financial institution, the Issuer is exposed to foreign exchange rate risk. Movements in foreign exchange rates may also adversely impact the Issuer's borrowers, which may in turn adversely impact the nature of the Issuer's exposure to these borrowers.

The Issuer manages its currency risk by seeking to match the currency of its assets with that of its liabilities on a currency-by-currency basis within limits established by the Management Board. The Issuer seeks to run a prudent open currency position, having set its open currency position limits at 10% for a single currency position and 15% for a cumulative currency position. The Issuer's open currency position was well within these limits at 0.32% of its capital for a single currency position and 0.77% for a cumulative currency position as of 31 December 2020 and remains within such limits as at the date of this Offering Circular. The performance of the Issuer is influenced by the trends of, and fluctuation in, interest rates in the markets in which the Issuer carries out its activities. Any misalignment between interest income accrued by the Issuer and interest expense payable by the same (in the absence of suitable instruments for protecting against this misalignment), could have a significant effect on the Issuer's financial position and its operating results.

Even though the Issuer has implemented certain hedging strategies, the hedging arrangements entered into by the Issuer may not adequately offset the risk of foreign exchange rate fluctuations and may therefore result in losses. Volatility in foreign exchange rates and interest rates could adversely affect the Issuer's ability to meet its obligations under Notes and its business, financial condition and results of operations. Movements in interest rates may also affect the trading prices of any Notes.

In addition, a significant part of the Group's business is generated by the sale of securities in its treasury portfolio, which is susceptible to market fluctuation and price volatility and, as a result, the prospects of the Group may be impaired by the Group's ability to further finance its treasury portfolio or to recover its investments. Market price fluctuations in the Issuer's investment security portfolio may therefore materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The Notes are not guaranteed by any sovereign

Although the Member States are sovereign states, the Issuer is a separate legal entity from the governments of its Member States and the agencies of such governments. Any Notes issued under the Programme and any principal, interest or other amounts due or to become due in respect of such Notes, constitute obligations solely of the Issuer and do not constitute the obligation of, nor are they guaranteed or insured by any Member State or sovereign entity or agency thereof. Investors should therefore be aware that since the Issuer's obligations are not guaranteed or insured by any Member State, the Issuer does not have a single lender of last recourse. However, it should be noted that beyond its regular equity, the Issuer benefits from so-called "callable capital" (amounting to EUR 745.79 million as at 31 December 2020). This is an additional source of capital that can be called and/or used by the Issuer in the event of a default risk relating to the ability of the Issuer to service its debt obligations although there can be no assurance that the relevant

Member States will meet their obligations in respect of such “callable capital” as at the date on which the Issuer calls it.

The Issuer is not subject to external regulatory oversight and, therefore, may choose to discontinue the application of international standards

The Issuer is an international organisation established and operating on the basis of the intergovernmental Agreement on the Establishment of the International Investment Bank of 10 July 1970, (the **Establishment Agreement**) and the Charter of the International Investment Bank attached to the Establishment Agreement (the **Charter**, together with the Establishment Agreement, the **Statutory Documents**), registered with the Secretariat of the United Nations on 1 December 1971 under number 11417. In May 2014, the Member States adopted the Protocol Amending the Agreement Establishing the International Investment Bank and its Charter, which, after ratification by all Member States, entered into force on 18 August 2018.

The Issuer is subject to the provisions of public international law. The Issuer’s existence, powers, privileges, immunities, liabilities and operations are subject to and governed by the Statutory Documents.

In principle, due to its status as an international organisation, the Issuer is not subject to regulation by any Member States and, therefore, is exempt from external regulatory oversight to which similar domestic financial institutions established in its Member States are subject. All policies and procedures approved by the governing bodies of the Issuer to govern the Issuer’s internal operations in accordance with international standards, such as the standards set out in the Revised Framework for International Convergence of Capital Management and Capital Standards (**Basel II**) and IFRS, have been adopted by the Issuer on a voluntary basis and the Issuer has no obligation to continue to apply such standards, undergo a verification of the application of such standards or update its policies or practices in line with any amendments to such international standards. There is no assurance that, if the Issuer chooses to discontinue the application of such standards in order to pursue its mission and objectives in a different manner or by reference to other standards, the operations, business or prospects of the Issuer would remain unaffected.

The Group’s ability to raise additional financing is in part dependent on the Issuer’s credit ratings

The Group’s ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend in part on the Issuer’s credit ratings. As at the date of this Offering Circular, the Issuer has a long-term foreign currency issuer default rating of A3 with a stable outlook by Moody’s, A- with a stable outlook by Fitch, A- with a stable outlook by S&P, A with a stable outlook by ACRA and AAA(RU) stable by ACRA. During 2020, the Issuer decided not to continue engaging DG International Ratings Srl (**Dagong Europe**) to provide a credit rating to the Issuer (the credit rating assigned to the Issuer by Dagong Europe as at the date on which the Issuer’s contract with Dagong Europe was terminated was A- with a stable outlook).

The Issuer’s ability to maintain its current rating is dependent on a number of factors, some of which may be beyond its control, such as credit ratings and soundness of policies of its Member States. Particularly, in the event that the Issuer’s credit rating is lowered by Fitch, Moody’s, S&P and/or ACRA and falls into the sub-investment grade range or such rating is withdrawn, the Issuer’s ability to access credit and bond markets and other forms of financing (or refinancing) could be limited. This could have an adverse effect on its business, results of operations and financial condition, as well as the trading price of any Notes issued under the Programme.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised or subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

A malfunction, disruption or insufficient maintenance of the Group's IT systems may have material negative consequences for the Group

In the process of building and managing its IT infrastructure, the Group is guided by international practices and standards (i.e. ITIL 3.0, ISO/IEC 27001:2005, ISO/IEC 27002:2005, ISO/IEC 27005:2011). Several measures aiming to reduce the operational risks associated with (i) the “human factor” (i.e. enforcement of internal regulatory documents, organisational measures and automated control tools and change management), (ii) the failure of equipment (i.e. clustering of critical systems, including communication channels, complete back-up of all data and settings distributed between two data centres in Moscow and Budapest and entering contracts with an extended warranty and technical support from the manufacturers) and (iii) information security breaches (i.e. organisational and technical access control mechanisms using two-step authentication and the use of specialised information leakage monitoring – DLP (Data Loss Prevention System)) are in place.

However, the Group may be exposed to IT risks in connection with the development, implementation and application of its IT systems. In addition, there is a risk that there might be unauthorised access to the Group's sensitive data by third parties and improper use of such data, which may lead to the loss or unauthorised disclosure of the Group's confidential information and may result in a breach of applicable data protection regulations. As a result, any malfunction, breach or unauthorised use of the Group's IT systems may have a material adverse effect on the Group's business, financial condition, prospects or results of operations.

The enforcement of judgments against the Issuer and its assets is subject to limitations and procedural rules and the Issuer is not capable of being made subject to insolvency proceedings

The Notes are governed by English law and any disputes arising out of or in connection with the Notes are subject to the jurisdiction of the English courts. Assets of the Issuer are, however, located in several of its Member States (mainly the Russian Federation, Hungary and other non-EU member states) and, in the case of the Russian Federation and certain of the other non-EU member states, judgements obtained by a foreign court (including that of England) may not be recognised or enforced which may limit an investor's legal recourse against the Issuer. Enforcement of judgments of the English courts outside of England and Wales may be subject to the existence of relevant international treaties and international law and, mainly, their respective observance by the relevant state authorities and local procedural rules.

In addition, although the Issuer has waived its immunity against legal proceedings in the terms and conditions of the Notes, any legal action against the Issuer may be limited by relevant international treaties on diplomatic and intergovernmental protection as well as principles of public international law. Several of the Issuer's assets, such as its headquarters, which benefit from the same diplomatic privileges as an embassy, may therefore be considered outside of the jurisdiction of the courts. Furthermore, due to its status as an international organisation, the Issuer is not subject to insolvency rules that apply to private companies, and there is therefore no ability for a creditor of the Issuer, including a Noteholder, to instigate or recover under insolvency proceedings in relation to any amounts owing by the Issuer under debt obligations such as the Notes. Accordingly, the terms and conditions of the Notes do not contain any events of default relating to the insolvency, winding-up, liquidation or dissolution of the Issuer, and the Issuer's waiver of immunity in the terms and conditions of the Notes does not extend to any steps, actions or proceedings seeking or instigating the insolvency, winding-up, bankruptcy or liquidation of the Issuer.

FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME

Risks related to the structure of a particular issue of Notes

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"

Interest rates and indices which are deemed to be "benchmarks", (including the London interbank offered rate (**LIBOR**) and the euro interbank offered rate (**EURIBOR**)) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a benchmark.

Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**) applies, subject to certain transitional provisions, to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. Among other things, it (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of benchmarks of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the FCA register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to or referencing a benchmark in particular, if the methodology or other terms of the benchmark are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements.

Specifically, the sustainability of LIBOR has been questioned as a result of the absence of relevant active underlying markets and possible disincentives (including possibly as a result of benchmark reforms) for market participants to continue contributing to such benchmarks. The FCA has indicated through a series of announcements that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021.

Separately, on 21 January 2019, the euro risk free-rate working group for the euro area published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds). The guiding principles indicate, amongst other things, that continuing to reference EURIBOR in relevant contracts may increase the risk to the euro area financial system.

It is not possible to predict with certainty whether, and to what extent, LIBOR and EURIBOR will continue to be supported going forwards. This may cause LIBOR and EURIBOR to perform differently than they have done in the past, and may have other consequences which cannot be predicted. Such factors may have (without limitation) the following effects on certain benchmarks: (i) discouraging market participants from continuing to administer or contribute to a benchmark; (ii) triggering changes in the rules or methodologies used in the benchmark and/or (iii) leading to the disappearance of the benchmark. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to, referencing, or otherwise dependent (in whole or in part) upon, a benchmark.

The Terms and Conditions of the Notes provide for certain fallback arrangements in the event that a Benchmark Event (as described in the Terms and Conditions of the Notes) occurs. These fallback arrangements will include the possibility that the relevant rate of interest (or, as applicable, component thereof) could be set or, as the case may be, determined by reference to a successor rate or an alternative rate (as applicable), in either case as adjusted by reference to an applicable adjustment spread, all as determined by an Independent Adviser or, if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser so appointed fails to make such determination, the Issuer, in any such case acting in good faith and in a commercially reasonable manner as described more fully in the Terms and Conditions of the Notes. An adjustment spread could be positive, negative or zero and may not be effective in reducing or eliminating any economic prejudice or benefit (as the case may be) to investors arising out of the replacement of the original

reference rate with the successor rate or the alternative rate (as the case may be). The use of a successor rate or alternative rate (including with the application of the applicable adjustment spread) will still result in any Notes referencing an original reference rate performing differently (which may include payment of a lower rate of interest) than they would if the original reference rate were to continue to apply in its current form.

In addition, the Independent Adviser or the Issuer (as applicable), (acting in good faith and in a commercially reasonable manner) may also in its discretion specify that other changes to the Terms and Conditions of the Notes that are necessary in order to follow market practice or to ensure the proper operation of the relevant successor rate or alternative rate (as applicable) and/or in either case the applicable adjustment spread.

No consent of the Noteholders, Receiptholders or Couponholders (each as defined in the Terms and Conditions of the Notes) shall be required in connection with effecting any relevant successor rate or alternative rate (as applicable) or any other related adjustments and/or amendments described above. Any such adjustment could have unexpected commercial consequences and there can be no assurance that, due to the particular circumstances of each Noteholder, Receiptholder or Couponholder, any such adjustment will be favourable to each Noteholder, Receiptholder or Couponholder.

In certain circumstances, the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of successor rates and alternative rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, or any of the international or national reforms and the possible application of the benchmark replacement provisions of Notes in making any investment decision with respect to any Notes referencing a benchmark.

The market continues to develop in relation to risk free rates (including overnight rates) as reference rates for Floating Rate Notes

In the case of Floating Rate Notes, where the Rate of Interest is specified in the applicable Pricing Supplement, as the case may be, as being determined by reference to the Sterling Overnight Index Average (**SONIA**), the Rate of Interest will be determined on the basis of a compounded daily rate. Such rate will differ from the GBP LIBOR rate in a number of material respects, including (without limitation) that a compounded daily rate will be determined by reference to backwards-looking, compounded, risk-free overnight rates, whereas GBP LIBOR is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending. As such, investors should be aware that GBP LIBOR and SONIA may behave materially differently as interest reference rates for Notes issued under the Programme. The use of SONIA as a reference rate for Eurobonds is nascent, and is subject to change and development, both in terms of the substance of the calculation and in the development and adoption of market infrastructure for the issuance and trading of bonds referencing SONIA.

Accordingly, prospective investors in any Notes referencing SONIA should be aware that the market continues to develop in relation to SONIA as a reference rate in the capital markets and its adoption as an alternative to GBP LIBOR. For example, in the context of backwards-looking SONIA rates, market participants and relevant working groups are currently assessing the differences between compounded rates and weighted average rates, and such groups are also exploring forward-looking 'term' SONIA reference rates which seek to measure the market's forward expectation of an average SONIA rate over a designated term. The adoption of SONIA may also see component inputs into swap rates or other composite rates transferring from GBP LIBOR or another reference rate to SONIA.

The market or a significant part thereof may adopt an application of SONIA that differs significantly from that set out in the Terms and Conditions of the Notes and used in relation to Floating Rate Notes that reference SONIA issued under this Offering Circular. Furthermore, the Issuer may in future issue Notes referencing SONIA that differ materially in terms of interest determination when compared with any previous SONIA-referenced Notes issued by it under the Programme. The nascent development of SONIA as an interest reference rate for the Eurobond market, as well as continued development of SONIA-based rates for such market and the market infrastructure for adopting such rates, could result in reduced liquidity or increased volatility or could otherwise affect the market price of any SONIA-based Notes issued under the Programme from time to time.

It may be difficult for investors in Notes which reference such risk free rates to reliably estimate the amount of interest which will be payable on such Notes. The Rate of Interest on Notes which reference SONIA is only capable of being determined at the end of the relevant Interest Period and immediately prior to the relevant Interest Payment Date. It may be difficult for investors in such Notes to estimate reliably the amount of interest which will be payable on such Notes, and some investors may be unable or unwilling to trade such Notes without changes to their IT systems, both of which factors could adversely impact the liquidity of such Notes. Further, in contrast to GBP LIBOR-based Notes, if Notes referencing SONIA become due and payable as a result of an Event of Default under Condition 10, or are otherwise redeemed early on a date which is not an Interest Payment Date, the final Rate of Interest payable in respect of such Notes shall only be determined by reference to a shortened period ending immediately prior to the date on which the Notes become due and payable. In addition, the manner of adoption or application of SONIA reference rates in the Eurobond markets may differ materially compared with the application and adoption of SONIA in other markets, such as the derivatives and loan markets. Investors should carefully consider how any mismatch between the adoption of such reference rates in the bond, loan and derivatives markets may impact any hedging or other financial arrangements which they may put in place in connection with any acquisition, holding or disposal of any Notes referencing SONIA. Investors should consider these matters when making their investment decision with respect to any such Floating Rate Notes.

Risks related to Notes generally

Set out below is a description of material risks relating to the Notes generally:

The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors.

The Terms and Conditions of the Notes contain provisions for calling meetings (including by way of telephone or video conference) of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Principal Paying Agent and the Issuer may agree to any modification of any of the provisions of the Notes which is (i) not prejudicial to the interests of the Noteholders or (ii) of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law. In addition, certain changes may be made to the interest calculation provisions of the Floating Rate Notes in the circumstances and as otherwise set out in Condition 5.2(h) without the consent of the Noteholders, the Receiptholders or the Couponholders.

The value of the Notes could be adversely affected by a change in English law or administrative practice.

The Terms and Conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English

law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued.

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed or issued) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Holders of Notes held through Euroclear and Clearstream, Luxembourg must rely on procedures of those clearing systems to effect transfers of Notes, receive payments in respect of Notes and vote at meetings of Noteholders

Notes issued under the Programme will be represented on issue by a Global Note that may be deposited with a common depository or Common Safekeeper for Euroclear and Clearstream, Luxembourg (each as defined under “*Form of the Notes*”). Except in the circumstances described in each Global Note, investors will not be entitled to receive Notes in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in each Global Note held through it. While the Notes are represented by a Global Note, investors will be able to trade their beneficial interests only through the relevant clearing systems and their respective participants.

While the Notes are represented by Global Notes, the Issuer will discharge its payment obligation under the Notes by making payments through the relevant clearing systems. A holder of a beneficial interest in a Global Note must rely on the procedures of the relevant clearing system and its participants to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Global Note.

Holders of beneficial interests in a Global Note will not have a direct right to vote in respect of the Notes so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

Risks related to the market generally

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes.

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes.

One or more independent credit rating agencies may assign credit ratings to the Issuer, or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances).

Investors regulated in the UK are subject to similar restrictions under Regulation (EC) No. 1060/2009 as it forms part of domestic law by virtue of the EUWA (the **UK CRA Regulation**). As such, UK regulated

investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market.

As of the date of this Offering Circular, each of Moody's, S&P and Fitch is neither established in the EEA or the UK, nor registered under the CRA Regulation or the UK CRA Regulation. The ratings of S&P, Moody's and Fitch have been endorsed by S&P Global Ratings Europe Limited (**S&P Europe**), Moody's Deutschland GmbH (**Moody's Europe**) and Fitch Ratings Ireland Limited (**Fitch Europe**) respectively in accordance with the CRA Regulation for use in the EEA. Each of S&P Europe, Moody's Europe and Fitch Europe is established in the EEA and registered under the CRA Regulation. As such, each of S&P Europe, Moody's Europe and Fitch Europe is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk> in accordance with the CRA Regulation. The ratings of S&P, Moody's and Fitch have been endorsed by S&P Global Ratings UK Limited (**S&P UK**), Moody's Investors Service Ltd (**Moody's UK**) and Fitch Ratings Limited (**Fitch UK**) respectively in accordance with the UK CRA Regulation for use in the UK. Each of S&P UK, Moody's UK and Fitch UK is established in the UK and registered under the UK CRA Regulation. As such, each of S&P UK, Moody's UK and Fitch UK is included in the list of credit rating agencies published by the FCA on its website at <https://www.fca.org.uk/markets/credit-rating-agencies/registered-certified-cras>. ACRA is established in the Russian Federation and is neither registered in accordance with the CRA Regulation or the UK CRA Regulation nor included in the list of credit rating agencies published on ESMA's website or the FCA's website. The list of registered and certified rating agencies published by ESMA or the FCA on their respective websites in accordance with the CRA Regulation or the UK CRA Regulation (as the case may be) is not conclusive evidence of the status of the relevant rating agency included in such lists, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA or the FCA list.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be incorporated in, and form part of, this Offering Circular:

- (a) the consolidated financial statements of the Issuer (including the notes to such financial statements and the independent auditors' report thereon) as at and for the year ended 31 December 2020;
- (b) the consolidated financial statements of the Issuer (including the notes to such financial statements and the independent auditors' report thereon) as at and for the year ended 31 December 2019; and
- (c) the Terms and Conditions of the Notes contained in the Offering Circular dated 19 March 2020, pages 43 to 76 (inclusive), prepared by the Issuer in connection with the Programme.

In addition, the following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the most recently published consolidated financial statements of the Issuer from time to time;
- (b) all supplements to this Offering Circular circulated by the Issuer from time to time; and
- (c) any other document issued or information published by the Issuer and explicitly stating therein or that it is to be incorporated by reference to this Offering Circular.

Following the publication of this Offering Circular a supplement may be prepared by the Issuer. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Copies of the documents specified above as containing information incorporated by reference in this Offering Circular may be inspected, free of charge, at the registered office of the Issuer (1011 Budapest, Fő utca 1, Hungary). Copies of the Issuer's audited financial statements (including the auditors' report thereon and notes thereto) in respect of the years ended 31 December 2020 and 31 December 2019 are also available on the Issuer's website (<https://iib.int/en/for-investors/disclosure/annual>). Other than the information incorporated by reference, the information provided on this website does not form part of this Offering Circular.

FORM OF THE NOTES

The Notes of each Series will be in either bearer form, with or without interest coupons attached, or registered form, without interest coupons attached. Bearer Notes and Registered Notes will be issued outside the United States in reliance on Regulation S under the Securities Act (**Regulation S**).

Bearer Notes

Each Tranche of Bearer Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Bearer Global Note**) or, if so specified in the applicable Pricing Supplement, a permanent global note (a **Permanent Bearer Global Note** and, together with a Temporary Bearer Global Note, each a **Bearer Global Note**) which, in either case, will:

- (a) if the Bearer Global Notes are intended to be issued in new global note (**NGN**) form, as stated in the applicable Pricing Supplement, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**); and
- (b) if the Bearer Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Where the Bearer Global Notes issued in respect of any Tranche are in NGN form, the applicable Pricing Supplement will also indicate whether such Bearer Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Bearer Global Notes are to be so held does not necessarily mean that the Bearer Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Bearer Note is represented by a Temporary Bearer Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Bearer Global Note if the Temporary Bearer Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Bearer Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Bearer Global Note is issued, interests in such Temporary Bearer Global Note will be exchangeable (free of charge) upon a request as described therein either for (i) interests in a Permanent Bearer Global Note of the same Series or (ii) for definitive Bearer Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Pricing Supplement), in each case against certification of beneficial ownership as described above unless such certification has already been given, provided that purchasers in the United States and certain U.S. persons will not be able to receive definitive Bearer Notes. The holder of a Temporary Bearer Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Bearer Global Note for an interest in a Permanent Bearer Global Note or for definitive Bearer Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Bearer Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Bearer Global Note if the Permanent Bearer Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Pricing Supplement will specify that a Permanent Bearer Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Bearer Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Bearer Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Bearer Global Note) may give notice to the Principal Paying Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Bearer Notes (other than Temporary Bearer Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Pricing Supplement:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Bearer Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Bearer Notes, receipts or interest coupons.

Notes which are represented by a Bearer Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Registered Notes

The Registered Notes of each Tranche will initially be represented by a global note in registered form (a **Registered Global Note**).

Registered Global Notes will be deposited with a common depository or, if the Registered Global Notes are to be held under the new safe-keeping structure (the **NSS**), a common safekeeper, as the case may be for Euroclear and Clearstream, Luxembourg, and registered in the name of the nominee for the Common Depository of, Euroclear and Clearstream, Luxembourg or in the name of a nominee of the common safekeeper, as specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Notes will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Notes in fully registered form.

Where the Registered Global Notes issued in respect of any Tranche is intended to be held under the **NSS**, the applicable Pricing Supplement will indicate whether or not such Registered Global Notes are intended to

be held in a manner which would allow Eurosystem eligibility. Any indication that the Registered Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any time during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The common safekeeper for a Registered Global Note held under the NSS will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Payments of principal, interest and any other amount in respect of the Registered Global Notes will, in the absence of provision to the contrary, be made to the person shown on the Register (as defined in Condition 6.4) as the registered holder of the Registered Global Notes. None of the Issuer, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payments of principal, interest or any other amount in respect of the Registered Notes in definitive form will, in the absence of provision to the contrary, be made to the persons shown on the Register on the relevant Record Date (as defined in Condition 6.4) immediately preceding the due date for payment in the manner provided in that Condition.

Interests in a Registered Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Registered Notes without receipts, interest coupons or talons attached only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Registered Global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg or any person acting on their behalf (acting on the instructions of any holder of an interest in such Registered Global Note) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 10 days after the date of receipt of the first relevant notice by the Registrar.

No beneficial owner of an interest in a Registered Global Note will be able to transfer such interest, except in accordance with the applicable procedures of Euroclear and Clearstream, Luxembourg, in each case to the extent applicable.

General

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and an ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Pricing Supplement.

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 10. In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Terms and Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the **Deed of Covenant**) dated 26 February 2021 and executed by the Issuer.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes and in such case the relevant Pricing Supplement shall specify the additional or alternative terms and conditions that shall apply to that Tranche of Notes.

APPLICABLE PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[MiFID II product governance / Professional investors and Eligible Counterparties only target market – Solely for the purposes of [the/each] manufacturer's 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 and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] 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 manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MiFIR product governance / Professional investors and Eligible Counterparties only target market – Solely for the purposes of [the/each] manufacturer's 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 only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (**COBS**), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **UK distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a UK distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (as amended or modified from time to time, the "SFA") - In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), 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 CMP Regulations 2018) and ["Excluded Investment Products"] (as defined in the Monetary Authority of Singapore (the **MAS**) Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

PRICING SUPPLEMENT

[Date]

INTERNATIONAL INVESTMENT BANK

Legal entity identifier (LEI): 2534000PHLD27VN98Y03

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

**under the €1,500,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated 26 February 2021 [as supplemented by the supplement[s] dated [date[s]]] (the **Offering Circular**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. The Offering Circular has been published on the website of the Irish Stock Exchange plc trading as Euronext Dublin.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular [dated [original date] [and the supplement dated [date]]] which are incorporated by reference in the Offering Circular.¹

[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000 or its equivalent in any other currency.]

- | | | |
|----|--|---|
| 1. | Issuer: | International Investment Bank |
| 2. | (a) Series Number: | [] |
| | (b) Tranche Number: | [] |
| | (c) Date on which the Notes will be consolidated and form a single Series: | The Notes will be consolidated and form a single Series with [identify earlier Tranches] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [] below, which is expected to occur on or about [date]][Not Applicable] |
| 3. | Specified Currency or Currencies: | [] |
| 4. | Aggregate Nominal Amount: | |
| | (a) Series: | [] |
| | (b) Tranche: | [] |
| 5. | Issue Price: | [] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)] |
| 6. | (a) Specified Denominations: | [] |
| | (b) Calculation Amount (in relation to calculation of interest in global form see Conditions): | [] |

(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor.

¹ Only include this language where it is a fungible issue and the original Tranche was issued under an Offering Circular with a different date.

Note: There must be a common factor in the case of two or more Specified Denominations.)

