

INFORMATION MEMORANDUM

**INTER-AMERICAN INVESTMENT CORPORATION**

**U.S.\$3,000,000,000**

**Euro Medium Term Note Programme**

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Under the Euro Medium Term Note Programme described in this Information Memorandum (the "**Programme**"), Inter-American Investment Corporation (the "**Issuer**" or the "**IC**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue notes (the "**Notes**") on the terms set out herein, as supplemented by a Pricing Supplement or Drawdown Information Memorandum (as defined herein).

This Information Memorandum comprises neither a prospectus for the purposes of Part VI of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**"), a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended, which includes the amendments made by Directive 2010/73/EU, and includes any relevant implementing measure in a member state of the European Economic Area (the "**Prospectus Directive**"), nor listing particulars given in compliance with the listing rules ("**Listing Rules**") made under Part VI of the FSMA by the United Kingdom Financial Conduct Authority in its capacity as competent authority under the FSMA (the "**FCA**").

Application may be made to the FCA for Notes to be admitted to a listing on the Official List of the FCA (the "**Official List**") and to the London Stock Exchange plc (the "**London Stock Exchange**") for such Notes to be admitted to trading on the London Stock Exchange's Regulated Market (the "**Market**") or to any other listing authority, stock exchange and/or quotation system as may be agreed with the Issuer. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC. However, unlisted Notes may be issued pursuant to the Programme.

The relevant Pricing Supplement or Drawdown Information Memorandum in respect of the issue of any Notes will specify whether or not an application will be made for such Notes to be admitted to the Official List and admitted to trading on the Market (or any other listing authority, stock exchange and/or quotation system). Notes listed on the Official List and admitted to trading on the Market will not be subject to the prospectus requirements of the Prospectus Directive 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 the FCA.

*Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under "Risk Factors" below.*

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes may be offered and sold (A) in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S and (B) in registered form within the United States to qualified institutional buyers (as defined in Rule 144A under the Securities Act ("**Rule 144A**")) ("**QIBs**") in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

*Arranger*

**Daiwa Capital Markets**

*Dealers*

**Citigroup**

**Daiwa Capital Markets**

**Deutsche Bank**

**Mizuho Securities**

14 March 2017

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## IMPORTANT NOTICES

The Issuer accepts responsibility for the information contained in this Information Memorandum and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Information Memorandum is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Notes will be issued on the terms set out herein under "Terms and Conditions of the Notes" (the "**Conditions**") as amended and/or supplemented by a document specific to such Tranche called pricing supplement (the "**Pricing Supplement**") or in a separate information memorandum specific to such Tranche (the "**Drawdown Information Memorandum**") as described under "Pricing Supplement and Drawdown Information Memorandum" below. In the case of a Tranche of Notes which is the subject of a Drawdown Information Memorandum, each reference in this Information Memorandum to information being specified or identified in the relevant Pricing Supplement shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Information Memorandum unless the context requires otherwise. This Information Memorandum must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes which is the subject of Pricing Supplement, must be read and construed together with the relevant Pricing Supplement.

The Issuer has confirmed to the Arrangers and any Dealers referred to under "Subscription and Sale" below that this Information Memorandum contains all information which is (in the context of the Programme, the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; and that this Information Memorandum does not contain any untrue statement of a material fact nor does it omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Information Memorandum or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Arrangers or any Dealer.

Neither the Arrangers, nor any Dealer nor any of their respective affiliates have authorised the whole or any part of this Information Memorandum and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Information Memorandum. Neither the delivery of this Information Memorandum or any Pricing Supplement or Drawdown Information Memorandum nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Information Memorandum is true subsequent to the date hereof or the date upon which this Information Memorandum has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Information Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. To the fullest extent permitted by law, none of the Arrangers or any Dealers accept any responsibility for the contents of this Information Memorandum or for any other statement, made or purported to be made by the Arrangers or a Dealer or on its behalf in connection with the Issuer or the issue and offering of Notes. The Arrangers and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Information Memorandum or any such statement. None of the Dealers or the Arrangers makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Information Memorandum. Neither this Information Memorandum nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Arrangers or any Dealers that any recipient of this Information Memorandum or any other financial statements should purchase Notes. Each investor contemplating purchasing Notes should determine for itself the relevance of the information contained in this Information Memorandum and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Arrangers or any Dealers undertakes to review the financial condition or affairs of the Issuer during the life of the

Programme nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers.