7. (a) Issue Date: []
- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)
8. Maturity Date: [*Specify date or for Floating Rate Notes - Interest Payment Date falling in [or nearest] to [specify month and year]*]
9. Interest Basis: [[] per cent. Fixed Rate]
[[[] month [LIBOR/EURIBOR]][Compounded Daily SONIA][*specify other Reference Rate*] +/- [] per cent. Floating Rate]
[Zero Coupon]
[specify other]
(further particulars specified below)
10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100][specify other] per cent. of their nominal amount]
[specify other redemption/payment basis]
11. Change of Interest Basis or Redemption/Payment Basis: [Not Applicable][*Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis*]
12. Put/Call Options: [Not Applicable]
[Issuer Call]
[Investor Put]
[(further particulars specified below)]
13. Date [Management Board] approval for issuance of Notes obtained: []
(N.B. Only relevant where Management Board (or similar) authorisation is required for the particular tranche of Notes)

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] in each year, commencing on [], up to and including the Maturity Date
(Amend appropriately in the case of irregular coupons)

- (c) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [] per Calculation Amount
- (d) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []][Not Applicable]
- (e) Day Count Fraction: [30/360]
[Actual/Actual (ICMA)]
[specify other]
- (f) Determination Date(s): [[] in each year][Not Applicable]
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None][Give details]
15. Floating Rate Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates: [], subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to any adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]] [Not Applicable]
- (c) Additional Business Centre(s): [] [Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [] (the **Calculation Agent**)
- (f) Screen Rate Determination: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- Reference Rate: [[] month [LIBOR/EURIBOR]][Compounded Daily SONIA][specify other Reference Rate]
 - Interest Determination Date(s): [The second [London] business day prior to the start of each Interest Period][The first day of each Interest Period][The second day on which the TARGET2 System is open prior to the start of each Interest Period][The [first][specify] London Banking Day falling after the last day of the relevant Observation Period][specify other]
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR, second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR, refer to Observation Period if Compounded Daily SONIA)
 - Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
 - Observation Look-Back Period: [[Five][specify other] London Banking Days][Not Applicable]
(N.B. When setting the Observation Look-Back Period for Notes referencing Compounded Daily SONIA, the practicalities of this period should be discussed with the Principal Paying Agent or, if applicable, such other party responsible for the calculation of the Rate of Interest. "p" should be no fewer than Five London Banking Days unless otherwise agreed with the Principal Paying Agent or, if applicable/required, such other party responsible for the calculation of the Rate of Interest in relation to the relevant issuance)
- (g) ISDA Determination: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)
- (h) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (specify for

each short or long interest period)

- (i) Margin(s): [+/-] [] per cent. per annum
- (j) Minimum Rate of Interest: [] per cent. per annum
- (k) Maximum Rate of Interest: [] per cent. per annum
- (l) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]
[Actual/365 (Fixed)]
[Actual/365 (Sterling)]
[Actual/360]
[30/360][360/360][Bond Basis]
[30E/360][Eurobond Basis]
[30E/360 (ISDA)]
[Other]
- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []

16. Zero Coupon Note Provisions [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [] per cent. per annum
 - (b) Reference Price: []
 - (c) Any other formula/basis of determining amount payable for Zero Coupon Notes: []
 - (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
[Actual/360]
[Actual/365]

PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 7.2: Minimum period: [30] days
Maximum period: [60] days
18. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
 - (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount][specify other][See Appendix]

- (c) If redeemable in part:
- (i) Minimum Redemption Amount: []
- (ii) Maximum Redemption Amount: []
- (d) Notice periods: Minimum period: [15] days
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent.)

19. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)

- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount][Specify other][See Appendix]
- (c) Notice periods: Minimum period: [15] days
Maximum period: [30] days
(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent.)

20. Final Redemption Amount: [[] per Calculation Amount][Specify other][See Appendix]

21. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required): [[] per Calculation Amount][Specify other][See Appendix]
(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. Form of Notes:

(a) Form:

[Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes upon an Exchange Event]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes upon an Exchange Event]

[Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December 2005²]

[Registered Notes:

Global Note registered in the name of a nominee for [a common depository][a common safekeeper] for Euroclear and Clearstream, Luxembourg]

(b) New Global Note:

[Yes][No]

23. Additional Financial Centre(s):

[Not Applicable][*Give details*]
(Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraph 15(c) relates)

24. Talons for future Coupons to be attached to Definitive Notes:

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made][No]

25. Other terms or special conditions:

[Not Applicable][*Give details*]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

[[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

² Include for Notes that are to be offered in Belgium.

Signed on behalf of the International Investment Bank:

By:

Duly authorised

PART B – OTHER INFORMATION

- 1. LISTING** [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin][*specify other*] with effect from [].] [Not Applicable]
- 2. RATINGS**
- Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].
- 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**
- [Save for the fees payable to the [Managers/Dealers named below], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business – *Amend as appropriate if there are other interests*]
- 4. REASONS FOR THE OFFER**
- [See “Use of Proceeds” in the Offering Circular][*Give details*]
- 5. OPERATIONAL INFORMATION**
- (i) ISIN: []
- (ii) Common Code: []
- (iii) CFI: [[[*Include code*], as updated, as set out on][See] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN][Not Applicable][Not Available]
- (iv) FISN: [[[*Include code*], as updated, as set out on][See] the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN][Not Applicable][Not Available]
- (v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable][*Give name(s) and number(s)*]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional []

Paying Agent(s) (if any):

- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper[, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [*include this text for Registered Notes which are to be held under the NSS*] 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 the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as “no” at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper] [*include this text for Registered Notes*]. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

6. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Stabilisation Manager(s) (if any): [Not Applicable/*give name*]
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]
- (v) U.S. Selling Restrictions: Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]
- (vi) Additional selling restrictions: [Not Applicable/*give details*]
- (vii) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]

(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Pricing Supplement (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Applicable Pricing Supplement” for a description of the content of Pricing Supplements which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by International Investment Bank, an international organisation under, and subject to, public international law, established and operating on the basis of the Agreement Establishing the International Investment Bank dated 10 July 1970 (the **Establishment Agreement**) and the Charter of the International Investment Bank attached to the Establishment Agreement (as amended and restated from time to time) (the **Charter**), initially registered with the Secretariat of the United Nations on 1 December 1971 under number 11417 (the **Issuer**) pursuant to the Agency Agreement (as defined below).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note;
- (c) any definitive Notes in bearer form (**Bearer Notes**) issued in exchange for a Global Note in bearer form; and
- (d) any definitive Notes in registered form (**Registered Notes**) (whether or not issued in exchange for a Global Note in registered form).

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 26 February 2021 and made between the Issuer, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents), Citigroup Global Markets Europe AG as registrar (the **Registrar**, which expression shall include any successor registrar) and the transfer agents named therein (the **Transfer Agents**, which expression shall include any additional or successor transfer agents). The Principal Paying Agent, the Calculation Agent (if any is specified in the applicable Pricing Supplement), the Registrar, the Paying Agents and other Transfer Agents together referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Pricing Supplement** are, unless otherwise stated, to Part A of the Pricing Supplement (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Bearer Notes have interest coupons (**Coupons**) and, in the case of Bearer Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Notes in definitive bearer form which are repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Registered Notes and Global Notes do not have Receipts, Coupons or Talons attached on issue.

Any reference to **Noteholders** or **holders** in relation to any Notes shall mean (in the case of Bearer Notes) the holders of the Notes and (in the case of Registered Notes) the persons in whose name the Notes are registered and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to **Receiptholders** shall mean the holders of the Receipts and any reference herein to **Couponholders** shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders, the Receiptholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the **Deed of Covenant**) dated 26 February 2021 and made by the Issuer. The original of the Deed of Covenant is held by the common depository for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) the applicable Pricing Supplement will be published on the website of Euronext Dublin. If the Notes are not admitted to trading on Euronext Dublin, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Pricing Supplement which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

Words and expressions defined in the Agency Agreement or used in the applicable Pricing Supplement shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form or in registered form as specified in the applicable Pricing Supplement and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Pricing Supplement. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination and Bearer Notes may not be exchanged for Registered Notes and *vice versa*.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement, or may otherwise be issued on such other terms relating to interest as are set out in the applicable Pricing Supplement.

Definitive Bearer Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Bearer Notes, Receipts and Coupons will pass by delivery and title to the Registered Notes will pass upon registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer and any Agent will (except as otherwise required by law) deem and treat the bearer of any Bearer Note, Receipt or Coupon and the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Bearer Global Note or the registered holder of the relevant Registered Global Note shall be treated by the Issuer and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Pricing Supplement.

2. TRANSFERS OF REGISTERED NOTES

2.1 Transfers of interests in Registered Global Notes

Transfers of beneficial interests in Registered Global Notes will be effected by Euroclear or Clearstream, Luxembourg, as the case may be, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. A beneficial interest in a Registered Global Note will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Notes in definitive form or for a beneficial interest in another Registered Global Note of the same Series, in each case only in the Specified Denomination(s) set out in the applicable Pricing Supplement (and provided that the aggregate nominal amount of any balance of such beneficial interest of the transferor not so transferred is an amount of at least the minimum Specified Denomination) and only in accordance with the rules and operating procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be, and in accordance with the terms and conditions specified in the Agency Agreement.

2.2 Transfers of Registered Notes in definitive form

Subject as provided in Condition 2.3 below, upon the terms and subject to the conditions set forth in the Agency Agreement, a Registered Note in definitive form may be transferred in whole or in part (in the Specified Denomination(s) set out in the applicable Pricing Supplement). In order to effect any such transfer (a) the holder or holders must (i) surrender the Registered Note for registration of the transfer of the Registered Note (or the relevant part of the Registered Note) at the specified office of any Transfer Agent, with the form of transfer thereon duly executed by the holder or holders thereof or his or their attorney or attorneys duly authorised in writing and (ii) complete and deposit such other certifications as may be required by the relevant Transfer Agent and (b) the relevant Transfer Agent must, after due and careful enquiry, be satisfied with the documents of title and the identity of the person making the request. Any such transfer will be subject to such reasonable regulations as the Issuer and the Registrar may from time to time prescribe (the initial such regulations being set out in Schedule 7 to the Agency Agreement). Subject as provided above, the relevant Transfer Agent will, within three business days (being for this purpose a day on which banks are open for business in the city where the specified office of the relevant Transfer Agent is located) of the request (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), authenticate and deliver, or procure the authentication and delivery of, at its specified office to the transferee or (at the risk of the transferee) send by uninsured mail, to such address as the transferee may request, a new Registered Note in definitive form of a like aggregate nominal amount to the Registered Note (or the relevant part of the Registered Note) transferred. In the case of the transfer of part only of a Registered Note in definitive form, a new Registered Note in definitive form in respect of the balance of the Registered Note not transferred will be so authenticated and delivered or (at the risk of the transferor) sent to the transferor.

2.3 Registration of transfer upon partial redemption

In the event of a partial redemption of Notes under Condition 7, the Issuer shall not be required to register the transfer of any Registered Note, or part of a Registered Note, called for partial redemption.

2.4 Costs of registration

Noteholders will not be required to bear the costs and expenses of effecting any registration of transfer as provided above, except for any costs or expenses of delivery other than by regular uninsured mail and except that the Issuer may require the payment of a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation to the registration.

3. STATUS OF THE NOTES

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

4. NEGATIVE PLEDGE

So long as any of the Notes remains outstanding, the Issuer shall not, and the Issuer shall procure that none of the Material Subsidiaries will, create or permit to subsist any Security Interest, except for any Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

For the purposes of these Conditions:

- (i) **Financial Indebtedness** means any indebtedness for or in respect of (A) moneys borrowed and debit balances at banks; (B) any acceptance credit (including any dematerialised equivalent); (C) any bond, note, debenture, loan stock or other similar instrument; (D) any finance lease; (E) receivables sold or discounted (other than any receivables to the extent they are sold or discounted on a non-recourse basis); (F) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing and (G) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution;
- (ii) **Material Subsidiary** means, as of any date, an entity:
 - (A) (I) whose affairs and policies are controlled by the Issuer, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body or otherwise; or (II) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the Issuer; and
 - (B) whose consolidated (or in the case of an entity that does not itself have any subsidiaries, unconsolidated) total assets represent 10 per cent. or more of the total book value of all assets of the Issuer's group as reflected in the Issuer's most recent consolidated annual audited financial statements;
- (iii) **Permitted Security Interest** means:
 - (A) any Security Interest in respect of a Financial Indebtedness the secured amount of principal of which does not at any time exceed 20 per cent. of the total book value of all assets of the Issuer's group as reflected in the Issuer's most recent consolidated annual audited financial statements;
 - (B) any Security Interest arising in the ordinary course of banking transactions (including, without limitation, such as sale and repurchase transactions and share, loan and bond lending transactions and any netting or set-off arrangements entered into by the Issuer or any Material Subsidiary for the purpose of netting any debit and credit balances), provided that the Security Interest is limited to the assets which are the subject of the relevant transaction;
 - (C) Security Interests imposed or required by statute or operation of law (but not through any act or omission to act on the part of the Issuer or any Material Subsidiary); and
 - (D) any extension, renewal, refunding or replacement, as a whole or in part, of any Security Interest referred to in sub-paragraphs (A) to (C), inclusive, of this definition, for amounts not exceeding the principal amount of indebtedness secured by such Security Interest so extended, renewed, refunded or replaced (plus improvements thereon or additions or accessions thereto);

- (iv) **Relevant Indebtedness** means (A) any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any bond, note, debenture, loan stock or other debt securities which, with the consent of the Issuer, are for the time being listed on any stock exchange and (B) any guarantee or indemnity in respect of any such indebtedness; and
- (v) **Security Interest** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Pricing Supplement, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant payment date if the Notes become payable on a date other than an Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Pricing Supplement, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (a) in the case of Fixed Rate Notes which are (i) represented by a Global Note or (ii) Registered Notes in definitive form, the aggregate outstanding nominal amount of (A) the Fixed Rate Notes represented by such Global Note or (B) such Registered Notes; or
- (b) in the case of Fixed Rate Notes which are Bearer Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure (including after application of any Fixed Coupon Amount or Broken Amount, as applicable, to the aggregate outstanding nominal amount of Fixed Rates Notes which are Registered Notes in definitive form or the Calculation Amount in the case of Fixed Rate Notes which are Bearer Notes in definitive form) shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest, in accordance with this Condition 5.1:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Pricing Supplement:
 - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes

(a) Interest Payment Dates

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Pricing Supplement; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Interest Payment Date,

an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each **Interest Period**, which expression shall in these Conditions mean:

- (1) the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date; or
- (2) where interest is required to be determined in respect of a period other than a full period under (1) above, such other period in respect of which interest is to be calculated, being the period from (and including) the first day of such period to (but excluding) the day on which the relevant payment of interest falls due (which, if the Notes become due and payable in accordance with Condition 10, shall be the date on which the Notes become due and payable).

If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than TARGET2 System) specified in the applicable Pricing Supplement;
- (b) if TARGET2 System is specified as an Additional Business Centre in the applicable Pricing Supplement, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open; and

- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Pricing Supplement.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or the Calculation Agent, as applicable, under an interest rate swap transaction if the Principal Paying Agent or the Calculation Agent, as applicable, were acting as Calculation Agent (as defined in the ISDA Definitions (as defined below)) for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Pricing Supplement;
- (B) the Designated Maturity is a period specified in the applicable Pricing Supplement; and
- (C) the relevant Reset Date is the day specified in the applicable Pricing Supplement.

For the purposes of this subparagraph (i), **Floating Rate**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(ii) Screen Rate Determination for Floating Rate Notes not referencing Compounded Daily SONIA

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined and the Reference Rate specified in the applicable Pricing Supplement is not Compounded Daily SONIA, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Pricing Supplement) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Pricing Supplement) the Margin (if any), all as determined by the Principal Paying Agent or the Calculation Agent, as applicable. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or the Calculation Agent, as applicable, for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

Unless otherwise stated in the applicable Pricing Supplement the Minimum Rate of Interest shall be deemed to be zero.

(iii) Screen Rate Determination for Floating Rate Notes referencing Compounded Daily SONIA

Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined and the Reference Rate specified in the applicable Pricing Supplement is Compounded Daily SONIA, the Rate of Interest for an Interest Period will, subject to Condition 5.2(h) and as provided below, be Compounded Daily SONIA with respect to such Interest Period plus or minus (as indicated in the applicable Pricing Supplement) the applicable Margin (if any).

As used in these Conditions, **Compounded Daily SONIA** means, with respect to an Interest Period, the rate of return of a daily compound interest investment during the Observation Period corresponding to such Interest Period (with the daily SONIA reference rate as reference rate for the calculation of interest) as calculated by the Principal Paying Agent or the Calculation Agent, as applicable, as at the relevant Interest Determination Date, in accordance with the following formula (and the resulting percentage will be rounded, if necessary, to the fifth decimal place, with 0.000005 being rounded upwards):

$$\left[\prod_{i=1}^{d_o} \left(1 + \frac{SONIA_{i-pLBD} \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

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

d_o is the number of London Banking Days in the relevant Interest Period;

i is, for any Interest Period, a series of whole numbers from one to d_o, each representing a London Banking Day in chronological order from, and including, the first London Banking Day in the relevant Interest Period;

London Banking Day or **LBD** means any day on which commercial banks are open for general business (including dealing in foreign exchange and foreign currency deposits) in London;

n_i, for any London Banking Day "i", means the number of calendar days from (and including) such London Banking Day "i" up to (but excluding) the following London Banking Day;

Observation Period means, in respect of an Interest Period, the period from (and including) the date falling "p" London Banking Days prior to the first day of such Interest Period to (but excluding) the date falling "p" London Banking Days prior to (A) the Interest Payment Date for such Interest Period or (B) such earlier date, if any, on which the Notes become due and payable;

p means the number of London Banking Days included in the Observation Look-Back Period specified in the applicable Pricing Supplement (or, if no such number is so specified, five London Banking Days);

SONIA reference rate means, in respect of any London Banking Day (**LBD_x**), a reference rate equal to the daily Sterling Overnight Index Average (**SONIA**) rate for such **LBD_x** as provided by the administrator of SONIA to authorised distributors and as then published on the Relevant Screen Page (or, if the Relevant Screen Page is unavailable, as otherwise published by such authorised distributors) on the London Banking Day immediately following such **LBD_x**; and

SONIA_{i-pLBD} means, in respect of any London Banking Day "i" falling in the relevant Interest Period, the SONIA reference rate for the London Banking Day falling "p" London Banking Days prior to the relevant London Banking Day "i".

If, in respect of any London Banking Day in the relevant Observation Period, the Principal Paying Agent or the Calculation Agent, as applicable, determines that the applicable SONIA reference rate is not available on the Relevant Screen Page and has not otherwise been published by the relevant authorised distributors, then (unless the Principal Paying Agent or the Calculation Agent, as applicable, has been notified of any Successor Rate or Alternative Rate (and any related Adjustment Spread and/or Benchmark Amendments) pursuant to Condition 5.2(h), if applicable) the SONIA reference rate in respect of such London Banking Day shall be: (A)(i) the Bank of England's Bank Rate (the **Bank Rate**) prevailing at 5.00 p.m. (or, if earlier, the close of business) on such London Banking Day; plus (ii) the mean of the spread of the SONIA reference rate to the Bank Rate over the previous five London Banking Days on which a SONIA reference rate has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) or (B) if the Bank Rate under (A)(i) above is not available at the relevant time, either (i) the SONIA reference rate published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) for the first preceding London Banking Day on which the SONIA reference rate was published on the Relevant Screen Page (or otherwise published by the relevant authorised distributors) or (ii) if this is more recent, the latest rate determined under (A) above.

In the event that the Rate of Interest cannot be determined in accordance with the foregoing provisions, the Rate of Interest shall (subject to Condition 5.2(h)) be:

- (x) that determined as at the last preceding Interest Determination Date (though substituting, where a different Margin, Maximum Rate of Interest and/or Minimum

Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as the case may be) relating to the relevant Interest Period, in place of the Margin, Maximum Rate of Interest and/or Minimum Rate of Interest (as applicable) relating to that last preceding Interest Period); or

- (y) if there is no such preceding Interest Determination Date, the initial Rate of Interest which would have been applicable to such Notes for the first scheduled Interest Period had the Notes been in issue for a period equal in duration to the first scheduled Interest Period but ending on (and excluding) the Interest Commencement Date (applying the Margin and, if applicable, any Maximum Rate of Interest and/or Minimum Rate of Interest, applicable to the first scheduled Interest Period).

If the Notes become due and payable in accordance with Condition 10, the final Rate of Interest shall be calculated for the period from (and including) the previous Interest Payment Date to (but excluding) the date on which the Notes become so due and payable, and such Rate of Interest shall continue to apply to the Notes for so long as interest continues to accrue thereon as provided in Condition 5.3.

(c) Minimum Rate of Interest and/or Maximum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Pricing Supplement specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) Determination of Rate of Interest and calculation of Interest Amounts

The Principal Paying Agent or the Calculation Agent, as applicable, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Principal Paying Agent or the Calculation Agent, as applicable, will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes which are (A) represented by a Global Note or (B) Registered Notes in definitive form, the aggregate outstanding nominal amount of (I) the Notes represented by such Global Note or (ii) such Registered Notes; or
- (ii) in the case of Floating Rate Notes which are Bearer Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction.

The resultant figure shall be rounded to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Floating Rate Note which is a Bearer Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

- (vii) if “30E/360 (ISDA)” is specified in the applicable Pricing Supplement, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y₁ is the year, expressed as a number, in which the first day of the Interest Period falls;

Y₂ is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M₁ is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M₂ is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D₁ is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

D₂ is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30.

(e) **Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Pricing Supplement, the Rate of Interest for such Interest Period shall be calculated by the Principal Paying Agent or the Calculation Agent, as applicable, by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Pricing Supplement) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Pricing Supplement), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Principal Paying Agent or the Calculation Agent, as applicable, shall determine such rate at such time and by reference to such sources as it determines appropriate.

Designated Maturity means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

(f) **Notification of Rate of Interest and Interest Amounts**

- (i) Except where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined and the Reference Rate specified in the applicable Pricing Supplement is Compounded Daily SONIA, the Principal Paying Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.
- (ii) Where Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate of Interest is to be determined and the Reference Rate specified in the applicable Pricing Supplement is Compounded Daily SONIA, the Principal Paying Agent or the Calculation Agent, as applicable, will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the second London Banking Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 14.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2 by the Principal Paying Agent or the Calculation Agent, as applicable, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Principal Paying Agent, the other Agents and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent or the Calculation Agent, as applicable, in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

(h) Benchmark Discontinuation

(i) Independent Adviser and Issuer

If a Benchmark Event occurs in relation to an Original Reference Rate at any time when these Conditions provide for any remaining Rate of Interest (or any component part thereof) to be determined by reference to such Original Reference Rate, then:

- (A) the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5.2(h)(ii)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 5.2(h)(iii)), and any Benchmark Amendments (in accordance with Condition 5.2(h)(iv)), by no later than five Business Days prior to the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the Original Reference Rate (the **IA Determination Cut-off Date**); and
- (B) if the Issuer is unable to appoint an Independent Adviser, or the Independent Adviser appointed by it fails to determine a Successor Rate, failing which an Alternative Rate, and/or (in either case) any applicable Adjustment Spread, prior to the relevant IA Determination Cut-off Date in accordance with Condition 5.2(h)(i)(A), then the Issuer (acting in good faith and in a commercially reasonable manner) may determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5.2(h)(ii)) and, in either case, an Adjustment Spread, if any (in accordance with Condition 5.2(h)(iii)), and any Benchmark Amendments (in accordance with Condition 5.2(h)(iv)), by no later than the Interest Determination Date relating to the next Interest Period for which the Rate of Interest (or any component part thereof) is to be determined by reference to the Original Reference Rate.

An Independent Adviser appointed pursuant to Condition 5.2(h)(i)(A) shall act in good faith and in a commercially reasonable manner and (in the absence of bad faith or fraud) shall have no liability whatsoever to the Issuer, the Principal Paying Agent, any Calculation Agent, the Noteholders, the Receiptholders or the Couponholders for any determination made by it pursuant to this Condition 5.2(h).

(ii) Successor Rate or Alternative Rate

If the Independent Adviser or the Issuer, as applicable (in accordance with Condition 5.2(h)(i)), determines that:

- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5.2(h)(iii), if applicable) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5.2(h)); or
- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5.2(h)(iii), if applicable) subsequently be used in place of the Original Reference Rate to determine the relevant Rate(s) of Interest (or the relevant component part(s) thereof) for all relevant future payments of interest on the Notes (subject to the further operation of this Condition 5.2(h)).

(iii) Adjustment Spread

If any Successor Rate or Alternative Rate is determined in accordance with Condition 5.2(h)(i) and the Independent Adviser or the Issuer, as applicable (in accordance with Condition 5.2(h)(i)), determines (A) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (B) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Rate of Interest (or a relevant component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(iv) Benchmark Amendments

If any Successor Rate, Alternative Rate and/or Adjustment Spread is determined in accordance with this Condition 5.2(h) and the Independent Adviser or the Issuer, as applicable, determines (A) that amendments to these Conditions are necessary to follow market practice or to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**) and (B) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5.2(h)(v), without any requirement for the consent or approval of Noteholders, Receiptholders or Couponholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

(v) Notices

The Issuer will promptly notify the Principal Paying Agent, any Calculation Agent and, in accordance with Condition 14, the Noteholders, Receiptholders and Couponholders promptly of any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5.2(h). Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

The Successor Rate or Alternative Rate and (in either case) the Adjustment Spread (if any) and the Benchmark Amendments (if any) will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate, the Adjustment Spread (if any) and the Benchmark Amendments (if any)) be binding on the Issuer, the Principal Paying Agent, any Calculation Agent, the Noteholders, the Receiptholders and the Couponholders as of their effective date.

(vi) Fallbacks

Without prejudice to the obligations of the Issuer under the provisions of this Condition 5.2(h), the Original Reference Rate and the fallback provisions provided for in Condition 5.2(b) will continue to apply unless and until a Benchmark Event has occurred in respect of the Original Reference Rate and the Principal Paying Agent or (if applicable) the Calculation Agent has been notified of the Successor Rate or the Alternative Rate (as the case may be), and (in either case) any Adjustment Spread and any Benchmark Amendments, in accordance with Condition 5.2(h)(v).

If, following the occurrence of a Benchmark Event and in relation to the determination of the Rate of Interest (or any component part thereof) on the relevant Interest Determination Date, no Successor Rate or Alternative Rate (as applicable) is determined and notified to the Principal Paying Agent and any Calculation Agent, in each case in accordance with this Condition 5.2(h), by such Interest Determination Date, the Original Reference Rate will continue to apply for the purposes of determining such Rate of Interest (or any component part thereof) on such Interest Determination Date, with the effect that the fallback provisions provided for in Condition 5.2(b) will (if applicable) continue to apply to such determination.

For the avoidance of doubt, this Condition 5.2(h)(vi) shall apply to the determination of the Rate of Interest (or any component part thereof) on the relevant Interest Determination Date only, and the Rate of Interest (or any component part thereof) applicable to any subsequent Interest Period(s) is subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.2(h).

(vii) Definitions

In these Conditions:

Adjustment Spread means either (x) a spread (which may be positive, negative or zero), or (y) a formula or methodology for calculating a spread, which in either case is to be applied to the Successor Rate or the Alternative Rate (as the case may be) in accordance with Condition 5.2(h)(iii), and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) in the case of an Alternative Rate or (where (A) above does not apply) in the case of a Successor Rate, the Independent Adviser or the Issuer, as applicable, determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (C) (if the Independent Adviser or the Issuer, as applicable, determines that neither (A) nor (B) above applies) the Independent Adviser or the Issuer, as applicable, determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders, Receiptholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be);

Alternative Rate means an alternative to the Original Reference Rate which the Independent Adviser or the Issuer, as applicable, determines in accordance with Condition 5.2(h)(ii) has replaced the Original Reference Rate in customary market usage in the

international debt capital markets for the purposes of determining floating rates of interest (or the relevant component part thereof) for debt securities with a commensurate interest period and in the same Specified Currency as the Notes, or if the Independent Adviser or the Issuer, as applicable, determines that there is no such rate, such other rate as the Independent Adviser (but not the Issuer) determines in its sole discretion is most comparable to the Original Reference Rate;

Benchmark Amendments has the meaning given to it in Condition 5.2(h)(iv);

Benchmark Event means, with respect to an Original Reference Rate:

- (A) the Original Reference Rate ceasing to exist or be published or administered; or
- (B) the later of (1) the making of a public statement by the administrator of the Original Reference Rate that it will, on or before a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (2) the date falling six months prior to the specified date referred to in (B)(1); or
- (C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued; or
- (D) the later of (1) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate will, on or before a specified date, be permanently or indefinitely discontinued and (2) the date falling six months prior to the specified date referred to in (D)(1); or
- (E) the later of (1) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that means the Original Reference Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, in each case on or before a specified date and (2) the date falling six months prior to the specified date referred to in (E)(1); or
- (F) it has or will prior to the next Interest Determination Date become unlawful for the Issuer, the Principal Paying Agent, any other party specified in the applicable Pricing Supplement as being responsible for calculating the Rate of Interest (or any component part thereof) or any Paying Agent to calculate any payments due to be made to any Noteholder, Receiptholder or Couponholder using the Original Reference Rate; or
- (G) the making of a public statement by the supervisor of the administrator of such Original Reference Rate announcing that such Original Reference Rate is no longer representative or may no longer be used;

Independent Adviser means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international debt capital markets appointed by the Issuer, at its own expense, under Condition 5.2(h)(i);

Original Reference Rate means the originally-specified benchmark or screen rate (as applicable) used to determine the relevant Rate of Interest (or any component part thereof) in respect of any Interest Period(s) (provided that if, following one or more Benchmark Event(s), such originally-specified benchmark or screen rate (or any Successor Rate or

Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term "Original Reference Rate" shall include any such Successor Rate or Alternative Rate);

Relevant Nominating Body means, in respect of an Original Reference Rate:

- (A) the central bank for the currency to which the Original Reference Rate relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate; or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (1) the central bank for the currency to which the Original Reference Rate relates, (2) any central bank or other supervisory authority which is responsible for supervising the administrator of the Original Reference Rate, (3) a group of the aforementioned central banks or other supervisory authorities or (4) the Financial Stability Board or any part thereof; and

Successor Rate means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

5.3 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Note has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 14.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through

1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

6.2 Presentation of definitive Bearer Notes, Receipts and Coupons

Payments of principal in respect of definitive Bearer Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Bearer Notes, and payments of interest in respect of definitive Bearer Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive bearer form (other than Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive bearer form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive bearer form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Bearer Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Bearer Note.

6.3 Payments in respect of Bearer Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note in bearer form will (subject as provided below) be made in the manner specified above in relation to definitive Bearer Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

6.4 Payments in respect of Registered Notes

Payments of principal (other than instalments of principal prior to the final instalment) in respect of each Registered Note (whether or not in global form) will be made against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the Registered Note at the specified office of the Registrar or any of the Paying Agents. Such payments will be made by transfer to the Designated Account (as defined below) of the holder (or the first named of joint holders) of the Registered Note appearing in the register of holders of the Registered Notes maintained by the Registrar (the **Register**) (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the third business day (being for this purpose a day on which banks are open for business in the city where the specified office of the Registrar is located) before the relevant due date. For these purposes, **Designated Account** means the account (which, in the case of a payment in Japanese yen to a non-resident of Japan, shall be a non-resident account) maintained by a holder with a Designated Bank and identified as such in the Register and **Designated Bank** means (in the case of payment in a Specified Currency other than euro) a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively) and (in the case of a payment in euro) any bank which processes payments in euro.

Payments of interest and payments of instalments of principal (other than the final instalment) in respect of each Registered Note (whether or not in global form) will be made by transfer on the due date to the Designated Account of the holder (or the first named of joint holders) of the Registered Note appearing in the Register (i) where in global form, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant due date, and (ii) where in definitive form, at the close of business on the fifteenth day (whether or not such fifteenth day is a business day) before the relevant due date (the **Record Date**). Payment of the interest due in respect of each Registered Note on redemption and the final instalment of principal will be made in the same manner as payment of the principal amount of such Registered Note.

No commissions or expenses shall be charged to the holders by the Registrar in respect of any payments of principal or interest in respect of Registered Notes.

None of the Issuer or the Agents will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Registered Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

6.5 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Bearer Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

6.6 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):
 - (i) in the case of Notes in definitive form only, in the relevant place of presentation; and
 - (ii) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Pricing Supplement;
- (b) if TARGET2 System is specified as an Additional Financial Centre in the applicable Pricing Supplement, a day on which the TARGET2 System is open; and
- (c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.7 Interpretation of principal and interest

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes; and
- (e) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Pricing Supplement in the relevant Specified Currency on the Maturity Date specified in the applicable Pricing Supplement.

7.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement to the Principal Paying Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Principal Paying Agent to make available for inspection at its specified office to the Noteholders (i) a certificate signed by two duly authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment. The Principal Paying Agent shall have no obligation to monitor or ascertain whether any certificates and/or opinions required by this Condition 7.2 have been produced and shall incur no liability for assisting in the publication of any notice of redemption or for making any payments required pursuant to this Condition 7.2 in the event such certificates and/or opinions have not been received by it. The Principal Paying Agent shall not (i) be required to review, check or analyse any certificates and/or opinions provided to it, (ii) be responsible for the contents of any such certificates and/or opinions or (iii) incur any liability in the event the content of such certifications and/or opinions are inaccurate or incorrect.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Pricing Supplement, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Pricing Supplement to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Pricing Supplement.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a Global Note, be selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption.

7.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified as being applicable in the applicable Pricing Supplement, upon the holder of any Note giving to the Issuer in accordance with Condition 14 not less than the minimum period nor more than the maximum period of notice specified in the applicable Pricing Supplement, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes) at any time during normal business hours of such Paying Agent or, as the case may be, the Registrar falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent or, as the case may be, the Registrar (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition and, in the case of Registered Notes, the nominal amount thereof to be redeemed and, if less than the full nominal amount of the Registered Notes so surrendered is to be redeemed, an address to which a new Registered Note in respect of the balance of such Registered Notes is to be sent subject to and in accordance with the provisions of Condition 2.2. If this Note is in definitive bearer form, the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control.

If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear, Clearstream, Luxembourg or any common depository or common safekeeper, as the case may be for them to the Principal Paying

Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10.

7.5 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10:

- (a) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (b) each Zero Coupon Note will be redeemed at its Early Redemption Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

y is the Day Count Fraction specified in the applicable Pricing Supplement which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

7.6 Purchases

The Issuer or any subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Bearer Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent and/or the Registrar for cancellation.

7.7 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.6 above (together with

all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

7.8 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3 or 7.4 above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.5(b) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Registrar and notice to that effect has been given to the Noteholders in accordance with Condition 14.

8. TAXATION

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Relevant Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment in the Relevant Jurisdiction; or
- (b) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.6).

Notwithstanding any other provision of these Conditions, in no event will the Issuer be required to pay any additional amounts in respect of the Notes, Receipts and Coupons for, or on account of, any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

As used herein:

- (i) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying

Agent or the Registrar, as the case may be, on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14; and

- (ii) the **Relevant Jurisdiction** means Hungary or any political subdivision or any authority thereof or therein having power to tax.

9. PRESCRIPTION

The Notes (whether in bearer or registered form), Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT

If any one or more of the following events (each an **Event of Default**) occurs and is continuing:

- (a) *Non-payment*: if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 7 calendar days in the case of principal or 14 calendar days in the case of interest; or
- (b) *Breach of other obligations*: the Issuer fails to perform or observe any of its other obligations under these Conditions and (where the failure is capable of remedy) the failure continues for the period of 30 calendar days next following service by a Noteholder on the Issuer of notice requiring the same to be remedied; or
- (c) *Cross-Acceleration of Issuer or Material Subsidiary*: any of the following events occurs in respect of the Issuer or any Material Subsidiary:
 - (i) any Financial Indebtedness of the Issuer or any Material Subsidiary is not paid when due or (as the case may be) within any applicable grace period;
 - (ii) any such Financial Indebtedness becomes due and payable prior to its stated maturity as a result of an event of default and otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Financial Indebtedness; or
 - (iii) the Issuer or any Material Subsidiary fails to pay when due any amount payable by it under any Guarantee of any Financial Indebtedness of any other person;

provided that no event in this paragraph (c) shall constitute an Event of Default unless the amount of Financial Indebtedness and/or the amount payable under any Guarantee, individually or when aggregated (without duplication) with any other Financial Indebtedness or amount payable under any Guarantee as a result of any other event specified in this paragraph (c) which has occurred and is continuing, exceeds EUR 15,000,000 (or its equivalent in any other currency or currencies); or

- (d) *Inability to pay debts*: any of the following events occurs in respect of (A) in the case of paragraphs (iii), (iv) and (v), the Issuer or (B) in any case, any Material Subsidiary:
- (i) any Material Subsidiary becomes insolvent or is unable to pay its debts as they fall due;
 - (ii) an administrator or liquidator is appointed (or an application for any such appointment is made by or with the consent of the Issuer) in respect of any Material Subsidiary;
 - (iii) the Issuer or any Material Subsidiary takes any action for a readjustment or deferment of a substantial part of its debt obligations or makes an assignment or an arrangement or composition with or for the benefit of its creditors generally (or any class of them) or declares a moratorium in respect of its Financial Indebtedness or any Guarantee of any Financial Indebtedness given by it;
 - (iv) the Issuer or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole of its business (otherwise than, in the case of a Material Subsidiary, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
 - (v) an effective resolution is passed for the dissolution of the Issuer or for the winding up, liquidation or dissolution of any Material Subsidiary (otherwise than, in the case of a Material Subsidiary, for the purposes of or pursuant to an amalgamation, consolidation, reorganisation or restructuring whilst solvent); or
- (e) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes; or
- (f) *Government intervention*: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated by any person acting under the authority of any IIB Member State or (ii) the Issuer is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets and revenues, and (in each case) such action has a materially adverse effect on the Issuer's capacity to perform its obligations in respect of the Notes; or
- (g) *Amendment of Statutory Documents*: the Statutory Documents are amended in a manner or to an extent materially adversely affecting the Issuer's capacity to perform its obligations in respect of the Notes,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Principal Paying Agent, effective upon the date of receipt thereof by the Principal Paying Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

For the purposes of this Condition 10:

Branch Agreement means the Agreement between the Issuer and the Government of the Russian Federation regarding the seat of the Issuer in the Russian Federation dated 11 February 2020 (as amended and restated from time to time);

Guarantee means, in relation to any Financial Indebtedness of any person, any obligation to pay such Financial Indebtedness including (without limitation): (i) any obligation to purchase such

Financial Indebtedness; (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness; (iii) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and (iv) any other agreement to be responsible for such Financial Indebtedness;

Host Country Agreement means the Agreement between the Issuer and the Government of Hungary regarding the seat of the Issuer in Hungary dated 5 February 2019 (as amended and restated from time to time);

IIB Member State means each of the Republic of Bulgaria, the Republic of Cuba, the Czech Republic, Hungary, Mongolia, Romania, the Russian Federation, the Slovak Republic and the Socialist Republic Of Vietnam;

Material Subsidiary means, as of any date, an entity:

- (A) (I) whose affairs and policies are controlled by the Issuer, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body or otherwise; or (II) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the Issuer; and
- (B) whose consolidated (or in the case of an entity that does not itself have any subsidiaries, unconsolidated) total assets represent 10 per cent. or more of the total book value of all assets of the Issuer's group as reflected in the Issuer's most recent consolidated annual audited financial statements; and

Statutory Documents means the Establishment Agreement, the Charter, the Host Country Agreement and the Branch Agreement.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (in the case of Bearer Notes, Receipts or Coupons) or the Registrar (in the case of Registered Notes) upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. AGENTS

The initial Agents are set out above. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Pricing Supplement.

The Issuer is entitled to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (a) there will at all times be a Principal Paying Agent and a Registrar; and
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent (in the case of Bearer Notes) and a Transfer Agent (in the case of Registered Notes) with a specified office in such place (if

any) as may be required by the rules and regulations of the relevant stock exchange or other relevant authority.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.5. Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 14.

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder, Receiptholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

14. NOTICES

All notices regarding the Bearer Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Bearer Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

All notices regarding the Registered Notes will be deemed to be validly given if sent by first class mail or (if posted to an address overseas) by airmail to the holders (or the first named of joint holders) at their respective addresses recorded in the Register and will be deemed to have been given on the fourth day after mailing and, in addition, for so long as any Registered Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites or such mailing the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent (in the case of Bearer Notes) or the Registrar (in the case of Registered Notes). Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent or the Registrar through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent, the Registrar and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS AND MODIFICATION

The Agency Agreement contains provisions for convening meetings of the Noteholders (including by way of telephone or video conference) to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Receipts, the Coupons or any of the provisions of the Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes, altering the currency of payment of the Notes, the Receipts or the Coupons or amending the Deed of Covenant in certain respects), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Agency Agreement provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Agency Agreement by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Principal Paying Agent) by or on behalf of the holders of not less than three-fourths in nominal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders will be binding on all the Noteholders, whether or not they are present at any meeting, and whether or not they voted on the resolution, and on all Receiptholders and Couponholders.

The Principal Paying Agent and the Issuer may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (a) any modification of the Notes, the Receipts, the Coupons, the Deed of Covenant or the Agency Agreement which in the sole opinion of the Issuer is not prejudicial to the interests of the Noteholders; or
- (b) any modification of the Notes, the Receipts, the Coupons, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

In addition, pursuant to Condition 5.2(h), certain changes may be made to the interest calculation provisions of the Floating Rate Notes in the circumstances and as otherwise set out in such Condition without the consent of the Noteholders, Receiptholders or Couponholders.

Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

16. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

18. GOVERNING LAW AND SUBMISSION TO JURISDICTION

18.1 Governing law

The Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with the Agency Agreement, the Deed of Covenant, the Notes, the Receipts and the Coupons are governed by, and construed in accordance with, English law.

18.2 Submission to jurisdiction

- (a) Subject to Condition 18.2(c) below, the English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes, the Receipts and/or the Coupons (a **Dispute**) and accordingly each of the Issuer and any Noteholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (b) For the purposes of this Condition 18.2, the Issuer waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.
- (c) To the extent allowed by law, the Noteholders, the Receiptholders and the Couponholders may, in respect of any Dispute or Disputes, take (i) proceedings in any other court with jurisdiction; and (ii) concurrent proceedings in any number of jurisdictions.

18.3 Appointment of Process Agent

The Issuer irrevocably appoints Law Debenture Corporate Services Limited at Eighth Floor, 100 Bishopsgate, London EC2N 4AG, United Kingdom as its agent for service of process in any proceedings before the English courts in relation to any Dispute and agrees that, in the event of Law Debenture Corporate Services Limited being unable or unwilling for any reason so to act or ceasing to be registered in England, it will immediately appoint another person as its agent for service of process in England in respect of any Dispute. The Issuer agrees that failure by a process agent to

notify it of any process will not invalidate service. Nothing herein shall affect the right to serve process in any other manner permitted by law.

18.4 Waiver of immunity

The Issuer irrevocably and unconditionally with respect to any Dispute (i) waives any right to claim sovereign or other immunity from jurisdiction, recognition or enforcement and any similar argument in any jurisdiction, (ii) submits to the jurisdiction of the English courts and the courts of any other jurisdiction in relation to the recognition of any judgment or order of the English courts or the courts of any competent jurisdiction in relation to any Dispute and (iii) consents to the giving of any relief (whether by way of injunction, attachment, specific performance or other relief) or the issue of any related process, in any jurisdiction, whether before or after final judgment, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Dispute. The waiver of immunity in this Condition 18.4 by the Issuer shall not apply to any steps, actions or proceedings seeking or instigating the insolvency, winding-up, bankruptcy or liquidation of the Issuer.

18.5 Other documents

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

USE OF PROCEEDS

Unless specified otherwise in the applicable Pricing Supplement, the net proceeds from each issue of Notes under the Programme will be used by the Issuer for the purposes of its ordinary operations, including but not limited to the funding of its lending operations.

DESCRIPTION OF THE ISSUER

INTRODUCTION AND HISTORY

The Issuer is a multilateral development bank (a public international body within the meaning of Regulation 2017/1129/EU, as amended (the **Prospectus Regulation**)) that promotes social and economic development and trade and economic cooperation between its Member States. The Group currently consists of the Issuer and one subsidiary, JSC “IIB Capital” (the **Subsidiary**). The Subsidiary is established in the form of a joint stock company, being 100% owned by the Issuer.

The Issuer operates on the basis of the intergovernmental Agreement Establishing the International Investment Bank of 10 July 1970, as amended and restated from time to time (the **Establishment Agreement**) and the Charter of the Issuer attached to the Establishment Agreement (the **Charter**) forming an integral part of the Establishment Agreement (the Charter together with the Establishment Agreement being the **Statutory Documents**). The Statutory Documents came into force provisionally on 1 January 1971, when the Issuer commenced operations, and definitively on 5 February 1971, and were registered with the Secretariat of the United Nations on 1 December 1971 under number 11417.

In May 2014, the Member States of the Issuer adopted a protocol (the **Protocol**) amending the Establishment Agreement and its Charter, which after ratification by all Member States entered into force on 18 August 2018.

As at the date of this Offering Circular, the Issuer has nine Member States, namely: the Czech Republic, Hungary, Mongolia, the Republic of Bulgaria, the Republic of Cuba, Romania, the Russian Federation, the Slovak Republic and the Socialist Republic of Vietnam. Membership in the Issuer is open to other states, as well as to international financial organisations.

The Issuer benefits from the high geographical diversification of its Member States. Their territories and, therefore, the Issuer’s relevant geographic market spans approximately 19.6 million square km and a total population of over 300 million people.

Due to the geopolitical situation at the time, from 1991 to 2012, the Issuer temporarily reduced its activity and Poland and Hungary withdrew from the Issuer (in 1999 and 2000, respectively). In 2012, the Issuer underwent a complex reformation and major modernisation process, re-launching its activity under a new management structure and on the basis of a renewed development strategy and lending policy (the **Re-launch Strategy 2013-2017**).

In June 2017, the Issuer adopted a new development strategy (the **2018-2022 Strategy**), aimed at increasing the value of its total assets to EUR 1.7 billion by 2022 while transforming the Issuer into an advanced, rapidly expanding and financially sustainable multilateral development bank, as well as raising its profile to be a recognised player in its key target markets (such markets being its Member States and the regions in which such Member States are located) with a significant role for its shareholders and key partners. The 2018-2022 Strategy also determines the global vector of the Issuer’s growth path until the end of 2032 (see “*Description of the Issuer - Strategy*”).

Following the Protocol’s entry into force on 18 August 2018, the Issuer’s authorised charter capital was set at EUR 2 billion. As at 31 December 2020, the total paid-in capital of the Issuer amounted to EUR 378.7 million and the combined share of the paid-in capital of its EU Member States (the Czech Republic, Slovakia, Hungary, Romania and Bulgaria) was 51.65%, Cuba’s share was 1.42% and the share of the Issuer’s Asian Members (Vietnam and Mongolia) was 1.87%. Russia’s share in the Issuer’s paid-in capital was 45.07%.

On 24 March 2020, the Issuer entered into a contract for the acquisition of permanent premises which are located at Lánchíd Palota building (1011 Budapest, Fő utca 1). The Issuer subsequently transferred its operations to these permanent premises on 15 February 2021. The Issuer also has a branch office in Moscow (see “*Description of the Issuer – Relocation of the Issuer’s Headquarters, Establishment of Branch Office and the Subsidiary*” below).

RELOCATION OF THE ISSUER’S HEADQUARTERS, ESTABLISHMENT OF BRANCH OFFICE AND THE SUBSIDIARY

On 4 December 2018, the Board of Governors of the Issuer resolved to relocate its headquarters from Moscow to Budapest and following this resolution, the Government of Hungary and the Issuer executed an agreement regarding the relocation of the Issuer’s headquarters to Hungary (the **Host Country Agreement**) on 5 February 2019 which was ratified by the Hungarian Parliament on 5 March 2019. The Host Country Agreement came into effect on 30 April 2019 and the Issuer became the first and remains the only multilateral development bank with its headquarters in the CEE region.

All legal conditions relating to the relocation of the Issuer’s headquarters were fulfilled in a timely manner. On 30 April 2019, the Issuer registered the address of its new temporary headquarters in Budapest (Váci út, 188, H-1138 Budapest, Hungary). On March 24, 2020, the Issuer acquired the historic Lánchíd Palota building for its permanent headquarters in Budapest and transferred its operations to such permanent premises on 15 February 2021. On 6 May 2019, the Issuer was registered on “DT-lista” – Official Diplomatic Directory – Diplomatic and Other Representations in Hungary of the Ministry of Foreign Affairs and Trade of Hungary, granting the Issuer the status of a diplomatic organisation in Hungary and the Issuer's new seal came into effect. In addition, a new BIC SWIFT code and new Hungarian tax number were acquired by the Issuer.

Simultaneously with the relocation of its headquarters to Budapest, the Issuer established a fully operational branch in Moscow. Certain matters related to the residence of the Issuer in the Russian Federation are set forth in an agreement dated 11 February 2020 between the Russian Federation and the Issuer, which superseded the agreement dated 23 December 1977 between the Issuer and the former Union of Soviet Socialist Republics. The agreement was provisionally applied from 13 March 2020 and was formally ratified by the Russian Federation on 15 February 2021. This agreement, amongst other things, provides for the inviolability of the Issuer’s premises in the Russian Federation and the exemption of the Issuer’s operations from the supervision of central or local authorities of the Russian Federation.

Following the relocation of the Issuer’s headquarters to Budapest, the Moscow branch has been adjusting its processes to ensure close cooperation between the Issuer's employees based in Moscow and in Budapest to enable the continuity of its operations in order to achieve the goals established by the Issuer’s shareholders.

The Subsidiary was established in 2012, in order to take over several non-core activities of the Issuer, to enable the Issuer to focus on its core objectives and to expand its lending activities and evolve into a prominent development institution in the Member States. The Subsidiary’s core activity now primarily consists of managing the Issuer’s premises. This separation of activities between the Subsidiary and the Issuer enables a more efficient management of the Issuer’s property, with minimum administrative and maintenance costs and enhanced personnel structure.

THE NEW EDITION OF THE STATUTORY DOCUMENTS

On 25 June 2018, all of the Issuer’s Member States had ratified the Protocol amending the Establishment Agreement and its Charter which then entered into force on 18 August 2018. This new edition of the Statutory Documents sets forth, among other things, the rules regarding the admission of new members and the withdrawal of current Member States, the Issuer’s governance structure as well as the scope of operations which may be undertaken by the Issuer.

Similar to the structure of other international financial institutions, the Issuer has a three-tier governance system: the Board of Governors, the Board of Directors and the Management Board. The Issuer believes that this adoption of a three-tier governance structure provides transparency and clear delegation of authority with well-defined roles and responsibilities. Furthermore, the Issuer applies a double majority voting system. According to the voting system, the voting powers of Member States in the Board of Governors and the Board of Directors are granted *pro rata* to their share in the Issuer's paid-in capital. Save for certain strategic decisions which require the unanimous approval of all Member States represented at the meetings of the Board of Governors (e.g., decisions on the amendment of the Establishment Agreement and the Charter, changes in the capital of the Issuer and admission of new members and, decisions on the date and procedure for the termination of the Issuer's operations), under the Protocol, the resolutions of the Board of Governors and the Board of Directors are adopted based on a double majority rule, with the favourable vote of: (i) a qualified majority of at least three-quarters of the total votes vested in the representatives of the Member States; and (ii) a simple majority of the representatives of the Issuer's Member States who actually voted on the relevant resolution. The Board of Governors and Board of Directors have the authority to adopt resolutions only if representatives of at least three-quarters of the total number of the Issuer's Member States attend the corresponding meeting.