The distribution of this Information Memorandum and any Pricing Supplement or Drawdown Information Memorandum and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum or any Pricing Supplement or Drawdown Information Memorandum comes are required by the Issuer, the Arrangers and any Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of this Information Memorandum or any Pricing Supplement or Drawdown Information Memorandum and other offering material relating to the Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

In particular, the Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes may be offered and sold (A) in bearer form or registered form outside the United States to non-U.S. persons in reliance on Regulation S and (B) in registered form within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

**NEITHER THE PROGRAMME NOR THE NOTES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF NOTES OR THE ACCURACY OR ADEQUACY OF THIS INFORMATION MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.**

Neither this Information Memorandum nor any Pricing Supplement or Drawdown Information Memorandum constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Arrangers or any Dealers or any of them that any recipient of this Information Memorandum or any Pricing Supplement or Drawdown Information Memorandum should subscribe for or purchase any Notes. Each recipient of this Information Memorandum or any Pricing Supplement or Drawdown Information Memorandum shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should: have 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 Information Memorandum and any applicable supplement; have 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; have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes; understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investments and its ability to bear the applicable risks.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.\$3,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S. dollars at the date of the agreement to issue such Notes (calculated in accordance with the provisions of the Dealer Agreement)). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement as defined under "*Subscription and Sale*".

In this Information Memorandum, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area (and not, for the avoidance of doubt, to a member of the IIC), references to "**U.S.\$**", "**U.S. dollars**" or "**dollars**" are to United States dollars, references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended.

Certain figures included in this Information Memorandum have been subject to rounding adjustments; accordingly, figures shown for 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.

Tranches of Notes issued under the Programme will be rated or unrated. Where a Tranche of Notes is rated, such rating will not necessarily be the same as the rating(s) assigned to the Issuer or the rating(s) assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement.

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising 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 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 Stabilising Manager(s) (or persons acting on behalf of the Stabilising Manager(s)) in accordance with all applicable laws and rules.**

## FORWARD-LOOKING STATEMENTS

This Information Memorandum contains certain forward-looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "estimate", "project", "will", "would", "may", "could", "continue" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Information Memorandum, including, without limitation, those regarding the financial position, business strategy, management plans and objectives for future operations of the Issuer are forward looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we expect to operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward looking statements include, among other factors described in this Information Memorandum:

- our ability to realise the benefits we expect from existing and future investments in our existing operations and pending expansion and development projects;
- our ability to obtain requisite governmental or regulatory approvals to undertake planned or proposed development projects;
- our ability to obtain external financing or maintain sufficient capital to fund our existing and future operations;
- changes in political, social, legal or economic conditions in the markets in which we and our customers operate;
- changes in the competitive environment in which we and our customers operate;
- failure to comply with regulations applicable to our business;
- fluctuations in the currency exchange rates in the markets in which we operate;

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors". Any forward-looking statements made by or on behalf of the Issuer speak only as at the date they are made. The Issuer does not undertake to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

## OVERVIEW

*The following is a brief overview only and should be read in conjunction with the relevant Pricing Supplement or Drawdown Information Memorandum and to the extent applicable, the Terms and Conditions of the Notes set out below.*

*Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Information Memorandum have the same meanings in this summary.*

|   |  |
|---|--|
| <b>Issuer:</b>  | Inter-American Investment Corporation.   |
| <b>Risk Factors:</b>  | Investing in Notes issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil their respective obligations under the Notes are discussed under "Risk Factors" below.  |
| <b>Arrangers:</b>   | Daiwa Capital Markets America Inc.<br><br>Daiwa Capital Markets Europe Limited.  |
| <b>Dealers:</b>   | Citigroup Global Markets Limited, Daiwa Capital Markets America Inc., Daiwa Capital Markets Europe Limited, Deutsche Bank AG, London Branch, Mizuho International plc, and any other Dealers that may be appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Notes.   |
| <b>Fiscal Agent, Transfer Agent and Paying Agent:</b>         | Citibank, N.A., London Branch.   |
| <b>Registrar:</b>   | Citigroup Global Markets Deutschland AG.   |
| <b>Pricing Supplement or Drawdown Information Memorandum:</b> | Notes issued under the Programme may be issued either (1) pursuant to this Information Memorandum and associated Pricing Supplement or (2) pursuant to a Drawdown Information Memorandum. The terms and conditions applicable to any particular Tranche of Notes will be the Terms and Conditions of the Notes as supplemented, amended and/or replaced to the extent described in the relevant Pricing Supplement or, as the case may be the relevant Information Memorandum. |
| <b>Listing and Trading:</b>                                   | Each Series may be admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system as specified in the relevant Pricing Supplement or Drawdown Information Memorandum or may be unlisted.   |
| <b>Clearing Systems:</b>                                      | Euroclear and/or Clearstream, Luxembourg and/or DTC and/or, in relation to any Tranche of Notes, any other clearing system as may be specified in the relevant Pricing Supplement or Drawdown Information Memorandum.  |
| <b>Initial Programme Amount:</b>                              | Up to U.S. \$3,000,000,000 (or its equivalent in other currencies) aggregate principal amount of Notes outstanding at any one time.  |
| <b>Issuance in Series:</b>                                    | Notes will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches. The Notes of each Tranche will all be subject to identical terms in all respects save  |

that a Tranche may comprise Notes of different denominations.

**Forms of Notes:**

Notes may be issued in bearer form or in registered form. Bearer Notes will not be exchangeable for Registered Notes and Registered Notes will not be exchangeable for Bearer Notes. No single Series or Tranche may comprise both Bearer Notes and Registered Notes.

Each Tranche of Bearer Notes will initially be in the form of either a Temporary Global Note or a Permanent Global Note, in each case as specified in the relevant Pricing Supplement or Drawdown Information Memorandum. Each Global Note which is not intended to be issued in new global note form (a "**Classic Global Note**" or "**CGN**"), as specified in the relevant Pricing Supplement or Drawdown Information Memorandum, will be deposited on or around the relevant issue date with a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and each Global Note which is intended to be issued in new global note form (a "**New Global Note**" or "**NGN**"), as specified in the relevant Pricing Supplement or Drawdown Information Memorandum, will be deposited on or around the relevant issue date with a common safekeeper for Euroclear and/or Clearstream, Luxembourg. Each Temporary Global Note will be exchangeable for a Permanent Global Note or, if so specified in the relevant Pricing Supplement or Drawdown Information Memorandum, for Definitive Notes. If the TEFRA D Rules are specified in the relevant Pricing Supplement as applicable, certification as to non-U.S. beneficial ownership will be a condition precedent to any exchange of an interest in a Temporary Global Note or receipt of any payment of interest in respect of a Temporary Global Note. Each Permanent Global Note will be exchangeable for Definitive Notes in accordance with its terms. Definitive Notes will, if interest-bearing, have Coupons attached and, if appropriate, a Talon for further Coupons.

Each Tranche of Registered Notes will be represented by either:

- (i) Individual Note Certificates; or
- (ii) one or more Unrestricted Global Note Certificates in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S and/or one or more Restricted Global Note Certificates in the case of Registered Notes sold to QIBs in reliance on Rule 144A,

in each case as specified in the relevant Pricing Supplement.