All decisions of the Management Board are adopted by a simple majority. Each Member of the Management Board has one vote. In the event of a tie between the votes of the Members of the Management Board, the Chairperson of the Management Board has the decisive vote.

The Issuer's reform of its corporate governance system assisted the Issuer to win the "Corporate Governance" category of the annual awards of the Association of Development Financial Institutions of Asia and the Pacific (ADFIAP) in February 2019.

In connection with the adoption of the new edition of its Statutory Documents, the Issuer largely completed updating and improving its internal regulatory framework during the course of 2020.

MISSION

The renewed mission of the Issuer, in accordance with its 2018-2022 Strategy, is "*facilitating connectivity and integration between the economies of the Issuer's member states in order to ensure sustainable and inclusive growth, competitiveness of national economies, backed by the existing historical ties*".

The Issuer is primarily engaged in lending activities targeting investment projects in the territories of its Member States.

The Issuer aims to extend its activity within its Member States through diversified and in-depth cooperation with export credit agencies, national organisations for development, multilateral development banks and other international finance institutions with a high level of credibility.

In April 2014, the Issuer executed a Multilateral Memorandum on Cooperation (the **Memorandum**) with a number of export credit agencies (**ECAs**) in Member States, including but not limited to EXIAR, EXIMBANKA SR, EGAP, BAEZ and EximBank Romania.

At the end of July 2019, the Development Assistance Committee of the Organisation for Economic Co-operation and Development (**OECD**) included the Issuer in the Official Development Assistance (**ODA**) programme following the joint application submitted by Hungary and the Slovak Republic. Consequently, a certain share of contributions made by OECD member states to the Issuer's equity from 2018 onwards can now be reported by donor states as a "contribution to development support" and as ODA-eligible amounts. The ODA coefficient for the Issuer was approved at 29%.

In 2020, with the aim of further developing the Issuer's partnership network in the international business and financial community and integrating into various professional platforms and industry associations for the

exchange of best practices, experience, knowledge and competencies, the Issuer joined the International Project Finance Association as an honorary member.

The Issuer has supported, and continues to support, the development of the local currency bond markets of its Member States by issuing bonds denominated in EUR, RUB, CZK, RON and HUF (see “*Description of the Issuer - Borrowings*”) which also diversifies the investment opportunities for the local investor base.

STRATEGY

2018-2022 Strategy

The strategic vision for the Issuer’s development over the next mid-term period is outlined in the 2018-2022 Strategy adopted in June 2017 at the Issuer’s 107th Council meeting held in Bucharest, Romania. This strategy determines the global vector of the Issuer’s growth path not only for the next five years, but is also intended to set out the basis for a longer-term strategic guide (until the end of 2032). At the end of 2017, the Issuer, in close cooperation with the delegations of the Member States, prepared country-specific strategies that detail the Issuer’s strategic priorities in each Member State for the period from 2018 to 2022.

The new strategic vision is aligned and consistent with the Issuer’s mission and mandate and further tailored in strategic directions to support and enhance the Issuer’s long-term development. By the end of 2022, the Issuer aims to:

- become an acclaimed niche lending institution capable of executing medium-sized projects to promote the development of the national economies of its Member States;
- put forward a recognisable value proposition on the markets of its Member States and play a prominent role in supporting financial transactions both between them and third countries, which includes funding export/import operations and investment;
- run a partnership network in each Member State on the basis of long-term mutually advantageous relationships;
- achieve long-term financial sustainability; and
- demonstrate sustainable profitability through its core activity.

Key specific strategic goals under the 2018-2022 Strategy are as follows:

- **Becoming a significant development institution for the economies of the Member States**, by taking into account the specific features of each market and its various segments, including the competitive environment. To this end, the Issuer’s value proposition includes (i) providing mid-term, long-term and equity financing for projects relevant for the innovative development of the national economies of Member States, (ii) covering long-term risks in sectors that experience a shortage of financing from other sources due to challenging operating conditions, through a number of means, including guarantees, (iii) allocating direct financing/coverage of target risks for financial institutions in the Member States, including in the area of trade financing, (iv) participating in joint financing of long-term investment projects in collaboration with national development banks and international financial institutions (**IFIs**), (v) financing mid-term and long-term investment projects to be implemented both by participants from Member States beyond their borders, and by foreign investors in the territories of Member States, (vi) financing export/import operations between the Member States and also between Member States and third countries and (vii) providing advisory services and technical assistance. Target client segments include mid-sized companies with annual revenues ranging from EUR 30 to 100 million and small and medium sized enterprises (**SMEs**) with a turnover of up to EUR 30 million (by way of intermediated financing via national financing

institutions); large companies with revenues exceeding EUR 100 million or infrastructure projects (by way of syndicated financing or joint financing with other participants and national financial institutions, including those that operate in the area of trade financing).

- **Assisting the economic integration of Member States**, by acting as a platform capable of carrying out foreign economic activities between Member States and their partners in a wide range of areas. Additionally, in order to raise its status in the international financial community, the Issuer intends to strengthen its operations especially by conducting in-house public events aimed at assisting the economic development of the Member States and other states who have been accorded special status (such as associate member and associate partner) by the Issuer in accordance with its Statutory Documents, by sponsoring events, initiatives and programmes, and by releasing research reports and informative materials.
- **Raising long-term financial sustainability**, which is intended to be achieved by developing financial control and expanding the resource base. The development of financial control is envisaged to be achieved by way of: (i) monitoring the profitability of the Issuer's operations; (ii) providing sufficient returns with a reasonable risk level; (iii) forecasting the Issuer's short-term development horizon and taking corrective decisions based on the forecast data; and (iv) regularly identifying the key factors affecting the Issuer's financial standing. The Issuer plans to accrue liabilities while observing the following principles: (i) ensuring the diversification of its loan portfolio; (ii) raising funds for longer periods while lowering the cost; (iii) expanding its financing activities through bond issues in Member States' national markets; (iv) increasing the number of partners; (v) broadening the range of fundraising tools; (vi) consolidating the Issuer's reputation as a trustworthy and transparent partner; and (vii) launching a debut Eurobond issue.
- **Maintaining the Issuer's international credit rating upgraded at A- or higher**. The Issuer aims to be assigned at least an A- rating from an international rating agency, primarily by executing the following tasks: growth and diversification of its loan portfolio; monitoring and management of the level of its under-performing assets; diversification and enhancement of the quality of its treasury portfolio; and control over capital adequacy, financial leverage and risk profile. As at the date of this Offering Circular, the Issuer is rated A3 with a stable outlook by Moody's, A- with a stable outlook by Fitch, A- with a stable outlook by S&P, A with a stable outlook by ACRA and AAA(RU) stable by ACRA.
- **Reaching beyond the Issuer's "historical space"**. A strategic vector for the Issuer's development is to expand the Issuer's historical footprint by drawing in new participants. The principal objectives for admitting new members are: (i) gaining access to new markets and clients; (ii) obtaining new financial resources and other forms of support; (iii) the growth of assets and the loan portfolio; (iv) gaining professional skills and expertise; (v) improving the Issuer's credit ratings; and (vi) ensuring complementarity of new and existing members.

Main achievements of the implementation of the 2018-2022 Strategy

The Issuer continues to expand its operations in accordance with its mandate and strategic objectives established in its Strategy 2018-2022 and country specific strategies. In the years to 31 December 2019 and 31 December 2020, positive progress was made in the expansion of the Issuer's loan and trade finance portfolio, improvements in quality were made in treasury assets as well as diversification of borrowings in terms of type, maturity, geography and currencies, as follows:

- On 30 April 2019, the Issuer officially commenced activity from its new headquarters in Budapest, thus the Issuer became the first and only multilateral development bank with headquarters in the CEE region. The relocation of the Issuer's headquarters to Budapest meets the interests of the Issuer and its shareholders and will assist in reaching the medium-term goals stated in the 2018-2022 Strategy as well as the longer-term goals which are envisaged until 2032.

- According to the consolidated audited financial statements of the Issuer as of 31 December 2020, the Issuer's assets reached EUR 1,621 million (an increase of EUR 262 million compared to 31 December 2019). Over the period from 1 January 2020 to 31 December 2020, the Issuer's net loan portfolio (corporate loans plus loans to banks) increased by 16% or EUR 144 million and reached EUR 1,028 million (63% of total assets). The Issuer's European Member States' share in the loan and documentary portfolio amounted to 48%. The NPL ratio increased to 2.4% as compared with 1.6% as of 31 December 2019. The total volume of long-term funding raised by the Issuer as of 31 December 2020 amounted to EUR 953.5 million (12.1% higher compared to 31 December 2019).
- On 18 August 2018, the Issuer increased its authorised charter capital from EUR 1.3 billion to EUR 2 billion as the Statutory Documents entered into force.
- During the first three years of the implementation of the 2018-2022 Strategy, the Issuer's paid-in capital increased by EUR 39.1 million and reached EUR 378.7 million as of 31 December 2020.
- The Board of Governors approved a new capitalisation programme for 2020-2022 in the total amount of EUR 200 million of additional paid-in capital, out of which the amount of EUR 39.10 million was already paid in via contributions from Hungary (EUR 15.5 million), Russian Federation (EUR 20.64 million) and Slovak Republic (EUR 2.955 million).
- The three main rating agencies (Moody's, Fitch and S&P) upgraded the Issuer during the period from 2018 to 2020: In April 2018, Moody's upgraded the Issuer's rating to A3 with a stable outlook, in March 2019, S&P upgraded the long-term rating of the Issuer to A- with a stable outlook. and in September 2020, Fitch upgraded the Issuer's rating to A- with a stable outlook.
- In 2020, the Issuer's Treasury continued to actively invest in environmental, social and governance (ESG) financial products by means of participation in issues of certified "Green" and "Socially responsible" financial instruments. The Issuer also actively invested in "Socially responsible" and "Pandemic related" instruments, which resulted in ESG investments comprising more than 60% of the total securities portfolio maintained by the Issuer's Treasury.
- The Issuer maintained a portfolio of high quality and liquid assets (assets rated AAA to A accounted for 68.2% of the Issuer's total treasury assets as at 31 December 2020 in compliance with the Issuer's risk policy.
- The OECD included the Issuer in the list of international institutions eligible for acceptance of ODA. The ODA coefficient for equity in the Issuer was approved at 29%. In 2020 the Issuer presented its first report to OECD on its activities in the Member States classified as developing countries for the year ended 31 December 2019.
- In line with its Trade Finance Support Program (TFSP), the Issuer continued to diversify trade finance transactions for the benefit of all Member States. For the year ended 31 December 2020, 37 trade finance deals were issued in a total amount of EUR 58 million.
- In 2018, the Issuer received "The European" Global Banking Award as "Best Trade and Investment Bank – CEE".

Business plan 2020-2022

In order to integrate the shorter term objectives and plans set out in the Issuer's budget with the long term objectives set out in the Issuer's five year strategy, the Issuer also produces business plans which cover a three-year period.

The current Business Plan 2020-2022 was approved in December 2019. The subsequent Business Plan 2021-2023 is expected to be approved during 2021, when the Bank will also develop its initial strategic view of the period 2023-2027.

The Business Plan is developed in order to guide the Issuer to gradually improve the quality of its overall credit risk and, consequently, its credit rating. The Business Plan also acts as guidance for investors' expectations as to the Issuer's future strategies.

The Business Plan has historically focussed, and continues to focus, on raising the proportion of loans made to entities domiciled in the EU in the loan portfolio (which may in turn have a positive impact on operations of entities located in those Member States that are domiciled in the EU); maintaining or increasing the quality of the loan portfolio (as compared with 2019 levels), maintaining or decreasing the concentration of the loan portfolio (as compared with 2019 levels), as well as increasing the quality of treasury assets.

The Business Plan 2020-2022 was also produced with the aim of ensuring a smooth transition to the Issuer's key financial goals of its Strategy 2018-2022 of a Balance Sheet size of 1.7billion EUR and loan portfolio size of 1.2billion EUR. As at 31 December 2020, the Issuer was broadly in line with the targets set for the year ended 31 December 2022 and at this stage does not expect to meaningfully revise those targets.

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

United Nations Global Compact

The Issuer began introducing the principles of corporate social responsibility into its operations through its accession to the United Nations Global Compact in March 2014. Through its accession to the United Nations Global Compact, the Issuer took the voluntary commitment to comply with the ten fundamental principles of this United Nations initiative, related to the protection of human rights, labour, environment, and anti-corruption measures.

In its operations the Issuer strives to encourage long-term economic, environmental and social progress in each of its Member States toward their achievement of sustainable development in responsible social and business practices; responsible environmental practices and responsible labour practices.

Environmental & Social Policy Framework

The Issuer's Policy on Environmental and Social Sustainability was updated and approved by the Board of Directors in December 2019. An assessment of the environmental and social risks of each project undertaken by the Issuer is currently based on the Environmental and Social Impact Guidelines implemented by the Issuer.

The Issuer continues to further develop its methodology and policies with regards to environmental and social impact on a constant basis.

Pursuant to the Issuer's internal policy to measure the impact of the projects it has financed in achieving the Sustainable Development Goals outlined by the United Nations and to raise awareness of the same among its investors, rating agencies, partner international financial institutions and the international financial community, the Issuer provides a portfolio breakdown by purpose of finance and targeted Sustainable Development Goals. Over 80% of the Issuer's current Loan and Documentary portfolio relates to Sustainable Development Goals.

Sustainable Development and Environmental Protection Grants

During 2019 and 2020, the Issuer continued to provide support for projects in Member States aimed at environmental protection in general and water preservation and sanitation in particular. The Issuer has been supporting such projects since 2015 and will continue to do so in the future.

“CLEAR WATER- HAPPY TISZA” Project (2019-2020)

The Issuer has provided an eco-grant to support a large-scale environmental programme named “Clear water. Happy Tisza” which is aimed at combating the plastic pollution of Hungary's second largest river.

The main goal of the project is to conduct a scientific expedition that will sail along the entire course of the almost thousand-kilometre river Tisza to create a detailed map of polluted areas, as well as to analyse the composition and origin of plastic.

The river Tisza flows through the territory of five European countries - Hungary, Romania, Serbia, Slovakia and Ukraine, three of which are IIB member states.

One of the desired outcomes of the project is the launch of a website and of a mobile application, which will become an effective tool for the continuous monitoring of the environmental situation throughout the river basin and will help consolidate the efforts of volunteers, local communities, authorities and businesses to solve this problem which is vital for the whole CEE region.

Green office concept

The Bank continues to promote green office principles in its operations, namely:

- the transfer of additional documentary processes into electronic form;
- stopping the use of plastic cups in common areas except for conference rooms and promoting the use of non-disposable dishware;
- installing grease filters on sewage pipes to reduce the Issuer's impact on wastewater; and
- continuing the collection of used batteries for special disposal.

SR-IIB Technical Assistance Fund

At the end of April 2016, the Issuer set up the SR-IIB Technical Assistance Fund (**TAF**), with a EUR 1 million contribution by the Ministry of Finance of the Slovak Republic. The fund, operating under the Issuer's management, is used to finance technical assistance and advisory services supporting the Issuer's investment activities in ODA-eligible developing countries among its Member States (by OECD classification, these countries are Vietnam, Mongolia and Cuba) or supporting these countries' own activities in relation to reforms and modernisation. The Issuer uses its internal procurement rules and processes to select and subsequently contract consultants.

In order to increase the pool of available resources, the Issuer co-finances 20% of the assignments under the TAF up to the cumulative amount of EUR 245,000, after which further projects will be financed solely from the TAF. The Issuer also actively manages temporarily unallocated resources of the TAF in order to grow the fund balance. The resources of the TAF can be used to contract exclusively Slovakia based consultants (or Slovakian subsidiaries of transnational consultancies as the case may be), although up to 25% of the budget approved for individual assignments can be used by the contracted consultant to subcontract partners from the Issuer's other Member States.

As of 31 December 2020, the TAF has successfully completed the following projects:

- A project in Mongolia aimed at assisting the Financial Regulatory Commission of Mongolia (Mongolia’s financial market supervisory body) in bringing its Anti-money laundering/Counter financing terrorism regulations in line with the Financial Action Task Force recommendations and global best practices.
- A project in Cuba providing technical expertise for Proxenta Cuban Investments related to a possibility of a confectionery plant modernisation.
- A project in Vietnam related to the testing of two innovative aquaholder products of PeWaS s.r.o. in Vietnamese conditions. The project has a significant developmental effect and greatly contributes to the agriculture sector.
- A project related to the installation of biomass power plants in the Thừa Thiên-Huế province of Vietnam which was completed in July 2020.
- As at the date of this Offering Circular a large energy-efficiency street lighting public-private partnership (PPP) project in Hanoi, Vietnam is underway within the framework of TAF.

Miscellaneous

Following two debut HUF bond placements on the BSE in 2019, during the annual award ceremony of the Budapest Stock Exchange (the **BSE**) in February 2020, the Issuer was recognised by the BSE as the “Best International Issuer of the Year” on the Hungarian Debt Capital Market.

As a result of its performance during 2020, the Issuer has been named “Best Trade and Finance Bank CEE” and “Best Bank: Corporate and Social Responsibility CEE” by the “International Investor” financial periodical.

In 2019, the Issuer was awarded “Best Bank for Sustainable Development Central and Eastern Europe” by the Global Banking and Finance Review awards.

As recognition for the Issuer’s contribution to the development of Romania's capital markets, the Issuer received a number of awards from the Association of Romanian Business Brokers (in 2015, 2016 and 2017) and from the Bucharest Stock Exchange (in 2018 and 2019). See “*Description of the Issuer - Robust capital adequacy and potential for attraction of funding*” for further details of Member States who have facilitated the Issuer's access to their national capital markets.

Not only does the Issuer promote its activities through participation in various international events, in certain cases the Issuer takes the lead and organises gatherings of development institutions aimed at exchanging views and experiences of partner banks on topics of high importance. Examples of this initiative include the international conference “IFRS 9 Implementation in Development Banks: challenges, risks and opportunities” that was held in Moscow in September 2017 and which united senior level professionals in accounting, risk management and other fields from more than 14 institutions, and the annual ALM and Risk Management Conference hosted by the Issuer in Moscow in September 2018, which gathered top risk and liquidity management experts from leading global international financial institutions.

On 17 October 2018 in Budapest, the Issuer, with the support of a long-term partner of the Issuer, the Banking Association of Central and Eastern Europe (**BACEE**), held an international conference on “Features of Compliance Risk Management in Development Banks: Practice of Multilateral and National Financial Institutions” dedicated to improving compliance practices in development institutions. The Issuer continued this initiative in 2019, when it hosted the Annual Meeting of the Global Emerging Markets Risk Database Consortium and also organised, in conjunction with the Bulgarian Development Bank, an international

conference entitled “Management of compliance risks in financial development institutions”. A similar event is planned to be held in April 2020 at the jubilee fortieth BACEE conference in Budapest.

In January 2021, the Issuer joined the Hungarian Banking Association as an Observer, confirming the successful integration of the Issuer into the Hungarian financial community.

KEY BUSINESS STRENGTHS

The Issuer believes that the potential for the future growth of its business is primarily due to the following strengths:

Status, privileges and immunities

The Issuer is a multilateral development bank, exempted from all taxes or fees (with the exception of specific service fees), whether national or local, as well as from the application of customs duties and restrictions on the import and export of articles destined for official use, in the Member States. In particular, no tax is levied by Member States on the profits received from the Issuer’s banking activities. In accordance with the new edition of the Statutory Documents (which came into force on 18 August 2018), the Issuer shall: (i) be immune from any and all taxes or fees, whether national or local, except for specific service fees; (ii) be free from any obligations to pay, withhold or collect any taxes; (iii) be immune from any customs duties or taxes or fees or any import or export restrictions in relation to goods intended for official use; and (iv) enjoy all benefits with regard to priority ranking, tariffs and rates applicable to postal, telegraphic and telephone communications offered to other international organisations and diplomatic missions in the corresponding state in each case as applicable in each of the Member States.

Furthermore, according to the Statutory Documents, the Issuer itself, the representatives of the Member States in the Board of Governors and the Board of Directors, and the officers and employees of the Issuer enjoy the privileges and immunities necessary to perform the functions and achieve the aims set forth in the new edition of the Statutory Documents in the territories of the Member States.

As is generally the case with multilateral international organisations acting on the basis of international treaties, the Issuer is not subject to local regulation by the Central Banks of the Member States or other similar bodies, while also being exempt from the general legal treatment applicable to other legal entities operating within the same business as the Issuer in the territory of the Member States. In particular, the Issuer is not subject to regulatory requirements under the Member States’ legislation, including with respect to licensing, capital adequacy and information disclosure requirements.

Strong capital base

Following the Protocol’s entry into force (on 18 August 2018), the authorised capital of the Issuer is EUR 2 billion, out of which, as of 31 December 2020, EUR 378.71 million represents paid-in capital of the Issuer (following the contributions by the Czech Republic on 20 December 2018, Romania on 28 March 2019, Hungary on 10 September 2019, 15 January and 7 May 2020, Russia on 12 March and 7 April 2020 and the Slovak Republic on 23 September 2020), EUR 745.8 million represents callable capital and EUR 875.5 million represents the unsubscribed quota. The increase in the Issuer’s authorised capital from EUR 1.3 billion to EUR 2 billion is intended to provide room for potential contributions by new members of the Issuer or for increasing quotas of current Member States in authorised charter capital.

The total equity of the Issuer (including retained profits and other equity funds) increased from EUR 408.1 million as of 31 December 2019 to EUR 454.6 million as of 31 December 2020.

Strong support from Member States

A new capitalisation programme 2018-2022 (the **Capitalisation Programme 2018-2022**) was approved at the first Board of Governors meeting held on 4 December 2018. The Capitalisation Programme 2018-2022 provides for the increase of paid-in capital from current shareholders in the amount of EUR 200 million (distributed over the years 2020 to 2022).

Within the 2020-2022 Capitalisation Programme, Russia, Hungary and Slovakia fully paid their corresponding share for 2020 (EUR 20.64 million, EUR 5.5 million and EUR 2.955 million respectively), while Hungary completed its ad-hoc increase following the relocation of the Issuer's headquarters to Budapest with an additional contribution of EUR 10 million.

The Member States have also expressly stated their high level of support for the Issuer's activity through comfort letters issued during the process of obtaining the Issuer's first investment grade rating. Through the issue of these comfort letters (although not constituting legally enforceable guarantees) the Member States declared their support with respect to the goals and objectives of the Issuer, primarily consisting of the promotion of the development of the economies of the Member States, the cooperation among them, and the facilitation of their deeper integration into the global economy. Several heads of delegations of the Member States in the Issuer's Council also confirmed the support of the Member States which they represented during their meetings with the rating agencies.

During the past 20 years (approximately), Member States have not required any distribution of dividends. Based on a decision of the Issuer's Council, undistributed dividends for a period of more than 20 years were kept as retained earnings. Moreover, as a sign of unanimous recognition of the Issuer's mission and support of its re-launch efforts, at the Issuer's 99th Council meeting of June 2013, held in Bratislava, the Member States decided to transfer a significant portion of the Issuer's retained earnings in the amount of approximately EUR 76 million into the paid-in capital of the Issuer, thus strengthening the Issuer's capital reserves. The above amount increased the nominal value of the participation of the Member States *pro rata* to their respective shares in the paid-in capital of the Issuer as at the date of the 99th Council meeting. The Member States have also undertaken to facilitate the Issuer's access to the national capital markets of Member States and other sources of funding. Such access may require the adoption of relevant laws or regulations in certain jurisdictions, inclusion of the Issuer in the appropriate lists of multilateral financial institutions that are allowed to make placements on the relevant Member States' market, as well as in the lists of multilateral financial institutions in which pension funds and other funds as well as private investors are allowed to invest.

Throughout 2019 and 2020, the Issuer continued to strengthen its relationships with its Member States and their institutions, including by attending various meetings of intergovernmental commissions, delivering presentations to investors and companies in the Member States, with support from state administrative authorities of the Member States, and hosting a series of events and liaison groups among institutions of the Member States and other countries. The Issuer has also signed and is implementing a Memorandum on Cooperation with ministries of foreign affairs and/or economy of Hungary, the Slovak Republic, Mongolia and the Russian Federation. In order to enhance contact with its shareholders, the Issuer has also set up a new platform of cooperation between Member States' representatives, namely the Club of International Investment Bank Ambassadors (the **IIB Ambassadors' Club**), under which ambassadors of the Issuer's Member States meet regularly to discuss topics of interest on the Issuer's agenda.

The Bank signed a number of cooperation agreements and memoranda with various development institutions, including the chambers of commerce and industry of its Member States, the Trade and Development Bank, the Central American Bank for Economic Integration and the International Bank for Economic Cooperation Saigon-Hanoi Commercial Joint Stock Bank, Central American Bank for Economic Integration (CABEI), International Bank for Economic Cooperation (IBEC) and Viglacera Corporation (Vietnam) during 2018 and 2019.

The Issuer is in constant contact with the top public officials of Member States, including deputy prime-ministers, ministers of finance/economy/foreign affairs, and presidents of Central Banks in order to discuss the main strategic issues of the Issuer's development.

Robust capital adequacy and potential for attraction of funding

The Issuer's capital adequacy ratio established by the Issuer's Board of Governors, is set at a high level, being a minimum of 25%, 17 percentage points above the requirement set out under the third Basel accord (**Basel III**) which is 8% when also accounting regulatory capital. As of 31 December 2020, the Issuer's capital adequacy ratio, calculated in accordance with the Basel III methodology stood at 32.45% (for tier I capital) and 33.67% (for total capital i.e., including tier II capital).

As of 31 December 2020, the Issuer attracted short-term funds from financial institutions in the form of deposits and repos amounting to EUR 147 million representing 13% of the Issuer's total liabilities as of the same date.

The Issuer has strong recognition on several local markets of its Member States where it has issued local currency bonds while successfully diversifying its investor base as discussed in more detail in "*Description of the Issuer - Relevant Geographic Markets*" below.

From mid-2014 to the date of this Offering Circular, the Issuer has also concluded and is, as at the date of this Offering Circular, negotiating more than 210 different agreements, including bilateral loan agreements, ISDA Master Agreements and long-term REPO, GMRA and trade finance agreements with a number of financial institutions.

Solid investment grade ratings from rating agencies

In 2019, S&P upgraded the Issuer to A- stable from BBB+ stable owing to the: "strengthened governance and management structure, diversifying its shareholders, and clearly articulating an expansion strategy, which includes relocating its head office". Dagong Europe assigned the Issuer a rating of A- with a stable outlook. Fitch changed the rating outlook of the Issuer to positive from stable and affirmed the Issuer's rating at BBB+. In November 2019, the Issuer was assigned a rating of A with a stable outlook by ACRA, and at the same time a Russian National Scale rating of AAA (RU) stable by ACRA.

In 2020, Fitch upgraded the Issuer's rating to A- with a stable outlook and S&P and Moody's also confirmed their ratings and outlook on the Issuer. The Issuer also decided in 2020 not to prolong its rating contract with Dagong Europe in order to optimise costs. The Issuer's rating with Dagong Europe was A- with a stable outlook at the time of the contract termination.

As at the date of this Offering Circular, the Issuer is rated A3 with a stable outlook by Moody's, A- with a stable outlook by Fitch, A- with a stable outlook by S&P and A with a stable outlook by ACRA and AAA(RU) stable by ACRA.

Conservative risk management policy

The Issuer's risk management policy is based on conservative assessments aimed at preventing the adverse impact of risks on the results of the Issuer. As a principle, the Issuer does not enter into potential transactions with a high or undeterminable risk level, irrespective of the potential profitability of the deal.

The Issuer upgraded its risk management objectives within the 2018-2022 Strategy. The key principles of the Issuer's renewed risk management strategy are as follows:

- implementing an economic capital system according to Basel III recommendations in order to determine the amount of equity needed to cover unforeseen losses;

- developing a more advanced risk-sensitive methodology of capital calculation;
- creating and developing a procedure for ensuring the continuity of operations in case of an abrupt change in market conditions in order to maintain the ability of the Issuer to fulfil its obligations and to retain control that would enable the making of sound and optimal management decisions amid a potential liquidity crisis; and
- integrating automated risk management systems into the Issuer's IT architecture.

In enhancing its risk management framework, the Issuer seeks to develop a risk-sensitive toolset for a more accurate assessment of all risk elements as well as to implement approaches allowing for a risk-reward assessment.

In terms of credit risk, the Issuer has created a comprehensive system for the development, collection, analysis and evaluation of early warning signals in order to identify signs of deterioration in a client's credit standing and take appropriate measures. The Issuer is also developing solutions to deepen its capability to analyse counterparties more granularly depending on the particular industry and geographic location of such counterparty.

To enhance the effectiveness of managing its NPLs, the Issuer has strengthened the way it deals with NPLs, through the creation of a dedicated unit responsible for monitoring and managing such loans.

The Issuer's collateral management function also forms part of the Issuer's overall risk management framework. The collateral management function follows an established protocol for evaluating the assets offered to the Issuer as collateral by its counterparties, including whether the collateral complies with the internal requirements of the Issuer for collateral and the market and fair value of the assets offered.

The whole ecosystem of the Issuer's risk management is intended to evolve in accordance with best industry practices and global trends.

Stress-resilient liquidity management

In response to the market turbulence caused by COVID-19, the following restrictions and approaches were additionally implemented during the first half of 2020.

- Primary emergency liquidity buffer solely free in cash of not less than EUR 70 million, to absorb sudden unpredictable outflows at any time.
- Secondary emergency buffer comprised of a highly-rated unencumbered securities portfolio (mostly ECB eligible and high quality liquid securities acceptable for repo operations) of around EUR 100 million to maintain a secondary liquidity buffer.
- Short-term borrowings irrespective of product type (interbank loans, repurchase agreements, total return swaps etc.) with a contractual maturity of three months or less are limited to a total aggregate amount of not more than EUR 100 million to avoid liquidity shortfalls in case of a market squeeze.
- 12-month granular cash-inflow-outflow model: In order to increase scrutiny of liquidity management, a 12-month forecast of cash-flow distribution across each monthly period is prepared under two scenarios - baseline (i.e. normal external environment) and stressed (i.e. stressed conditions including the complete shutdown of the financial markets).

Therefore, even in the absence of functioning capital markets, with regard to the disbursement of fully-committed loans only, the Issuer can survive for over 12 months based on its disposable liquidity (cash and securities) without access to funding to simultaneously fulfil its obligations.

Credit portfolio management

The Issuer manages risk in its credit portfolio as described below:

- The Issuer has successfully managed the NPLs in its portfolio, which as at 31 December 2020 represented 2.4% of the total loan portfolio, through preventive measures, which involved:
 - Identification of the riskiest clients in the portfolio coupled with enhanced monitoring;
 - Requesting additional information to better estimate downside risks (e.g. liquidity shortage, ability to continue operations with weaker revenue for an extended period of time etc.); and
 - Supporting borrowers who needed temporary support and postponement of payments, also taking into account the latest public moratoria.
- Borrowers showing a permanent deterioration in performance which was not only driven by the consequences of COVID - 19, but also by idiosyncratic risks had their loan stage downgraded by the Issuer to appropriately capture a significant increase in credit risk under IFRS 9.
- Downgrade of credit rating for borrowers who exhibited a significant deterioration in credit profile and a weaker ability to recover in the immediate short-term only.
- Accelerated shift to higher quality deals proven by a change in rating composition of the portfolio with the share of assets with BB+ and above ratings increasing to 45% in 2020 from 26.6% in 2019.
- Increased share of European deals in the portfolio to 64% in 2020 from 52% in 2019 with a proportional reduction in exposure to riskier countries (e.g. CIS, Armenia, Belarus).
- Updated approach to macroeconomic adjustments for the calculation of point-in-time probability of default to better capture weaknesses inherent to the current cycle and periodic revision of macroeconomic forecasts together with the Chief Economist's team. The updated approach to macroeconomic adjustments led to an increase in provisions by EUR 1.6 million in the first half of 2020.

BUSINESS

The following three operating segments of the Group's activity are identified, based on the analysis of the Group's financial statements: (i) credit investment activity, which comprises lending activity including long-term corporate and interbank financing as well as financing through trade-related loans, (ii) treasury, which includes operations in financial markets, transactions with securities, derivative financial instruments, foreign currency and liquidity management and (iii) other operations, consisting mainly of the operational leasing services, credit portfolio management and other non-core operations.

The following table presents revenues from each segment in EUR million for each year ended 31 December 2019 and 31 December 2020:

<i>(EUR million)</i>	31 December 2019	31 December 2020
	(audited)	(audited)
Credit investment activity ¹	16.83	13.03
Treasury	5.71	14.95

Other operations	5.45	0.79
Profit for the period ²	5.69	7.30

Source: The Financial Statements.

¹ The figure shows the interest and commission income and other segment income net of interest and commission expenses, loan impairments and other segment expenses.

² The total profit includes other elements such as unallocated income and expenses.

Operating income from credit investment activity decreased by EUR 3.80 million in 2020, year-on-year, from EUR 16.83 million as of 31 December 2019 to EUR 13.03 million as of 31 December 2020 (mainly due to a decrease in interest income from credit investment activity in 2020).

Treasury operating income amounted to EUR 14.95 million as of 31 December 2020, an increase by EUR 9.24 million year-on-year, compared to EUR 5.71 million as of 31 December 2019. The increase of income in the treasury segment was mostly due to net gains from operations with securities at fair value through other comprehensive income which resulted from the Issuer actively managing the securities in its treasury portfolio during the period of market volatility caused as a result of the COVID-19 pandemic. Other operating income (such as income from lease of investment property operations), amounting to EUR 5.45 million as of 31 December 2019, decreased to EUR 0.79 million as of 31 December 2020 mainly due to a decrease in rental income from investment property and there being no fixed assets sale compared to 2019.

As at 31 December 2020, the Group's net profit amounted to EUR 7.30 million, an increase of 28.39% compared to a net profit of EUR 5.69 million as of 31 December 2019. The increase in net profit in 2020 is mainly due to an increase in the sale of securities from the treasury portfolio of the Group and more favourable market conditions in terms of currency exchange operations and derivatives. This increase was, however, offset by lower net interest income, a decrease in property operations and higher risk costs mainly due to the COVID-19 crisis. In terms of the Group's assets, the net value of the assets of each segment in EUR million was as follows for each year ended 31 December 2019 and, 31 December 2020 respectively:

<i>(EUR million)</i>	31 December 2019	31 December 2020
	(audited)	(audited)
Credit investment activity	886.17	1028.52
Treasury	390.74	491.58
Other operations	82.12	100.92
Total assets	1,359.03	1,621.01

Source: The Financial Statements.

Assets allocated for credit investment activity increased by EUR 142.35 million or 16.1% from EUR 886.17 million as of 31 December 2019 to EUR 1028.52 million as of 31 December 2020.

Assets allocated for treasury activity amounted to EUR 390.74 million as of 31 December 2019 and increased to EUR 491.58 million as of 31 December 2020, an increase of EUR 100.84 million or 25.8%.

In 2020, the value of other assets of the Group (such as investment property and other assets) increased by EUR 18.80 million or 22.9% year-on-year, from EUR 82.12 million as of 31 December 2019 to EUR 100.92 million as of 31 December 2020 mainly due to the purchase of a building in Budapest for the Issuer’s new headquarters in Hungary.

Credit investment activity

Lending business in general

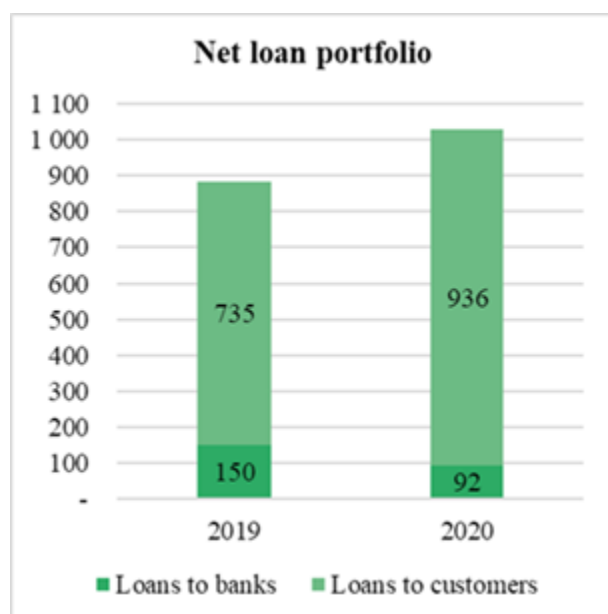
The 2018-2022 Strategy clarifies the priorities of the Issuer’s loan operations both in terms of its institutional and industry focus and in terms of its principles in selecting partners and counterparties. The Issuer intends to focus on executing medium-sized projects to promote the development of the national economies of Member States and on supporting financial transactions both between them and third countries, which includes funding export/import operations and investment.

The main financial instruments developed and currently offered by the Issuer are the following:

- *for corporate and other borrowers (national development banks and other financial institutions):* project finance, modernisation, export-import support, PPP through direct financing, syndicated loans and club deals with a maturity from one to twenty years;
- *for all client types under the TFSP:* trade-related loans and documentary transactions with an average maturity of up to two years; and
- *in the SME segment:* credit lines through selected financial institutions and syndicated loan facilities with a maturity from three to seven years.

As of 31 December 2020, the size of individual loans granted by the Issuer to its clients range between EUR 4.1 million and EUR 100 million.

The following chart shows the development of the Issuer’s loan portfolio in the years ended 31 December 2019 and 2020, respectively, in EUR million:



Source: The Financial Statements.

As at 31 December 2020 65.4% of the Issuer's net loan portfolio was denominated in EUR. As of 31 December 2020, approximately 16.1% of the Issuer's loan portfolio net of allowance consisted of loans extended in USD, 8.6% extended in RUB, 5.0% extended in RON and 4.9% extended in HUF. No part of the Issuer's loan portfolio is securitised.

In terms of maturity of loans made by the Issuer, as of 31 December 2020, 3.5% of the outstanding amount net of allowance under loans to banks is to be repaid within less than one month, 4.3% to be repaid within one to three months, 19.3% to be repaid within three months to one year and 73.0% to be repaid within one year to five years.

As of 31 December 2020, 1.0% of the outstanding amount net of allowance under loans granted to corporate clients is to be repaid within less than one month, 2.0% to be repaid within one to three months, 8.0% to be repaid within three months to one year, 34.9% to be repaid within one year to five years, 51.7% over five years and 2.4% is past due.

As of 31 December 2020, the NPL coverage ratio was 33.9%. The NPL coverage ratio is calculated by dividing (i) the total amount of allowances for credit lines related to the impairment of loans in the loan portfolio by (ii) the amount of non-performing loans.

The following table shows the percentage of collateralised and uncollateralised loans in the Issuer's loan portfolio as at the dates shown:

	<i>31 December</i>		<i>31 December</i>	
	<i>2019</i>		<i>2020</i>	
	<i>Loans, net of allowance for impairment (EUR thousands)</i>	<i>Share in total, %</i>	<i>Loans, net of allowance for impairment (EUR thousands)</i>	<i>Share in total, %</i>
Collateralised	475,721	54%	445,776	43%
Uncollateralised	408,488	46%	582,512	57%
Total loans	884,209	100%	1,028,288	100%

The major part of the uncollateralised portfolio is represented by syndicated facilities, Schuldscheindarlehen and bonds that are accounted for in the loan portfolio. These facilities and instruments are provided in cooperation with other reputable financial institutions to well-ranked companies with either leading or well-established market positions. In such transactions, the Issuer is not in a position to influence the collateral structure. These types of transactions represent more than 75% of the uncollateralised portfolio.

Another sizeable part of the uncollateralised portfolio is represented by loans to financial institutions (including banks and lending institutions without a banking licence). The Issuer considers that it is standard market practice for such loans to be uncollateralised.

Approach to SME lending

As at 31 December 2020, 10% (EUR 102 million) of the Issuer's net loan portfolio was provided to the SME segment through financial intermediaries. Funds are provided by the Issuer to its financial intermediaries who thereafter use such funds for the purposes of SME project financing. The Issuer supervises proper utilisation of the funds through monitoring a number of key parameters of the financing (e.g. business activity, structure of shareholder/participants and annual sales) to the ultimate SME borrowers.

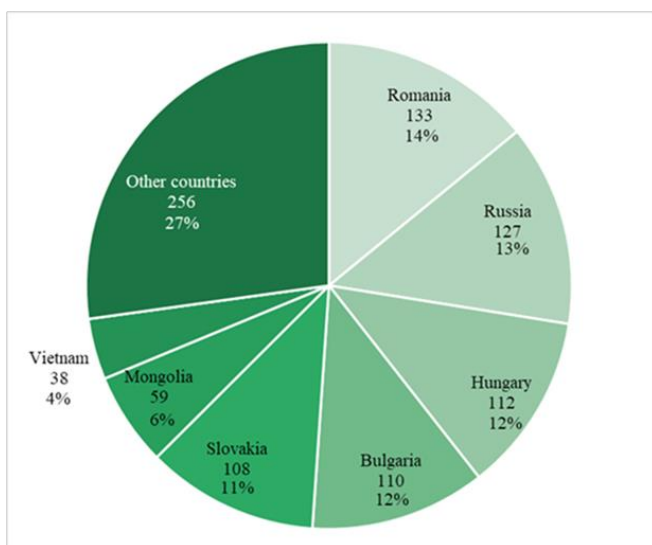
The following areas are considered as priorities for the Issuer's SME financing:

- *Innovation*: this includes technology start-ups, companies with potential in the trade of new technologies based on its existing intellectual property and/or know-how, as well as acquisitions of new equipment (under five years old);
- *Modernisation*: financing the acquisition of technologies, real estate and other capacities necessary for the expansion of production;
- *Resource and energy efficiency*: this includes the financing of equipment aimed at calculating and optimising the use of resources; and
- *Social responsibility*: financing projects aiming to encourage mutual exchange between the Member States in terms of technology transfer, know-how and workforce, as well as projects aiming to stimulate employment and the creation of new jobs in the Member States.

As part of the SME lending strategy, the Issuer has supported the EIF, together with the Development Bank of Austria (**OeEB**, administering investment for the Austrian Ministry of Finance), the Czech-Moravian Guarantee and Development Bank (**ČMZRB**), the SZRB Asset Management (**SZRB AM**, asset management subsidiary of the Slovak Guarantee and Development Bank) and the Slovene Enterprise Fund (**SEF**), in the launch of a regional fund-of-funds initiative focused on boosting equity investments in Austria, the Czech Republic, Hungary, Slovakia and Slovenia. EIF contributed 40% of the initial EUR 80.3 million fund of the CEFoF, which includes commitments of EUR 12 million by OeEB, EUR 8.2 million by ČMZRB, EUR 10 million by SZRB AM and EUR 8 million by SEF, topped-up by EUR 10 million from the Issuer. In April 2018, MFB Magyar Fejlesztési Bank Zártkörűen Működő Részvénytársaság (Hungary) joined as an investor in the CEFoF, increasing its size to EUR 97 million. The fund-of-funds is expected to mobilise at least around EUR 200 million in equity investments into SMEs and small mid-caps in the five countries, as well as additional investments in the wider region.

Industry sectors and geographic structure of the loan portfolio

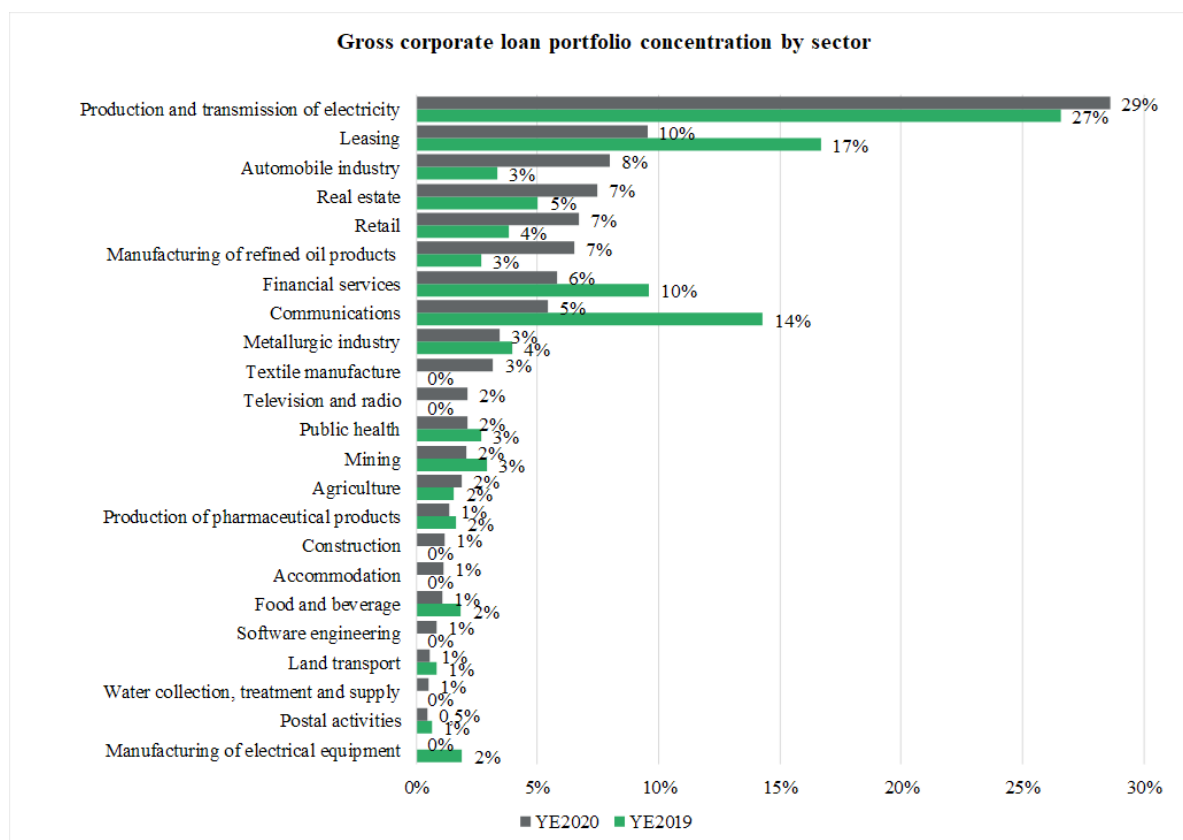
In terms of geographic distribution, the structure of the gross corporate loan portfolio as of 31 December 2020 was the following:



Source: The Financial Statements. Numbers shown are in EUR millions.

As at 31 December 2020, the Issuer had a gross corporate loan portfolio in the amount of EUR 943 million, out of which 14% was provided to corporate clients based in Romania, 13% to corporate clients based in the Russian Federation, 12% to corporate clients based in Hungary and in the Republic of Bulgaria, 11% to corporate clients based in the Slovak Republic, 6% to corporate clients based in Mongolia and also 4% to corporate clients based in Vietnam, and 27% to corporate clients based in other countries.

The following graph illustrates the concentration of corporate loans granted by sector in the financial years 2019 and 2020:



In terms of sector concentration, as of 31 December 2020, 29% of the Issuer's gross loan portfolio to corporate clients (excluding loans to banks and documentary portfolio) was provided to corporate clients active in the production and transmission of electricity and 10% to corporate clients active in the leasing industry, 8% was provided to clients active in automobile industry, 7% to clients active in each of real estate, retail and manufacturing of refined oil products, 6% to clients active in financial services, 5% to clients active in communications, 3% to clients active in each of textile manufacture and the metallurgic industry, 2% to clients active in each of television and radio, public health, mining and agriculture, and 1% to clients active in each of production of pharmaceutical products, transportation and storage, accommodation, food and beverage, software engineering, land transport and water collection, treatment and utility.

With respect to the Issuer's portfolio of loans extended to banks, there is a concentration of loans granted to the top five banking clients of the Issuer. As at 31 December 2020, the outstanding value of each of the loans extended by the Issuer to its top five banking clients exceeded 10% of the aggregate gross value of the Issuer's portfolio of long-term loans to banks and trade financing loans. As at 31 December 2020, the Issuer's exposure to its top five banking clients amounted to EUR 88.7 million out of a gross total amount of EUR 94.3 million long-term loans and trade financing loans extended by the Issuer to banks. As at 31 December 2020, 42% of the long-term loans provided to banks are to banks based in Republic of Cuba, 37% to banks based in Vietnam, 17% to banks based in Mongolia and 4% to banks in other countries.

The following table shows the concentration of loans and documentary transactions made to the Issuer's top five and top ten customers overall, respectively as at 31 December 2020:

Loan and Documentary Portfolio: concentration of loans and documentary transactions to IIB's Top 5 and Top 10 customers

	As at 31 December 2020	
	EUR millions	Concentration, %
Total portfolio*	1263.7	
TOP-5	585.6	30.6%
TOP-10	593.3	46.3%
Average	16.8	

* aggregation of all counterparties

Interest income and margin

In 2020, the Issuer's interest income decreased by EUR 2.7 million or 4.0% year-on-year, to EUR 64.2 million as at 31 December 2020 from EUR 66.9 million as at 31 December 2019.

The Issuer's total net interest income before allowance for loan impairment was EUR 17.4 million as of 31 December 2020, compared to EUR 22.2 million as at 31 December 2019, representing a decrease of 21.6% or EUR 4.8 million in 2019.

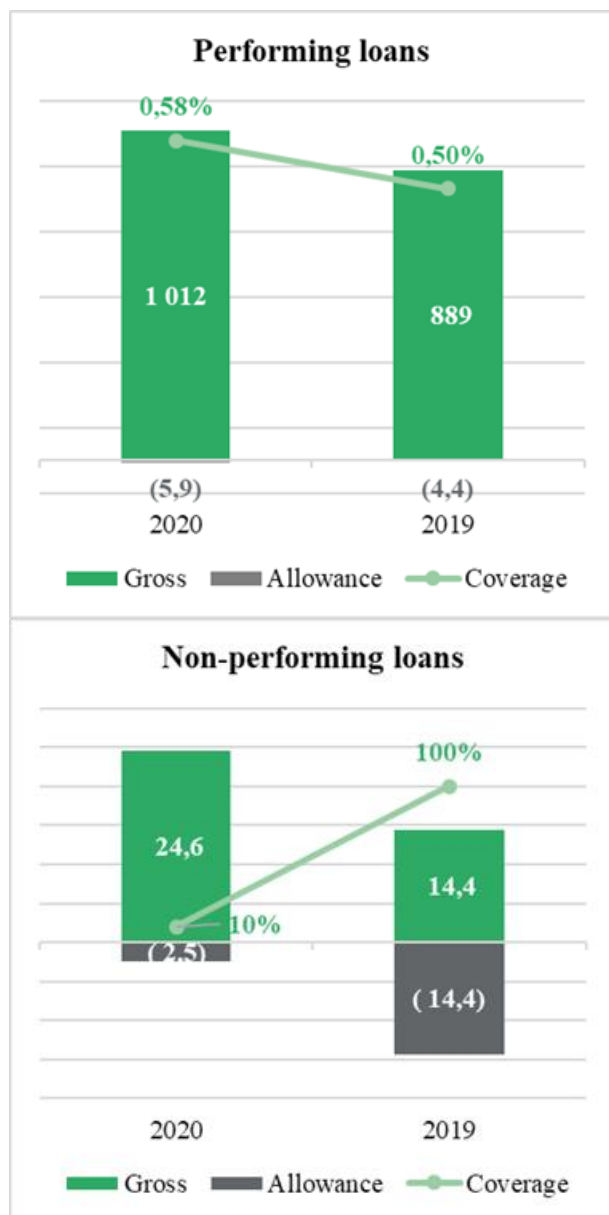
The Issuer's net interest margin as of 31 December 2020 was 1.2%, compared to 1.8% as of 31 December 2019, having decreased by 0.6 percentage points year-on-year. Net interest margin is calculated on the basis of monthly average balances of net earning assets, where net earning assets equal to total assets less petty cash, fixed assets, intangible assets and other assets.