Each Note represented by a Restricted Global Note Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC and the relevant Global Note Certificate will be deposited on or about the issue date with the DTC Custodian.

Each Note represented by an Unrestricted Global Note Certificate will either be: (a) in the case of a Certificate which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depository (or its nominee) for Euroclear and/or



Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depositary; or (b) in the case of a Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

Each Note represented by a Restricted Global Note Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC and the relevant Restricted Global Note Certificate will be deposited on or about the issue date with the DTC Custodian. Beneficial interests in Notes represented by a Restricted Global Note Certificate may only be held through DTC at any time.

**Currencies:**

Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Notes may, subject to compliance as aforesaid, be issued as dual currency Notes. Payments in respect of a Note may, subject to compliance as aforesaid, be made in, and/or linked to, any currency or currencies in addition to the currency in which such Notes are denominated.

**Status of the Notes:**

Notes will constitute direct and unsecured obligations of the Issuer ranking *pari passu* without any preference among themselves and equally with all other unsecured indebtedness (other than subordinated indebtedness) of the Issuer from time to time outstanding.

**Issue Price:**

Notes may be issued at any price and either on a fully or partly paid basis, as specified in the relevant Pricing Supplement or Drawdown Information Memorandum. The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

**Maturities:**

Any maturity subject, in relation to specific currencies, to compliance with all applicable legal and/or regulatory and/or central bank requirements.

Where Notes have a maturity of less than one year and either (a) the issue proceeds are received by the Issuer in the United Kingdom or (b) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (i) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or 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; or (ii) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

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| <b>Redemption:</b>           | Notes may be redeemable at par or at such other Redemption Amount (detailed in a formula, index or otherwise) as may be specified in the relevant Pricing Supplement or Drawdown Information Memorandum. Notes may also be redeemable in two or more instalments on such dates and in such manner as may be specified in the relevant Pricing Supplement or Drawdown Information Memorandum.   |
| <b>Optional Redemption:</b>  | Notes may be redeemed before their stated maturity at the option of the Issuer (either in whole or in part) and/or the Noteholders to the extent (if at all) specified in the relevant Pricing Supplement or Drawdown Information Memorandum.  |
| <b>Tax Redemption:</b>       | Except as described in "Optional Redemption" above, early redemption will only be permitted for tax reasons as described in Condition 10(b) ( <i>Redemption and Purchase - Redemption for tax reasons</i> ).   |
| <b>Interest:</b>             | Notes may be interest-bearing or non-interest bearing. Interest (if any) may accrue at a fixed rate or a floating rate or other variable rate or be index-linked and the method of calculating interest may vary between the issue date and the maturity date of the relevant Series.  |
| <b>Denominations:</b>        | Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement or Drawdown Information Memorandum, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements.<br><br>Notes issued in registered form for offer and sale pursuant to an exemption from the United States Securities Act of 1933 will be subject to a minimum denomination of U.S.\$100,000 or its equivalent in other currencies. |
| <b>Negative Pledge:</b>      | The Notes will have the benefit of a negative pledge as described in Condition 5 ( <i>Negative Pledge</i> ).   |
| <b>Cross Default:</b>        | The Notes will have the benefit of a cross default as described in Condition 14 ( <i>Events of Default</i> ).  |
| <b>Taxation:</b>             | All payments in respect of Notes will be made free and clear of withholding taxes unless the withholding is required by law. In that event, the Issuer will (subject as provided in Condition 13 ( <i>Taxation</i> )) pay such additional amounts as will result in the Noteholders receiving such amounts as they would have received in respect of such Notes had no such withholding been required.   |
| <b>Governing Law:</b>        | English law.   |
| <b>Ratings:</b>              | Tranches of Notes may be rated or unrated.   |
| <b>Selling Restrictions:</b> | For a description of certain restrictions on offers, sales and deliveries of Notes and on the distribution of offering material in the United States of America, the United Kingdom, Japan, Hong Kong, Singapore, the United Arab Emirates (excluding the Dubai International Financial Centre) and the Dubai International Financial Centre (see " <i>Subscription and Sale</i> " below).   |