NPLs

The Issuer classifies a loan as an NPL when either of the following has occurred with respect to the relevant obligor:

- (a) the Issuer considers that the obligor is unlikely to pay its credit obligations to the Issuer (or a Subsidiary, if applicable) in full, without recourse by the Issuer to actions such as realising security; or
- (b) the amount outstanding by such obligor to the Issuer (or a Subsidiary, if applicable) in respect of any material credit obligation is more than 90 days past its due date.

The following charts show the management of NPLs in the Issuer's aggregate credit portfolio and loan loss provisions as at 2019 and 2020, respectively:



Source: The Financial Statements. Amounts are shown in EUR millions. The coverage ratio is calculated as the ratio between the total amount of loan loss provisions and the core outstanding amounts under the loans extended by the Issuer.

Provisions for NPLs represented 0.2% (EUR 2.5 million) of the total outstanding amount under loans granted by the Issuer as of 31 December 2020, compared to 1.6% as of 31 December 2019 decreasing by EUR 12.0 million.

The total amount of provisions made according to the internal provisioning instructions of the Issuer represented 0.8% (EUR 8.3 million) of the total outstanding amount under the loans granted by the Issuer as of 31 December 2020, compared to 2.1% (EUR 18.8 million) as of 31 December 2019 and 2.5% (EUR 18.9 million) as of 31 December 2018.

The Issuer's NPLs coverage ratio was 33.9% as of 31 December 2020, while the NPL ratio was, at the same date, 2.4%, remaining below 5% since 2012.

Adjustment of the former sovereign debt of the Republic of Cuba

As part of the restructuring of debt owed by the Republic of Cuba and certain borrowers located in the Republic of Cuba to the Issuer, the Issuer's Council, at its 100th meeting held on 5 and 6 December 2013 in Moscow, approved the conversion into EUR of the historic debt of the Republic of Cuba owed to the Issuer, and a partial write-off of the Issuer's receivables against borrowers in the Republic of Cuba. The Issuer and the Republic of Cuba also agreed upon the principles and terms of the settlement of the remaining debt. The debt was restructured with an agreement for EUR 35 million to be repaid in 20 years.

Trade finance

As part of the Re-launch Strategy 2013-2017 (see "*The Issuer has limited modern operational history*") and "*Strategy–2018-2022 Strategy. Main achievements of the implementation of the 2018-2022 Strategy*"), the Issuer started to broaden its portfolio of trade finance products to provide its customers with a full range of services, including irrevocable reimbursement undertakings, banking guarantees, counter-guarantees, standby letters of credit, trade-related loans, financing under letters of credit and confirmation of letters of credit covering trade finance operations of counterparty banks, advising on letters of credit and guarantees and ECA-covered finance, covering export and import transactions of the Member States. According to its mission statement, the Issuer's activities are, among other things, focused on the promotion of trade and economic cooperation between the Member States and support for SMEs, which includes export-import supplies of high-technology equipment, medical supplies, foodstuffs, consumer goods and services.

In April 2014, the Issuer executed a Memorandum with a number of ECAs from Member States, including EXIAR, EXIMBANKA SR, EGAP, BAEZ and EximBank Romania (see "*Mission*"). Pursuant to the Memorandum, the Issuer will act as a bridging financing institution, while the ECAs will provide insurance coverage in relation to projects carried out in cooperation by Member States. The Memorandum has been subsequently acceded to by other ECAs. Owing to its relationships with ECAs, the Issuer was recently included in the exclusive list of currently only ten multilateral financial institutions rated under the OECD Export Credits Arrangements.

In 2020 the Issuer continued to support its Member States' economies and issued 37 trade finance deals for a total of EUR 58 million.

Trade Finance Support Programme

In 2015, the Issuer introduced its Trade Finance Support Programme (**TFSP**) and launched its new trade finance products, particularly aimed at increasing exports of goods from Member States to other countries. The TFSP has led to a number of successfully completed multiple trade finance deals, by issuing irrevocable reimbursement undertakings by the order of Russian, Belorussian, Armenian and Mongolian issuing banks in favour of, a number of banks in deals supporting the export of different kinds of high technology equipment from the Czech Republic, the Slovak Republic and Hungary to Belarus, Russia, Armenia and Mongolia as well as supporting imports from the People's Republic of China, Turkey, Australia, Germany, USA and Japan to Russia and Mongolia.

In August 2019, for the first time the Issuer added its confirmation to a documentary letter of credit, bringing the TFSP to a new stage where the Issuer may act not only as an intermediary bank for the local financial institutions, but also directly participate in import-export transactions as a confirming bank.

In 2020, as part of the TFSP, the Issuer actively supported the delivery of pharmaceuticals from Hungary and consumer goods from the Netherlands, Germany and South Korea to Mongolia. In addition, the Issuer

provided a EUR 1 million tender guarantee for Design and Rehabilitation of Railway Section Bender-Basarabeasca-Etulia-Giurgiulesti.

The successful completion of the relocation of the Issuer's headquarters to Budapest and acquisition of the European SWIFT code (IIBMHU22) provided a strong impetus to further grow the Issuer's Hungarian trade finance portfolio and to further diversify its geographic range of borrowers into Eastern Europe. In December 2019, one of the Issuer's landmark transactions within the TFSP was the issuance of a guarantee against the counter guarantee of Sberbank Magyarország Zrt (Hungary) in favour of a Luxembourg electricity allocation platform for EU countries. This guarantee ensured uninterrupted payments by the Hungarian electricity production company allowing access to energy transmission networks.

Off balance sheet transactions related to the investment activities

The Issuer is acting as an integrator of the pharmaceutical industry's development in Russia and Hungary. In this regard, the Issuer had, as at 31 December 2020, issued two guarantees in the total amount of RUB 1.9 billion (EUR 20.77 million as at 31 December 2020) in respect of a key medicine distributor, one of Russia's market leaders in the sector - Pharmaceutical Company PULSE LLC. Moreover, the Issuer provided a guarantee in the amount of EUR 22 million to finance the construction of a green-field waterfowl birds processing plant in Hungary.

Treasury - investment and trading activities

In 2020, the value of the Group's treasury assets increased from the value as of 31 December 2019 by EUR 100.8 million or 25.8% to EUR 491.6 million. The Group's income generated by its investment and sales of securities in its treasury portfolio increased by EUR 9.3 million or 163.2% from EUR 5.7 million as of 31 December 2019 to EUR 15.0 million as of 31 December 2020.

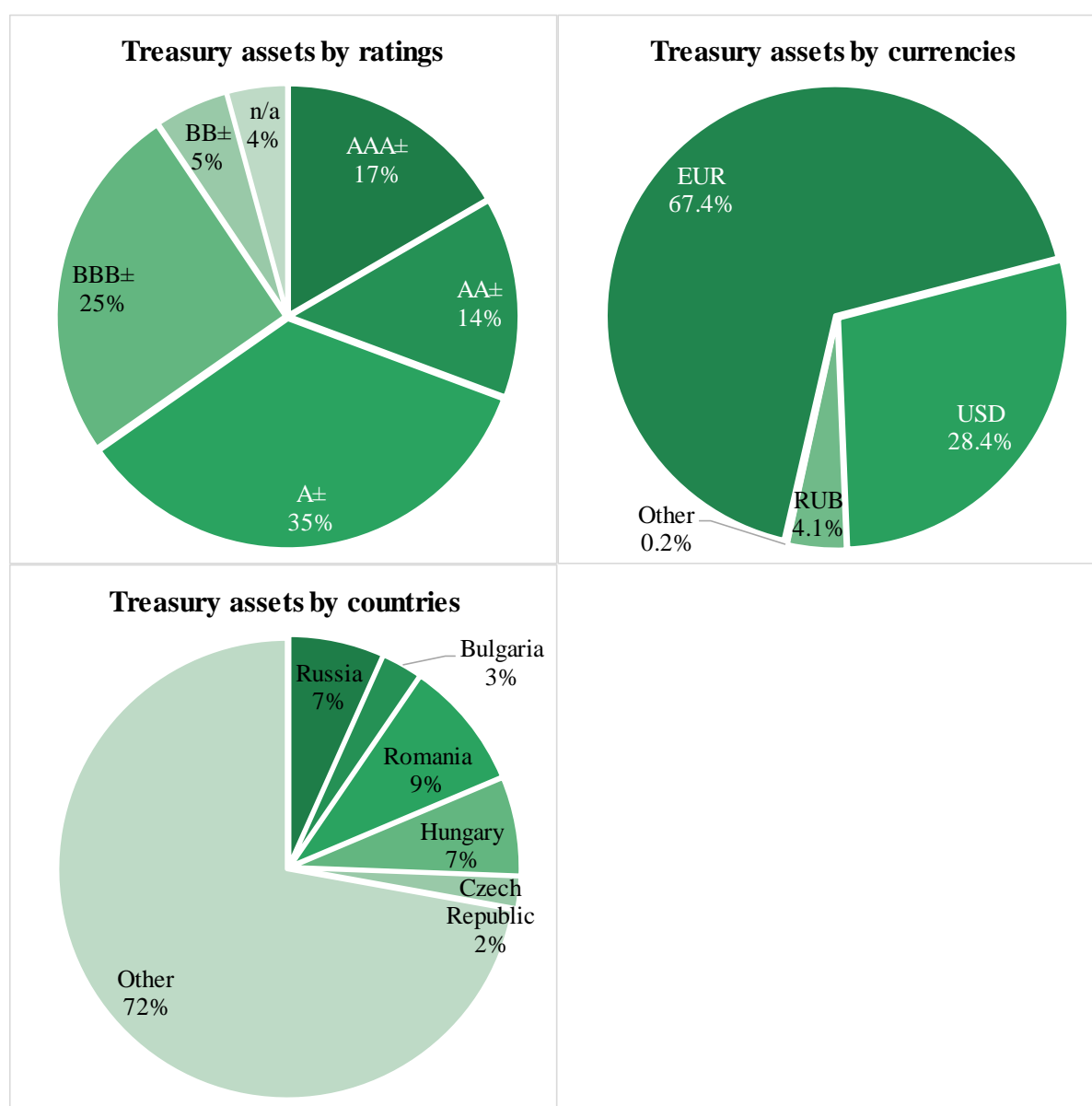
As of 31 December 2020, the Issuer's portfolio of securities at fair value through other comprehensive income increased by EUR 36.6 million or 16.9% to EUR 252.8 million from EUR 216.2 m as at 31 December 2019. Primarily, the Issuer's investment securities portfolio is composed of high-quality marketable sovereign and corporate debt securities with a fixed income. As of 31 December 2020, the Issuer's portfolio of securities at fair value consisted of: (i) government bonds of the Member States (i.e. EUR-denominated securities issued or guaranteed by the Ministries of Finance of these countries, maturing during the period from 2032 to 2035, while the annual coupon rate for these bonds varied from 1.75 to 2.00%); (ii) government bonds of other countries (i.e. USD-denominated securities issued or guaranteed by the Ministries of Finance of these countries, maturing in 2024, while the annual coupon rate for these bonds is 2.0%; and (iii) corporate bonds issued by large companies and banks of Member States, as well as corporate international companies and development banks that have similar goals and missions to those of the Group, maturing during the period from 2021 to 2028, with an annual coupon rate for these bonds varying from 0.0% to 8.0%. As of 31 December 2020, all of the corporate bonds held by the Issuer in its investment portfolio were rated AAA to BB-. As of 31 December 2020, the Issuer's securities at amortised cost increased by EUR 2.5 million or 2.7% to EUR 95.1 from EUR 92.6 million as of 31 December 2019 and consisted of: (i) government bonds of countries other than Member States (i.e. EUR-denominated bonds issued or guaranteed by the Ministries of Finance of these countries), maturing in 2040 with an effective interest rate of 0.5%; (ii) corporate bonds comprising investment grade bonds issued by large companies and banks located in the Member States and international companies and development banks with goals and missions similar to those of the Group. The corporate bonds have maturity dates spanning 2021-2029 and the effective interest rate varies from 0.6% to 1.8%.

During 2020 the Group purchased for the first time perpetual corporate bonds issued by a large corporate located in a Member State with goals and missions similar to those of the Group, with a coupon rate of 7.25%. These bonds were included in the Group's portfolio of securities at fair value through profit or loss and as of 31 December 2020 have a value of EUR 7.7 million.

The treasury department of the Issuer conducts its operations within a comprehensive framework set forth by regulations adopted by the competent governing bodies of the Issuer. The treasury operations of the Issuer include short-term money market operations, including repurchase ('repo') operations, foreign exchange and derivatives, and operations with high-quality marketable securities. The Issuer's treasury department is guided by the principles of transparency, accountability and profitability within conservative risk and limitations parameters.

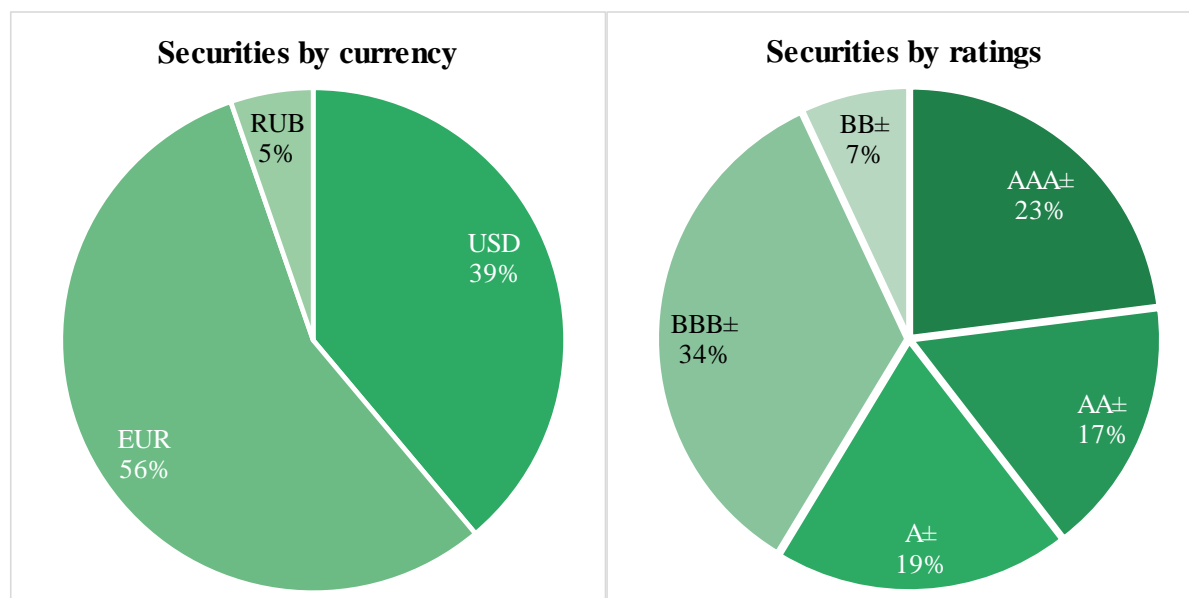
The Issuer's treasury policy is outlined in the 2018-2022 Strategy and the Issuer's investment policy statement is adopted on a yearly basis by the Issuer's Management Board. In line with these policies, the main objective of Issuer's treasury operations is to effectively manage the Issuer's liquid assets in order to safeguard their liquidity, protect the Issuer's capital and generate a stable financial return.

As of 31 December 2020, the diversification of assets under Treasury management by ratings, currencies and countries was as follows:



Source: The Financial Statements.

As of 31 December 2020, the diversification of the Issuer's securities portfolio (securities at fair value through other comprehensive income, securities at fair value through profit and loss and securities at amortised cost) by types of currencies and ratings, was as follows:



Source: The Financial Statements.

The table below shows the break-down of the Issuer's securities portfolio, based on currency, amount and duration to maturity, as of 31 December 2020:

<i>Securities at fair value through other comprehensive income</i>	<i>Currency</i>	<i>Amount (EUR million)</i>	<i>Average Duration to Maturity</i>
	EUR	127.8	6 Y
	USD	113.8	3 Y
	RUB	11.1	3 Y
	Total equivalent in EUR million:	252.8	
<i>Securities at amortised cost</i>	<i>Currency</i>	<i>Amount (EUR million)</i>	<i>Average Duration to Maturity</i>
	EUR	70.6	9 Y
	USD	24.5	3 Y
	Total equivalent in EUR million:	95.1	

<i>Securities at fair value through profit or loss</i>	<i>Currency</i>	<i>Amount (EUR million)</i>	<i>Average Duration to Maturity</i>
	RUB	7.7	PERP
	<i>Total equivalent in EUR million:</i>	7.7	

Source: Information in column “Average Duration to Maturity” is extracted from the Group’s management report.

Foreign exchange risk is mitigated by using different hedging instruments, using derivatives or currency swaps. In line with the Issuer’s commitment to keep up with the regulatory environment relating to derivatives, these operations are carried out based on ISDA Master Agreements concluded with partners. The Issuer also conducts its operations by observing the standards set forth in the European Market Infrastructure Regulation (EMIR) adopted at EU level.

Other operations

The Group also carries out several non-core activities, mainly through its Subsidiary, primarily consisting of lease operations with respect to its building. The Group rents out part of its building under operating lease agreements. As of 31 December 2020, the Group’s revenues from lease of property decreased by EUR 1.33 million or 39.0% to EUR 2.08 million, as compared to EUR 3.41 million as of 31 December 2019. Moreover, during 2020 the Issuer made a gain of EUR 0.65 million from the sale of property, compared to a gain of EUR 3.05 million in 2019, and also had a revaluation loss of EUR 1.41 million on investment property, compared to a loss of EUR 0.89 million in 2019.

COMPETITION

The Issuer operates in a relatively competitive market for the provision of financing for development projects. While it may be assumed that the Issuer’s principal competitors would be national, regional and other international development banks as well as large local commercial banks operating within the same regions, as the Issuer’s mission is to support economic growth and development in Member States, the Issuer tries to avoid direct competition with commercial banks to the extent possible. The Issuer also does not believe that it faces significant competition from small or medium sized commercial banks active in the same regions, which generally target different industries from the Issuer and offer shorter-term financing products, at less competitive rates of interest. The Issuer believes that its clearly defined mission and lending criteria, combined with the unique part of its mandate to foster economic cooperation between its Member States, spread on three continents, and to support relevant projects, do not generally overlap with those of other development banks active in the same region as the Issuer. On the contrary, the Issuer seeks to partner with other development banks in accomplishing its objectives, having already co-financed projects with leading development institutions such as the International Finance Corporation (IFC), the Black Sea Trade and Development Bank (BSTDB), the Eurasian Development Bank (EDB), the European Bank for Reconstruction and Development (EBRD) and the Netherlands Development Finance Company (FMO), as well as having concluded cooperation agreements with other such institutions.

RELEVANT GEOGRAPHIC MARKETS

For the purposes of achieving the Issuer’s mission, which includes facilitating the sustainable and inclusive growth and competitiveness of the national economies of each of the Member States, the Issuer’s loan and trading portfolio includes, and, most likely, will continue to include, concentrations in particular Member States. Accordingly, the economic situation in the Member States affects the financial condition and

prospects of the Issuer. The Issuer has specified its value proposition for each Member State, which is included in its 2018-2022 Strategy and in its country strategies.

According to its strategic vision, the Issuer's growth is associated mainly with the increase of its loan portfolio in each Member State, focusing on bilateral investment financing, syndications as well as international and flagship projects, with further diversification of its instruments, including the use of new funding sources and accessing markets outside of the Issuer's current geography that the Issuer considers to be promising. In this respect, the Regulation on the Special Status of Participation in the Activities of the International Investment Bank, provides for new types of cooperation between the Issuer and states, IFIs and other banking, economic or financial organisations and funds, including in the capacity as an associated member of the Issuer (available to states and IFIs) or an associated partner of the Issuer (available to other organisations and funds) or an observer. These new forms of cooperation with potential partners is expected to enable the Issuer to launch dedicated work on analysing options for expanding its operating territory in the interest of its Member States.

This section of the Offering Circular describes the Issuer's main completed, pending or prospective operations in its Member States.

Czech Republic

The Issuer has no direct exposure to the Czech Republic, however, the Issuer has participated in transactions to support companies from the Czech Republic where borrowers are from third countries.

Trade finance products, launched by the Issuer over the course of 2015 to 2020, have been especially popular in the Czech Republic. From the launch of the product to 31 December 2020, the Issuer participated in 42 trade finance deals in an aggregate amount of approximately EUR 59 million, including IRUs in favour of CESHOSLOVENSKA OBCHODNI BANKA, A.S., Commerzbank AG, Sberbank CZ A.S. and CESHKA SPORITELNA A.S., trade-related loans and the Issuer's confirmation of letters of credit supporting export operations of the Czech Republic.

The Issuer tapped its outstanding April 2021 CZK floating rate notes issued in 2018 for the second time in April 2019, thus increasing the aggregate outstanding amount of the notes to CZK 1 500 million (equivalent to EUR 59 million as of the date of issuance). In 2020, the Issuer placed a CZK-denominated issuance under the Programme in the amount of CZK 621 million (equivalent to EUR 23.7 million as at 31 December 2020).

Hungary

As of 31 December 2020, the Issuer's portfolio of loans to entities located in Hungary amounted to EUR 112.0 million (11% of net loan portfolio).

Since the launch of trade finance products by the Issuer in 2015 to 31 December 2020, the Issuer entered into 28 trade finance deals, including IRUs, in favour of Commerzbank AG, K&H Bank Zrt, UniCredit Bank Hungary ZRT and SBERBANK Magyarorszag Zrt., trade related loans and a payment guarantee issued by order of SBERBANK Magyarorszag Zrt. in a total amount of EUR 6 million with the goal of supporting export and import operations of Hungary.

In 2020 the Issuer also completed ISDA, CSA and GMRA agreements with Hungarian MKB Bank.

The Board of Governors of the Issuer resolved on the relocation of its headquarters from Moscow to Budapest on 4 December 2018. Based on this decision, on 5 February 2019, the Government of Hungary and the Issuer signed the Host Country Agreement regarding the seat of the Issuer's headquarters. The Host Country Agreement was ratified by the Hungarian Parliament on 5 March 2019.

IIB has issued two series of bonds in the Hungarian domestic format in Hungary – HUF 24.7 billion (equivalent to EUR 79 million as of the date of issuance) in March 2019 and HUF 22.5 billion (equivalent to EUR 68 million as of the date of issuance) in October 2019. In 2020, IIB placed HUF-denominated bonds under the Programme in the amount of HUF 15 billion (equivalent to EUR 41.1 million as at 31 December 2020).

Mongolia

As of 31 December 2020, the Issuer's portfolio of loans to entities located in Mongolia amounted to EUR 72.9 million (7% of net loan portfolio).

Since the launch of trade finance products by the Issuer in 2015 to 31 December 2020, the Issuer concluded 58 trade finance deals in an aggregate amount of EUR 61 million including IRUs and standby letters of credit in favour of Československá obchodná banka, Commerzbank AG (Germany and Japan offices), UniCredit bank (Russia) and KBC Bank N.V., guarantees and trade-related loans supporting import operations from the Czech Republic, China Japan, Switzerland, Belgium, Germany, Oman, Singapore, Spain, the Netherlands, Vietnam, the USA and Russia to Mongolia.

Republic of Bulgaria

As of 31 December 2020, the Issuer's portfolio of loans to entities located in Bulgaria amounted to EUR 109.8 million (11% of net loan portfolio). The main operations of the Issuer in Bulgaria consist of the extension of loans to corporate clients, who are mainly active in the field of manufacturing, the energy industry, construction of buildings and transport and warehousing.

In early 2020 the Issuer signed a GMRA with DSK Bank which is part of the Hungarian OTP Group.

Since the launch of trade finance products by the Issuer in 2015 to 2020, the Issuer concluded 12 trade finance deals totalling EUR 8 million including IRUs and guarantees in favour of Commerzbank AG and UniCredit Bulbank AD supporting the export of technological equipment and small hydropower plants from Bulgaria to Armenia and the Republic of Belarus.

Republic of Cuba

As of 31 December 2020, the Issuer's portfolio of loans to entities located in Cuba amounted to EUR 39.0 million (4% of net loan portfolio). After writing off the historic debt of the Republic of Cuba in 2013, the Issuer re-affirmed its support and intention to contribute to the country's economic and social development by the execution, on 24 June 2016, of the Agreement on Cooperation in Organising Financing between the Issuer and the Central Bank of Cuba. Under the terms of the agreement, the parties also express their intention to improve the efficiency and the level of participation in projects and sectors that are of particular interest for the Republic of Cuba.

Since the launch of trade finance products by the Issuer in 2015 to 31 December 2020, the Issuer completed seven trade finance deals in a total amount of EUR 21.7 million, including IRUs, in favour of KBC Bank N.V. supporting the export of Cuban cane raw sugar to the Republic of Belarus.

Romania

As of 31 December 2020, the Issuer's portfolio of loans to entities located in Romania amounted to EUR 132.6 million (13% of net loan portfolio). Romania is one of the Member States in which the Issuer's activity has continually increased following the implementation of the Issuer's Re-launch Strategy 2013-2017. The Issuer has been consistently increasing the volume of its investments in Romania and regularly presents its financial products and services to local businesses. From the implementation of the Issuer's Re-launch

Strategy 2013-2017 to the date of this Offering Circular, the loan agreements the Issuer has entered into with Romanian companies amount to more than EUR 155 million.

Having placed four bond issuances in Romania in a domestic format during the period from 2015 to 2018, in 2019 the Issuer issued what was at that time the largest corporate bond ever in Romania in the amount of RON 500 million (EUR 105 million). In 2020, the Issuer placed two RON-denominated bonds under the Programme in the amounts of RON 110 million and RON 340 million (total of EUR 93.3 million). The most recent RON-denominated bond placed by the Issuer had the lowest nominal yield on an euro-after swap basis and the tightest spread versus the Romanian government bonds of only 30 bps of the Issuer's bond issues in Romania to such date

To strengthen cooperation with Banca Transilvania, the Issuer also signed a GMRA with Banca Transilvania in March 2020.

Eximbank Romania, the export-import bank of Romania, is a party to the Multilateral Memorandum on Cooperation concluded between the Issuer and a number of ECAs in Member States, whereby the parties agree that the Issuer will act as a bridging financing institution, while the ECAs will provide insurance coverage in relation to projects carried out in cooperation by Member States.

In Romania, the Issuer intends to focus its investment efforts on areas that support the social sector, especially health, agriculture, tourism, manufacturing, trade, development of small- and medium-sized enterprises, infrastructure, energy and other projects that may arise during the implementation of its development strategy.

In 2017, the Issuer advised its first banking guarantees issued by Banca Transilvania. The total amount of the advised Romanian guarantees as at 31 December 2020 was EUR 0.2 million (three guarantees in total).

Russian Federation

As of 31 December 2020, the Issuer's portfolio of loans to entities located in Russia amounted to EUR 125.9 million (12% of net loan portfolio).

In 2020, the Issuer returned to the Russian market with four bond issuances in a total amount of RUB 26 billion (approximately EUR 286.2 million). On 29 April 2020, the Issuer issued two tranches of bonds in a total amount of RUB 7 billion and RUB 5 billion each being the series BO-001P-02/03 with a maturity of five years and a fixed coupon rate of 7.75%. On 19 May 2020, the Issuer placed a RUB 7 billion bond with a maturity of three years (series BO-001P-04). The coupon rate was fixed at 6.75%. On 11 September 2020 the Bank issued a RUB 7 billion bond with a maturity of 2.5 years (series BO-001P-05) with a fixed coupon rate of 5.95%.

From the launch of TF products in 2015 until 31 December 2020, the Issuer has participated in 69 Russia-related trade finance deals amounting to EUR 271 million including IRUs, banking guarantees and TRLs.

Slovak Republic

As of 31 December 2020, the Issuer's portfolio of loans to entities located in Slovakia amounted to EUR 107.5 million (10% of net loan portfolio). The Slovak Republic is the first EU member state in which the Issuer completed the placement of bonds on the capital markets, with the first issue in an amount of EUR 30 million having been successfully finalised in October 2014. Additionally, the first regional office opened by the Issuer, aiming to increase the quality of the Issuer's services in EU member states was based in the Slovak Republic. The regional office was closed on 31 December 2018.

From the launch of the trade finance products in January 2015 until 31 December 2020, the Issuer has concluded eight trade finance deals supporting export and import with the Slovak Republic in an amount of EUR 4.34 million including IRUs and TRLs.

Vietnam

As of 31 December 2020, the Issuer's portfolio of loans to entities located in Vietnam amounted to EUR 71.7 million (7% of net loan portfolio) 37% of the loans (in terms of amount thereof) extended to banks by the Issuer was granted to Vietnam-based banks. Additionally, the Issuer's portfolio of loans to customers in Vietnam amounts to EUR 37 million. Since the launch of trade finance products by the Issuer in 2016 to 31 December 2020, the Issuer has concluded four trade finance deals supporting export and import with Russia in an aggregate amount of EUR 2.00 million including TRL and letter of credit advising.

CAPITALISATION OF THE ISSUER

As at 31 December 2020, the total paid-in capital of the Issuer amounted to EUR 378.7 million.

As at the date of this Offering Circular, the structure of the Issuer's paid-in capital is as follows: the combined share of its EU Member States (the Czech Republic, Slovakia, Hungary, Romania and Bulgaria) is 51.65%, Cuba's share is 1.42% and the share of the Issuer's Asian Members (Vietnam and Mongolia) is 1.86%. Russia's share in the Issuer's paid-in capital is 45.07%.

As part of the Capitalisation Programme for 2013-2017, the Czech Republic intends to make the remainder of its planned contribution (EUR 5.6 million), thereby completing the Capitalisation Programme for 2013-2017.

The authorised capital of the Issuer increased following the entry into force of the Protocol on 18 August 2018 and as at the date of this Offering Circular, the quotas of Member States in the authorised capital of the Issuer are as follows:

Member States	<i>Quotas in the authorised charter capital (EUR)</i>	<i>Shares in the paid-in charter capital (EUR)</i>
Czech Republic	125,600,000.00	37,374,957.01
Hungary	121,400,000.00	65,503,000.00
Mongolia	6,200,000.00	3,393,184.85
Republic of Bulgaria	123,000,000.00	42,203,226.32
Republic of Cuba	23,400,000.00	5,360,773.37
Romania	76,700,000.00	26,103,958.51
Russian Federation	580,700,000.00	170,665,792.59
Slovak Republic	62,800,000.00	24,436,113.06
Socialist Republic of Vietnam	4,700,000.00	3,669,274.56
Total	1,124,500,000.00	378,710,280.27

As at 31 December 2020, the unallocated portion of the Issuer's authorised charter capital was EUR 875,500,000.00.

The table below shows the paid-in capital structure of the Issuer as of 31 December 2020:

<i>Member States</i>	<i>Share in the Issuer's paid-in capital as of 31 December 2020</i>	
	<i>(EUR million)</i>	<i>%</i>
EU Member States		
Czech Republic	37.37	9.87
Hungary	65.50	17.30
Republic of Bulgaria	42.20	11.14
Romania	26.10	6.89
Slovak Republic	24.44	6.45
Total contribution by EU Member States	195.62	51.65
Non-EU Member States		
Mongolia	3.39	0.90
Republic of Cuba	5.36	1.42
Russian Federation	170.67	45.07
Socialist Republic of Vietnam	3.67	0.97
Total contribution by non-EU Member States	183.09	48.35
Total contribution of Member States	378.7	100.0

As at the date of this Offering Circular, the total contribution of Member States to the paid-in capital of the Issuer amounted to EUR 378.7 million.

MANAGEMENT AND GOVERNANCE

General

The new edition of the Statutory Documents that entered into force on 18 August 2018 introduced a new governance structure. In this regard, two new governing bodies: the Board of Governors and the Board of Directors, have been formed, meaning there are now three governing bodies in total.

The Issuer's governing bodies include the following:

- the Board of Governors, which is the supreme collective governing body of the Issuer;
- the Board of Directors, which is the Issuer’s collective governing body responsible for the general management and oversight of the Issuer’s operations, reporting to the Board of Governors; and
- the Management Board, which is the Issuer’s executive body, reporting to the Board of Directors and the Board of Governors.

The new governance structure of the Issuer is based on the principles of transparency, accountability, responsibility and openness.

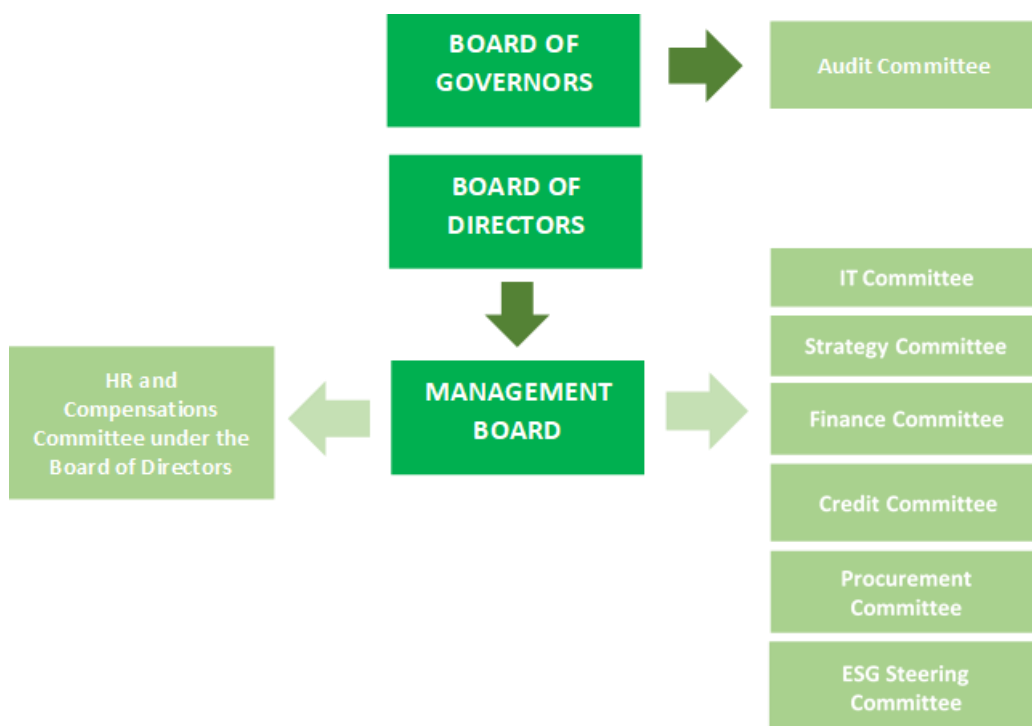
The Audit Committee is a governing body of the Issuer composed of Member States’ representatives and responsible for auditing the Issuer’s activities. The Audit Committee reports to the Board of Governors and the Board of Directors.

The HR and Compensations Committee under the Board of Directors is an advisory collective body under the Board of Directors, whose main function is to ensure observance of staff-related policies, rules and procedures by the Issuer.

In line with best corporate governance practices of other international development banks, the Issuer has established various specialised collective bodies under the Management Board, including the Finance Committee, the Credit Committee, the Strategy Committee (under which a Coordination Sub-Committee on the transition to the new governance structure was created), the Procurement Committee, the IT Committee and various tasks groups.

Throughout the COVID-19 pandemic, due to the development and enhancement of business processes, decision-making procedures and IT solutions, as well as technological support, the Issuer has managed to ensure continuous effective management of operational processes, reporting and communications with shareholders. Since June 2020, online meetings of the Board of Directors, Board of Governors and Audit Committee have been organized and run smoothly. The efficiency and speed of administrative decision-making has remained at the adequate level.

According to the new edition of the Statutory Documents, the governance structure of the Issuer is presented below:



The Board of Governors

The Board of Governors is the supreme collective governing body of the Issuer. The Board of Governors meets when necessary, but not less than once a year. The main powers of the Board of Governors include adopting resolutions on the admission of new members and any amendments to the Statutory Documents, the establishment of branches and representative offices by the Issuer in Member States, as well as in other countries. The Board of Governors is also responsible for the determination of the general direction of the Issuer's operations, the Issuer's development strategy, changing the amount of the Issuer's authorised capital and paid-in capital, approval of the Issuer's Annual Report, balance sheet and allocation of profits, the appointment of the Chairperson and the members of the Management Board and the Audit Committee.

Each Member State of the Issuer appoints one representative as Governor and his/her deputy to the Board of Governors. A Governor may nominate a temporary deputy Governor.

PRESENT GOVERNORS FROM THE MEMBER STATES AND THEIR DEPUTIES ON THE ISSUER'S BOARD OF GOVERNORS

Member States	Governors	Deputy Governors
Republic of Bulgaria	Petrova Marinela, Deputy Minister of Finance of the Republic of Bulgaria Date of Appointment: November 2018	
Republic of Cuba	Marta Wilson Gonzalez, Minister-President of the Central Bank of Cuba	Arnaldo Alayon Bazo, Advisor of the Minister-President of the Central Bank of Cuba

	Date of Appointment: December 2019	Date of Appointment: January 2019
Czech Republic	Schillerova Alena, Deputy Prime Minister, Minister of Finance of the Czech Republic Date of Appointment: November 2018	Dupakova Lenka, Deputy Minister of Finance of the Czech Republic Date of Appointment: November 2018
Hungary	Varga Mihály, Deputy Prime Minister and Minister of Finance of Hungary Date of Appointment: April 2015	Gion Gábor, Minister of State for Financial Policy Affairs – Ministry of Finance of Hungary Date of Appointment: November 2018
Mongolia	Khurelbaatar Chimed, Minister of Finance of Mongolia Date of Appointment: July 2018	Lkhagvasuren Byadran, Governor of the Bank of Mongolia Date of Appointment: November 2019
Romania	Pending confirmation of appointment as at the date of this Offering Circular	Pending confirmation of appointment as at the date of this Offering Circular
Russian Federation	Maksimoy Timur Igorevich, Deputy Minister of Finance of the Russian Federation Date of Appointment: May 2020	Stanislavov Evgeny Arnoldovich, Director of the Department of Economic Cooperation of the Ministry of Foreign Affairs of the Russian Federation Date of Appointment: September 2018
Slovak Republic	Heger Eduard, Deputy Prime Minister, Minister of Finance of the Slovak Republic Date of Appointment: April 2020	
Socialist Republic of Vietnam	Nguyen Thi Hong, Governor of the State Bank of Vietnam Date of Appointment: November 2020	Nguyen Kim Anh, Deputy Governor of the State Bank of Vietnam Date of Appointment: November 2020

The Board of Directors

The Board of Directors is the Issuer's collective governing body responsible for the general management and oversight of the Issuer's operations. The Board of Directors meets as often as required to manage the Issuer's affairs, but not less than once every quarter.

The Board of Directors makes decisions on credit and investment operations within its scope of authority, approves key regulations defining various aspects of the Issuer's operations, including its credit, financial, accounting, asset and liability management and risk management policies (including establishing the Issuer's risk appetite) and the Issuer's HR Policy, approves the composition of the HR and Compensation Committee and supports the activities of the Board of Governors.

The Board of Directors consists of representatives of the Issuer's Member States. Each Member State appoints one Director and his/her deputy to the Board of Directors. A Director may nominate a temporary deputy Director. Directors are appointed for a term of three years and are eligible to be reappointed upon the expiration of said term.

Present Directors from the Member States and their deputies on the Issuer's Board of Directors

Member States	Directors	Deputy Directors
Republic of Bulgaria	Beremska Gergana, Director of International Financial Institutions Directorate, Ministry of Finance of the Republic of Bulgaria Date of Appointment: November 2018	Zaharieva Yoana, Head of Department, International Financial Institutions and Cooperation Directorate, Ministry of Finance of the Republic of Bulgaria Date of Appointment: November 2018
Republic of Cuba	Katerine Alino Carballo, Vice President, Central Bank of Cuba Date of Appointment: January 2019	Isaac Hernandez Perez, Head of Department, Central Bank of Cuba Date of Appointment: January 2019
Czech Republic	Zuzana Matyasova, Director, International Relations department of the Ministry of Finance of the Czech Republic Date of Appointment: November 2018	
Hungary	Imre Boros, Date of Appointment: March 2019	György Patrik Polai, Senior International Adviser, Ministry of Finance of Hungary Date of Appointment: March 2019

Member States	Directors	Deputy Directors
Mongolia	Zorigbat Tseveenjav, Director-General of the Financial Policy Department of Ministry of Finance of Mongolia Date of Appointment: October 2018	
Romania	Cucu Boni Florinela, General Director in the Ministry of Public Finance of Romania Date of Appointment: December 2019	Oana Beatrice Iacobescu, Senior Counsellor in the Ministry of Public Finance of Romania Date of Appointment: December 2019
Russian Federation	Snisorenko Pavel, Director of the Department for International Financial Relations of the Ministry of Finance of the Russian Federation Mr Snisorenko is currently a Temporary Director from Russia on the Board of Directors. The documents relating to his appointment are undergoing the necessary approval procedure in the authorised bodies of Russia, which will be completed in the near future	
Slovak Republic		Tvaroskova Andrea, State Counsellor of the Ministry of Finance of the Slovak Republic Date of Appointment: September 2020
Socialist Republic of Vietnam	To Huy Vu, Director General of the Department of International Cooperation of the State Bank of Vietnam Date of Appointment: April 2019	

The Management Board

The Management Board is the executive body of the Issuer reporting to the Board of Directors and the Board of Governors. The Management Board's main responsibility is to supervise the Issuer's operations in accordance with the new edition of the Statutory Documents and resolutions of the Board of Governors and

Board of Directors. The Management Board also implements the Issuer’s credit, financial, accounting, asset and liability management and risk management policies, makes decisions on credit and investment operations within its scope of authority, organises tasks aimed at raising and allocating available funds, adopts decisions to issue bonds, prepares necessary materials and proposals to be considered by the Board of Governors and the Board of Directors, and builds and utilises the Issuer’s existing business connections and correspondent banking relationships with other banks and organisations.

At the meeting of the Board of Governors held on 4 December 2018, a resolution to adopt the Key Principles of Management Board Composition (the **Key Principles**) was passed, ensuring compliance and initiating the transition to modern international corporate governance standards.

The Management Board consists of the Chairperson of the Management Board and his/her deputies appointed by the Board of Governors for a five-year term, which tend to be from among citizens of the Member States. Following the Board of Governors’ meeting in Varadero held on 4 December 2018, it was decided that the members of the Management Board would now be appointed on a competitive basis through an independent assessment of their qualifications and conformity with the Issuer’s requirements.

The adoption of the Key Principles provides a merit-based approach. The Management Board is formed on a competitive basis in compliance with the generally accepted standards of corporate governance. This is important as the efficiency of the Issuer’s operations is based on the work of this body. The HR and Compensation Committee under the Board of Directors has a key role in the selection of candidates for vacant positions on the Management Board. It performs an independent assessment of the candidates’ level of qualification and formulates recommendations for the Board of Governors to consider further before making its final decision.

To ensure a balanced and transparent system of decision-making at the Management Board level, the Key Principles establish a fair country representation principle according to which the Management Board shall include citizens from at least four Member States of the Issuer. At the same time, all of the members of the Management Board have the right to vote.

The table below contains a list of current members of the Issuer’s Management Board:

Member	Role / Date of Appointment
Nikolay Kosov, Russia	Chairperson of the Management Board September 2012
Jozef Kollár, Slovak Republic	First Deputy Chairperson of the Management; coordinates the Treasury and Debt Capital Markets and Financial Institutions Section March 2016
Alexandru Florescu, Romania	Deputy Chairperson of the Management Board; coordinates the Finance Section. January 2016
Rumyana Laleva Kyuchukova, Republic of Bulgaria	Deputy Chairperson of the Management Board; coordinates the Risk Section.

	February 2016
Georgy Potapov, Russia	Deputy Chairperson of the Management Board – since July 2018 was responsible for the activities of the Strategy Section, since October 2019 coordinates activities of the Issuer’s Lending and Investment Section.
Laszlóczki Imre, Hungary	Deputy Chairperson of the Management Board; in charge of the Strategy Section. October 2019

In January 2020, in accordance with a resolution of the Board of Governors, the terms of office for Mr. Kollar and Mr. Florescu were extended for a 5-year period and Mrs. Kyuchukova’s term was extended for a 2-year period.

Audit Committee

The Audit Committee is appointed by the Board of Governors and consists of the Chairperson of the Audit Committee and its members. The Audit Committee is responsible for auditing the Issuer’s activities, which includes review of the implementation of resolutions adopted by the Board of Governors and the Board of Directors, annual reports, cash and property, records, reports and documents of the Issuer and its branches, representative offices, and subsidiaries.

HR and Compensations Committee under the Board of Directors

The HR and Compensations Committee was established under the Board of Directors by resolution of the Board of Governors. This is an advisory collective body, the main function of which is to control the compliance of staff-related policies, rules and procedures of the Issuer, and to produce recommendations on improving its HR practices.

REGULATORY CAPITAL

The approval of capital adequacy ratios applicable to the Issuer is one of the prerogatives of the Board of Directors. As of September 2013, the Council established a 25% minimum capital adequacy ratio, representing the percentage of the Issuer’s capital to its risks-weighted assets. Since 2013, the Issuer’s capital adequacy ratio has been computed in accordance with the methodology set forth under the Basel framework.

In addition to the paid-in capital (i.e. monetary contributions of the Member States), the regulatory capital of the Issuer also includes retained profits, reserves and other adjustments and components.

The following table shows the composition of the Issuer’s capital position as of 31 December 2019 and 31 December 2020:

<i>(EUR million)</i>	31 December 2019	31 December 2020
	(audited)	(audited)
Tier 1 capital.....	390.51	436.63
Tier 2 capital.....	16.21	16.41

Total regulatory capital.....	406.72	453.03
Total risk-weighted assets	1,175.77	1,345.62
Total capital expressed as a percentage of risk-weighted assets, %	34.59%	33.67%
Total tier 1 capital expressed as a percentage of risk-weighted assets, %	33.21%	32.45%

Source: The Financial Statements.

The Issuer's capital adequacy target of 25 per cent allows it to maintain a capital adequacy ratio significantly above the requirements set out under Basel III.

RISK MANAGEMENT

The Issuer's risk management strategy, initially approved by the Council in September 2013 and updated on an ongoing basis, sets forth the main principles governing the Issuer's risk management policy, as well as the risk management system, the key specificities of the Issuer's risk profile, the general system of risk limits and the rules governing the definition of the Issuer's risk appetite. A new risk management policy was approved at the first meeting of the Board of Directors, as a consequence of the entry into force of the Protocol.

In further developing its risk management system, the Issuer benefits from its membership of the Global Emerging Markets (GEMs) Risk Database Consortium, a cooperation forum aimed at sharing expertise, analysing information and creating a comprehensive database on credit risks for multilateral development banks and international financial institutions.

Main principles

The Issuer's risk management policy is based on the following governing principles:

- the Issuer's profitability is the result of the risk/return trade-off reflected in the Issuer's risk appetite;
- application of risk management controls at all levels of internal governance and in all processes; and
- continuous improvement of the risk management eco-system (skills, tools, systems, processes) following best market practices.

Description of the risk management system

The Issuer's risk management system is based on a consistent identification of risks, careful assessment and continuous monitoring of all risk factors. A vertical system of risk management is one of the key points of the risk management policy, with the risk being identified, assessed and controlled at all governance levels starting from the Board of Governors, the Board of Directors, the Management Board and going down to the level of the Issuer's personnel.

The risk management system is structured on three lines of defence, as follows:

- *Risk taking:* The risks are identified, assessed and controlled across all of the Issuer's products, activities, processes and systems;

- *Risk management*: The independent Risk Department is responsible for the overall risk identification, measurement, control and monitoring of risks. Another key point of its mission is to calculate capital adequacy and regular allocation of capital for different types of risk; and
- *Risk assurance*: The Internal Control Department and the Audit Committee provide independent assessment and review of the risk management system.

Risk organisation and governance

The chart below summarises the main risk management duties of the Board of Governors, the Board of Directors, the Management Board, the Financial Committee, the Credit Committee, the Risk Management Department, the Internal Audit Department, the Audit Committee and the other departments of the Issuer:

<i>Body</i>	<i>Main responsibilities</i>
<i>Board of Governors</i>	Determining the general direction of the Issuer's operations and approve the Issuer's development strategy
<i>Board of Directors</i>	<ul style="list-style-type: none"> • Approval of risk management policies • Determining the Issuer's risk appetite for each year • Overall organisation of the Issuer's risk management system (including related responsibilities and tasks)
<i>Chairperson of the Management Board</i>	Approving the Issuer's rules and regulations regarding the process for conducting credit and banking operations in accordance with the principles determined by the Board of Governors and the Board of Directors
<i>Management Board</i>	<ul style="list-style-type: none"> • Implementing the Issuer's credit, financial, accounting, asset and liability management, and risk management policies, which have been approved by the Board of Directors • Preparing necessary materials and proposals to be considered by the Board of Governors and the Board of Directors (including risk management-related materials and proposals)
<i>Finance Committee</i>	<ul style="list-style-type: none"> • Providing methodological guidance • Review of limits for specific risk categories (i.e., country, market, liquidity) • Management of assets and liabilities • Liquidity management
<i>Credit Committee</i>	<ul style="list-style-type: none"> • Management of loan portfolio • Review of credit risks limits • Approval of new credit operations

<i>Body</i>	<i>Main responsibilities</i>
<i>Risk Department</i>	<ul style="list-style-type: none"> • Identification, assessment, measurement, reporting and monitoring of credit, market, operational and liquidity risks • Management of risks limits • Development of risks policies • Assessment of counterparties • Provisioning creation
<i>Internal Audit Department and Audit Committee</i>	<ul style="list-style-type: none"> • Review of the efficiency of the risk management framework • Review of the risk management process, tools and organisation
<i>Other Departments</i>	<ul style="list-style-type: none"> • Monitoring and controlling risk limits • Active management of operational risks

Risk management process

At the level of the Issuer, the risk management process generally entails the following stages:

- *Risk identification:* Identification of risks at all governance levels;
- *Risk assessment:* Risks are evaluated in terms of causes, circumstances of their occurrence, their negative effects and the probability of their outcome. Potential losses and the respective risk's impact in the Issuer's monthly capital adequacy ratio are calculated and accounted for when deciding on whether to accept a particular risk;
- *Limitation of risk exposure:* Based on the results of the risk assessment stage, the Issuer's Risk Management Department proposes the establishment of general limits and limits restricting credit, market and liquidity risks, which are subsequently approved by the Management Board;
- *Risk monitoring and control:* Risk indicators are monitored on a regular basis in order to ensure that the approved limits are not exceeded, as well as to identify the most effective methods of reaction to the materialised and potential risks; and
- *Risk reporting:* The Risk Department regularly reports to the Financial Committee, the Credit Committee, and the Management Board with respect to risk levels and their potential negative impact on the Issuer's operations.

Risk profile

The risk profile of the Issuer is defined by several key considerations, particularly related to the Issuer's mission, its strategic goals and the specificities of the Issuer's business, mainly including the following:

- The Issuer's main goal is to develop into a modern multilateral development bank, its mission being particularly focused on the promotion of social and economic development and increasing the wellbeing of the population, and economic cooperation, of the Member States;

- The Issuer’s core activities are financed through its equity capital base and the funds raised from the Member States’ or international capital markets;
- The Issuer focuses on acting as a lender in interbank and syndicated interbank loans aiming to support SMEs, as well as project investment loans; and
- The Issuer’s operations with new partners and clients are preceded by due diligence investigations carried out by the Issuer in order to assess its partners/clients' legal status.

Risk appetite

In accordance with the new edition of the Statutory Documents, the Board of Directors determines the Issuer’s risk appetite. Risk appetite determines how much risk (measured by the allocated capital) the Issuer is willing to accept, taking into account the risk characteristics of the Issuer’s assets and liabilities, as well as its ongoing and prospective operations. During the process, the Board of Directors assesses the Issuer’s willingness to assume a certain risk-carrying operation against the amount of own funds or liquidity the Issuer is willing to expose to risk in the implementation of the respective operation and the current and anticipated situation of the following parameters:

- the Member States’ expectations on profitability;
- international regulatory standards;
- volume of transactions;
- structure of significant risks; and
- level of aggregate capital.

Risk appetite is a key indicator, shaping the risk limits applicable at the level of the Issuer, and defining the thresholds for key risk management indicators relevant to the Issuer.

Risks monitoring, control and reporting

In accordance with its internal procedures, the Issuer has established a system of limits based on which it assesses the creditworthiness of third parties (e.g., partners and clients) and evaluates potential financial transactions. This system is subject to annual review by the Issuer.

As part of the lending activity analysis, risks associated with the Issuer’s asset-based lending operations are continuously monitored and the fair value of the pledged items is regularly determined. During the monitoring period, specialists appointed by the Issuer perform on-site visits to certain borrowers, in order to verify the implementation of the financed projects and assess risks of loan impairment.

The Issuer also performs daily monitoring of the compliance of the operations with limits applicable to cash and equity transactions, as well as with structural limits included in key risk ratios and stop-loss limits. Reports on the status of risks are submitted to the Issuer’s management on a regular basis.

The diagram below describes the roles of the Board of Directors and, respectively, the Management Board in the establishment of key risk limits:

	<i>Strategic yearly limits</i>	<i>Risk appetite indicators for one year</i>
Board of	<ul style="list-style-type: none"> • Capital adequacy ratio (at least 	<ul style="list-style-type: none"> • Risk appetite levels (capital

Directors	25%) <ul style="list-style-type: none"> Limit of exposure to one counterparty or group of related counterparties (up to 25% of the Issuer's equity) Liquidity coverage ratio (at least 100%) Net stable funding ratio (at least 100%) 	allocation to credit, market and operational risks) <ul style="list-style-type: none"> Risk appetite indicators (e.g. liquidity, portfolio, quality, rating, leverage) 	
Management Board	Individual treasury limits	Individual loan limits	Systemic limits
	Permitted operations: <ul style="list-style-type: none"> NOSTRO Interbank lending Forex Equity/Bonds Other 	<ul style="list-style-type: none"> Corporate clients Financial institutions 	<ul style="list-style-type: none"> Credit risk limits Market risk limits Operational risk limits Country limits Sector limits Other limits

The following table shows the key risk parameters of the Issuer and applicable limits, as of 31 December 2019 and 31 December 2020:

Indicator	31 December 2019	31 December 2020	Limit
Capital adequacy ratio (Total capital expressed as a percentage of risk weighted assets)	34.59%	33.67%	not less than 25%
Liquidity coverage ratio (LCR)*	187.8%	884.7%	not less than 100%
Net Stable Funding Ratio (NSFR)**	121.7%	112.2%	not less than 100%
Basel 3 leverage***	27.2%	25.5%	not less than 25%

* Basel Framework. LCR effective as of 15 Dec 2019, calculated as:

$$LCR = \frac{\text{Volume of high - quality liquid assets}}{\text{Total amount of net liquidity outflow during 30 calendar days}} \geq 100\%$$

** Basel Framework. NSFR effective as of 15 Dec 2019, calculated as:

$$NSFR = \frac{\text{Amount of Available stable funding}}{\text{Amount of Required and Available Stable Funding}} \geq 100\%$$

*** Basel Framework. Leverage effective as of 15 Dec 2019

Source: The Group's Activity Report for 2019 and 2020.

BORROWINGS

The Issuer's borrowings in the form of long-term loans from banks and debt securities amounted to EUR 850.3 million as of 31 December 2019 compared to EUR 681.1 million as of 31 December 2018.

As part of its strategy to diversify its sources of funding and in order to build its track record as a borrower and issuer on the financial markets of the Member States, as well as the international financial markets, the Issuer intends to continue the attraction of funds through the issuance of bonds denominated both in hard currencies and local currencies establishing and updating this Programme in order to increase its flexibility and efficiency in executing its funding programme, as well as by entering into credit facilities (both bilateral and syndicated) with other financial institutions.

Bond placements

Russian Federation

In 2020, the Issuer returned to the Russian bond market issuing a total of four bonds with a total volume of RUB 26 billion (approximately EUR 286.2 million) as follows:

1. On 29 April 2020 the Issuer issued two tranches of bonds in the total amount of RUB 7 billion (equivalent to EUR 77.4 million as at 31 December 2020) and RUB 5 billion (equivalent to EUR 55.3 million as at 31 December 2020) (series BO-001P-02/03) with a maturity of five years and a fixed coupon rate of 7.75% per annum.
2. On 19 May 2020, the Issuer placed its RUB 7 billion (equivalent to EUR 76.9 million as at 31 December 2020) bond with a maturity of three years (series BO-001P-04). The coupon rate was fixed at 6,75% per annum.
3. On 11 September 2020, the Issuer issued a RUB 7 billion bond (equivalent to EUR 76.6 million as at 31 December 2020) (series BO-001P-05) with a maturity of 2.5 years and a fixed coupon rate of 5.95% per annum.

The final maturity date of the RUB-denominated Bonds is subject to the Issuer's put option, exercisable in accordance with the applicable terms and conditions of the programme documentation and of each individual issue. At the dates of the placements of the RUB-denominated bonds, the Issuer entered into cross-currency interest rate swaps for the purpose of hedging currency risks.

Romania

In November 2019, the Issuer successfully placed its fifth issue in the Romanian market, in the record amount of RON 500 million (EUR 105 million as of the date of the issuance) with a final coupon set at 3.98% per annum.

Czech Republic

As a part of a diversification of its long-term funding in April 2018 the Issuer executed its debut CZK denominated private placement transaction amounting to CZK 750 million (equivalent to EUR 29 million as of the date of issuance). The bonds are listed on both the Prague and Vienna Stock Exchanges. The 3-year bond issue has a floating rate of PRIBOR 3M + 0.55%. In April 2019, the Issuer successfully tapped this issuance. The tap amounted to CZK 750 million (equivalent to EUR 29 million as of the date of issuance) with the pricing set at a discounted margin of 3M Pribor + 35 bps.

Hungary

With Hungary becoming a core market for the Issuer's operations, in March 2019, the Issuer placed its three-year debut HUF bond issue which is listed on the Budapest Stock Exchange. As a result of strong demand, the issuance size was HUF 24.7 billion (equivalent to EUR 78 million as of the date of issuance). Following a first-time auction process, the Issuer obtained the lowest nominal yield ever paid by the Issuer for a local currency fixed bond issue – 1.98 %. In addition, on a euro after-swap basis the Issuer recorded the historical minimum level of 3 million Euribor + 90.5 bps for a three-year tenor.

In October 2019, the Issuer placed its second issue of bonds on the Hungarian market, with a 3-year maturity in the amount of HUF 22.5 billion (equivalent to EUR 68 million as of the date of issuance) with a coupon set at 1.25% per annum and nominal yield of 1.42%.

The Issuer is the first international development bank to issue a HUF denominated bond under Hungarian law, with documentation approved by National Bank of Hungary and which is listed on the Budapest Stock Exchange and included in the collateral list of National Bank of Hungary for money-market operations.

Issuances under IIB's EUR 1,500,000,000 Euro Medium Term Note Programme

As a part of the diversification strategy, the Issuer established its EUR 1,500,000,000 Euro Medium Term Note Programme on 19 March 2020, as updated pursuant to this Offering Circular, significantly improving its accessibility to a wider range of investors. In 2020, the Issuer accessed the capital markets issuing under the Programme on four occasions and has also issued two series of Notes under the Programme in 2021 as follows:

1. In April 2020, issuing RON 110 million (equivalent to EUR 23.3 million as at 31 December 2020) Notes with a fixed interest rate of 4.55% per annum and a maturity of one year;
2. In May 2020, issuing CZK 621 million (equivalent to EUR 23.7 million as at 31 December 2020) Notes with a floating interest rate of 3mPriBOR+90 bps per annum and a maturity of three years;
3. In September 2020, issuing HUF 15 billion (equivalent to EUR 41.1 million as at 31 December 2020) Notes with a fixed interest rate of 2.25% per annum and a maturity of three years;
4. In October 2020, issuing RON 340 million (equivalent to EUR 70.1 million as at 31 December 2020) Notes with a fixed interest rate of 3.39% per annum and a maturity of three years.
5. In January 2021, issuing EUR 30 million Notes with a fixed interest rate of 0.95% per annum and a maturity of twenty years; and
6. In February 2021, issuing EUR 25 million Notes with a fixed interest rate of 0.119% per annum and a maturity of three years.

Other instruments

In addition to issuing bonds, the Issuer used bilateral lending facilities in 2019 and 2020 as follows:

In April 2020 the Issuer entered into a bilateral loan facility with PJSC ROSBANK (Societe Generale Group) in the amount of EUR 20 million with a maturity of 1.5 years.

In 2019 and 2020, the Issuer drew down two tranches amounting to USD 25 million (EUR 22.8 million as at 31 December 2020) of a bilateral loan facility provided by New Development Bank in the total aggregate amount of USD 50 million (43.77 million as at 31 December 2020).

The Issuer is not in breach of any of its obligations or undertakings under its bonds or the loan agreements to which it is a party.

COMPLIANCE

The Issuer endeavours to comply with commonly accepted compliance rules and standards. As at the date of this Offering Circular, the Issuer has developed and currently has in place a clearly defined policy, which includes rules regarding compliance control standards, compliance organisation, responsibilities, functions and independence of compliance control, reporting, access to information, training and interaction with departments with relevant areas of responsibility (the **Compliance Policy**).

The Issuer's structure includes an independent Compliance Department, which reports directly to the Chairperson of the Management Board and is responsible for identifying, managing and monitoring compliance risks under the Compliance Policy. The main duties of the Compliance Department include:

- development of recommendations for the Issuer's management regarding compliance, and of standards and practices based on the models used by other international financial institutions with respect to the organisation and implementation of compliance control;
- creation of an effective system for identification, assessment and control over compliance risks assumed by the Issuer that meets international standards and practices;
- development and maintenance of the reporting system regarding compliance risks and disclosure of information to governing bodies of the Issuer with respect to compliance risks;
- presentation of conclusions and recommendations to the Issuer's management with respect to the mitigation or elimination of identified compliance risks;
- preparation of recommendations and comments on developed and existing policies, regulations, rules and procedures, and monitoring observance thereof in order to mitigate compliance risks;
- developing and implementing activities to counter prohibited practices (including corruption, coercion, collusion, financing of terrorism, fraud and money laundering) and organising activities aimed at monitoring the use of insider and confidential information, and the identification, evaluation and control of conflicts of interest;
- prevention of the Issuer's involvement in prohibited activities by implementing internal control measures;
- management of complaints and reports regarding prohibited practices, misconduct (meaning failure by a staff member to observe the rules of conduct and the standards of behaviour prescribed by the by-laws and policies of the Issuer) especially about fraudulent and corrupt actions on the part of the Issuer's staff and other relevant third parties;
- investigating facts or suspicions regarding prohibited practices and misconduct;
- providing the Issuer's employees with training and the necessary knowledge of compliance risk-management, including in the field of corporate ethics;
- establishing procedures for identification and management of conflicts of interest;
- control of the use of insider information and market manipulation;

- ensuring assessment and control over environmental risks related to projects and the Issuer's own activities;
- developing and implementing procurement rules, and measures to detect, assess and control the ecological risks of the Issuer's projects, and the Issuer's own activities; and
- reviewing the Issuer's projects in order to detect breaches in performance and maintain compliance rules.

The Issuer does not tolerate any actions related to prohibited practices either in respect of its own operations or where carried out by its employees or partners. Therefore, the Issuer supports international efforts to tackle the aforementioned practices while actively applying international standards for anti-money laundering and combating terrorism financing, corruption and fraud (**AML/CFT/F/C**) to its activities. The Issuer is a member of the main IFI's associations and working groups in the areas of integrity, ethics and general compliance and regularly exchanges its experience and knowledge with its peers in order to update its internal approaches and policies and ensure they are in line with international requirements. The Issuer's main compliance policy (Anti-money laundering, and combating the financing of terrorism, fraud and corruption policy) was amended in 2019 to reflect the recent changes in international regulation of these types of risks and approved by the Board of Directors.

The identification of its counterparties and the performance of related due diligence investigations, followed by continuous monitoring operations, are at the core of the Issuer's AML/CFT/F/C control system, enabling the effective identification, mitigation and control of compliance risks. The main approaches, standards and requirements for the procedures of the Issuer's AML/CFT/F/C control system aimed at preventing the Issuer's participation in illicit operations are outlined by the Issuer's internal policy on anti-money laundering and combating the financing of terrorism, fraud and corruption.

The Issuer understands that its mission to promote economic growth and increase the competitiveness of Member States' economies is more efficiently carried out if its corporate culture is aligned with generally accepted norms of corporate ethics and business conduct. Therefore, a code of conduct applicable to all employees has been prepared and implemented by the Issuer (the **Code of Conduct**). The Code of Conduct identifies key corporate values and rules of conduct in atypical situations. The Compliance Department collects information and educates and works with employees to prevent potential conflicts of interest. In 2019, the Code of Conduct was reviewed and amended following the corporate reorganisation of the Issuer and to take account of the changing environment and new banking practices. Attaching great importance to and promoting the formation of an efficient, transparent and competitive financial market, the Issuer has implemented certain internal control measures aimed at preventing, identifying and stopping abuse in the form of unlawful use and dissemination of insider information, manipulation of prices for the Issuer's financial instruments, as well as financial instruments of third parties.

In 2019, the Issuer's Board of Directors approved a new policy on country compliance risks and high-risk jurisdictions. This document sets out the criteria for the assessment of country compliance risks, for identifying high-risk jurisdictions and the requirements for making decisions in respect of such jurisdictions to reflect the risk-orientated approach implemented by the Issuer. Under this procedure, before entering each country the Issuer should identify the main compliance risks of the jurisdiction inherent to money laundering regulation, tax controls, disclosure of information requirements, corporate structures, etc. and determine what level of risk should be assigned and the recommendations for carrying out operations in these jurisdictions. If the country is identified as a high-risk jurisdiction, the decision of the Issuer's Board of Directors is required.

The Issuer attaches importance to the proper disclosure of its activities according to the practices of the leading IFIs and following the recommendations of international agencies. In the area of compliance, the main activities and achievements of the Issuer are set out in the Issuer's annual compliance report which is publically available on the Issuer's website.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes, whether in those countries or elsewhere, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser of the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date.

HUNGARY

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of the Notes, including the effect of any state or local taxes, under the tax laws of Hungary and each country in which they are tax-resident. The acquisition of the Notes by non-Hungarian tax-resident Noteholders or the payment of interest under the Notes may trigger additional tax payments in the country of tax residence of the Noteholder. Such payments are not covered by this summary; it is, therefore, advisable to review the provisions of the applicable treaties on the avoidance of double taxation.

Taxation of non-Hungarian tax-resident Noteholders other than individuals

Non-Hungarian tax-resident Noteholders other than individuals are not subject to Hungarian withholding tax on interest received on the Notes. Profits realised by non-Hungarian tax-resident Noteholders, other than individuals in the form of interest or as capital gains on the disposal of the Notes, are not subject to corporate income tax in Hungary, provided that the acquisition, ownership and disposal of the Notes are not attributable to any Hungarian permanent establishment of such Noteholders.

Taxation of individual non-Hungarian tax-resident Noteholders

Individual non-Hungarian tax-resident Noteholders are subject to tax in Hungary only with respect to their Hungarian source income or income that is otherwise taxable in Hungary if the applicable treaty on the avoidance of double taxation, or in the absence of a tax treaty, Act CXVII of 1995 on Personal Income Tax (the **Personal Income Tax Act**) so requires.

Payments received with respect to publicly offered debt securities such as the Notes are treated as income under Hungarian law, subject to personal income tax (at 15 per cent.). However, provided that Hungary has an applicable treaty on the avoidance of double taxation in place with the country of tax-residence of the Noteholder, such treaty may fully exempt the Noteholder from personal income tax or may reduce the applicable personal income tax rate, with the right to credit any Hungarian tax against the income tax payable in the country of the Noteholder's tax residence.

The tax on interest income is to be withheld by the "Payor" (*kifizető*) (as defined below), if any entity qualifies as such.

Pursuant to Act CL of 2017 on the Rules of Taxation, a **Payor** means a Hungarian resident legal person, other organisation, or private entrepreneur that provides taxable income, irrespective of whether such payment is made directly or through an intermediary (post office, credit institution). In respect of interest, Payor means the borrower of a loan or, the issuer of a note, including, the investment service provider or credit institution providing the interest instead of the borrower/issuer. In respect of revenues originating from a transaction concluded with the involvement of a licensed stockbroker, Payor means such stockbroker. The Hungarian permanent establishment of a foreign resident entity is also considered as a Payor.

Based on IIB's special agreement with the Hungarian government, IIB is exempted from Hungarian tax withholding obligations, thus it does not qualify as a Payor. Therefore, only Hungarian resident credit

institutions or investment service providers fall under the Payor's definition. In the absence of a Payor (i.e. if the Notes are not purchased by a Noteholder through a Hungarian resident credit institution or investment service provider) all (non-Hungarian tax-resident) Noteholders are obliged to assess, report and pay 15 per cent. Hungarian personal income tax.

Capital gains may only be taxed in the state of residence of the private individual Noteholder and therefore, no Hungarian taxes are to be withheld or paid with respect to capital gains realised by individual non-Hungarian tax-resident Noteholders.

Taxation of Hungarian tax-resident Noteholders other than individuals

Under Act LXXXI of 1996 on Corporate Tax and Dividend Tax, Hungarian tax-resident taxpayers other than individuals are subject to full, all-inclusive corporate income tax liability. Tax-resident entities are those established under the laws of Hungary. Foreign entities having their place of management in Hungary are also considered to be Hungarian tax-residents. Taxable income is based on the pre-tax profit as shown in the financial statements calculated under Hungarian Generally Accepted Accounting Principles or IFRS Standards and adjusted by certain increasing and decreasing items set forth by tax legislation. Taxable income includes all types of income realised during the financial year, such as interest income and income from capital gains. The rate of Hungarian corporate income tax is 9 per cent.

Financial institutions, financial enterprises, insurance companies and investment enterprises may be subject to local business tax and innovation tax on the basis of the proceeds realised on the Notes.

Taxation of individual Hungarian tax-resident Noteholders

Individual Hungarian tax-resident Noteholders are subject to tax on their worldwide income. Interest received with respect to publicly offered debt securities, such as the Notes, are treated as income. The tax withheld is personal income tax (at 15 per cent.).

Capital gains realised on such Notes are subject to personal income tax at 15 per cent.

According to the Personal Income Tax Act, Individual Hungarian tax residents are:

- (a) any citizen of Hungary (with the exception of dual citizens without a permanent home or habitual abode in Hungary);
- (b) any individual whose stay in Hungary exceeds 183 days, including the day of entry and the day of exit;
- (c) any individual who has permanent resident status, or is a stateless person; and
- (d) any individual, other than those mentioned in points (a) to (c) above:
 - (i) whose only permanent home is in Hungary;
 - (ii) whose centre of vital interests (*léteérdek központja*) is in Hungary if they have no permanent home in Hungary or if Hungary is not the only country where they have a permanent home;
 - (iii) whose habitual abode is in Hungary if there is no permanent home in Hungary or if Hungary is not the only country where they have a permanent home, and if their centre of vital interests is unknown;

where "centre of vital interests" means the country to which the individual is most closely connected due to family ties and business relations.

Note, that an applicable treaty on the avoidance of double taxation may define tax residence prevailing over the domestic definition of tax residence.

The rules of the Personal Income Tax Act may in certain circumstances impose a requirement upon the Payor to deduct tax on the interest payments to individual Noteholders.

Based on IIB's special agreement with the Hungarian government, IIB is exempted from Hungarian tax withholding obligations, thus it does not qualify as a Payor. Therefore, only Hungarian resident credit institutions or investment service providers fall under the Payor's definition. In the absence of a Payor (i.e. if the Notes are not purchased by a (Hungarian tax resident) Noteholder through a Hungarian resident credit institution or investment service provider) all (Hungarian tax resident) Noteholders are obliged to assess, report and pay 15 per cent. Hungarian personal income tax.

FATCA DISCLOSURE

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Issuer is a foreign financial institution for these purposes. A number of jurisdictions (including Hungary) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are published generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. However, if additional Notes (as described under Condition 16) that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisers regarding how these rules may apply to their investment in Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the **Programme Agreement**) dated 26 February 2021, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

SELLING RESTRICTIONS

United States

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

The Notes in bearer form are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Pricing Supplement will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing

or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

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

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Belgium

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Pricing Supplement, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (**SFO**) other than (i) to persons whose ordinary business is to buy or sell shares or debentures (whether as principal or agent); or (ii) to "professional investors" as defined in the SFO and any rules made under the SFO; or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **CWUMPO**) or which do not constitute an offer to the public within the meaning of the CWUMPO; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of

only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

Each Dealer has acknowledged and each further Dealer appointed under the Programme will be required to acknowledge that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore (the **MAS**). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore (as amended or modified from time to time, the **SFA**)) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) of the SFA or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA – Unless otherwise stated in the applicable Pricing Supplement in respect of any Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in section 309A(1) of the SFA) that the Notes issued or to be issued under the Programme are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and in the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hungary

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that no approval of this Offering Circular has been sought or obtained from the National Bank of Hungary in respect of the Notes. Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that no application has been filed nor has any permission been obtained for accepting, nor has any other arrangement for trading the Notes on any regulated market in Hungary been made. Accordingly, any person making or intending to make any offer of Notes within Hungary which are the subject of the offering contemplated in this Offering Circular should only do so in circumstances in which no obligation arises for the Issuer or any of the Dealers to have a prospectus or information memorandum (in Hungarian: *ismertető*) for such offer approved by the National Bank of Hungary. Further to the above, in the event the Notes were to be offered in Hungary by way of a private placement, the Issuer has agreed to notify the National Bank of Hungary within 15 days following the completion of any such offering.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply in all material respects with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Management Board of the Issuer dated 18 December 2019. The 2021 update of the Programme and the issue of Notes thereunder have been duly authorised by a resolution of the Management Board of the Issuer dated 18 February 2021.

Listing of Notes

It is expected that each Tranche of the Notes which is to be admitted to the Official List and to trading on the Euronext Dublin Regulated Market will be admitted separately as and when issued, subject only to the issue of one or more Global Notes initially representing the Notes of such Tranche. Application has been made to Euronext Dublin for Notes issued under the Programme to be admitted to the Official List and trading on its regulated market. The approval of the Programme in respect of the Notes was granted on or about 26 February 2021.

Documents Available

Copies of the following documents may be inspected during normal business hours at the offices of the Issuer at 1011 Budapest, Fő utca 1, Hungary:

- (a) the Establishment Agreement, the Charter of the International Investment Bank attached to the Establishment Agreement, the Host Country Agreement and the Branch Agreement;
- (b) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (c) a copy of this Offering Circular; and
- (d) any future offering circulars, prospectuses, information memoranda, supplements, Pricing Supplements (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer or the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had, during the 12 months prior to the date of this Offering Circular, a significant effect on the financial position or profitability of the Group.

Material Contracts

There are no material contracts to which a member of the Group is a party, concluded outside of the ordinary course of the Group's business, which could result in any Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to holders in respect of any series of Notes issued under the Programme.

Related Parties Transactions

The Group has had no transactions with related parties, except in relation to maintaining current accounts for and payments of employee benefits and compensations to key management personnel. The expenses in respect of such related parties transactions amounted to EUR 1,654 thousand as of 31 December 2020, which mostly represents employee benefits to key management personnel (in the amount of EUR 1,566 thousand).

Trend Information

There has been no material adverse change in the prospects of the Issuer since the date of its last published consolidated audited financial statements. Except as set out in this Offering Circular, the Issuer is not aware of any other trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Issuer's prospects within the current financial year.

Statutory Auditors

The consolidated financial statements of the Group for the years ended 31 December 2019 and 31 December 2020, each prepared in accordance with IFRS, have been audited by Ernst & Young Könyvvizsgáló Kft., with its registered office at Váci út 20, 1132, Budapest.

Ernst & Young Könyvvizsgáló Kft is registered in the Budapest Metropolitan Court on 28 June 1994 with registration number 01-09-267553.

Ernst & Young Könyvvizsgáló Kft has audited the consolidated financial statements of the Group for the years ended 31 December 2019 and 31 December 2020 and issued unqualified independent auditor's reports.

Dealers transacting with the Issuer

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for the Issuer and its affiliates in the ordinary course of business.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates may have a lending relationship with the Issuer and may, in such cases, routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of

short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

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