## **RISK FACTORS**

*Prospective investors should read the entire Information Memorandum. Words and expressions defined in the "Terms and Conditions of the Notes" below or elsewhere in this Information Memorandum have the same meanings in this section.*

*Investing in Notes issued under the Programme involves certain risks. Prospective investors should consider, among other things, the following:*

### **Risk relating to the operations of the Issuer**

The main risks the Issuer faces in its operations include:

#### ***Credit risk***

The Issuer focuses on supporting enterprises and financial intermediaries that have difficulty accessing financing on adequate terms. It provides loans, and financing alternatives to corporates, financial intermediaries and projects, including warehousing facilities for securitization, guarantees for corporate, project and asset backed securities, debt and equity products for funds, equity and quasi-equity investments, and trade and supply chain finance products for financial intermediaries, small and medium-sized enterprises and corporates. This activity exposes the Issuer to loan portfolio, client and commercial risk. Whilst the Issuer conducts its operations within a framework of financial and risk management policies there can be no assurance that the Issuer's policies will adequately mitigate the credit risk inherent to its activities.

#### ***Geographic concentration risk***

The Issuer's business is focused on Latin America and the Caribbean and therefore faces a geographic concentration risk. Any adverse changes affecting the economies in which the Issuer operates are likely to have an adverse impact on its activities and, as a result, on its financial condition and results of its operations.

#### ***Market risk***

The Issuer is exposed to market risks as a result of general market movements and primarily through changes in interest and exchange rates that may affect its principal financing activities and the rate it earns on its investment portfolio. It is difficult to accurately predict or anticipate changes in economic or market conditions and such changes could have an adverse impact on the Issuer's business or results of operations.

#### ***Operational risk***

Operational risks can arise from inadequate or failed procedures and processes, information and communication systems, external events and actions by staff and could have an adverse impact on the Issuer's business or results of operations.

### **Risk Relating To The Notes**

#### ***Risks related to the structure of a particular issue of Notes***

A wide 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 of such features:

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments, but as a way to reduce risks or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

***There is no active trading market for the Notes***

Notes issued under the Programme will be new securities which may not be widely distributed and for which there is currently no active trading market (unless in the case of any particular Tranche, such Tranche is to be consolidated with and form a single series with a Tranche of Notes which is already issued). If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Similarly, there is no assurance as to the development or liquidity of any trading market for any particular Tranche of Notes.

***The Notes may be redeemed prior to maturity***

Unless specified otherwise in the applicable Pricing Supplement or Drawdown Information Memorandum, in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected or withheld as required by law, the Issuer may redeem all outstanding Notes in accordance with the Conditions.

In addition, if in the case of any particular Tranche of Notes the relevant Pricing Supplement or Drawdown Information Memorandum specifies that the Notes are redeemable at the Issuer's option in certain other circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

***Because the Global Notes are held by or on behalf of Euroclear and Clearstream, Luxembourg or DTC, investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

The Notes will initially be held by a common depositary or, as the case may be, a common safekeeper on behalf of Euroclear and/or Clearstream, Luxembourg and/or by a custodian on behalf of DTC in the form of either a Global Note or a Global Note Certificate which will be exchangeable for Definitive Notes or, as the case may be, Individual Note Certificates only in limited circumstances. For as long as any Notes are represented by a Global Note or a Global Note Certificate held by a common depositary or a common safekeeper on behalf of Euroclear and/or Clearstream, Luxembourg and/or by a custodian on behalf of DTC, payments of principal, interest (if any) and any other amounts due in respect of the Notes will be made through Euroclear and/or Clearstream, Luxembourg and/or DTC (as the case may be) against presentation or surrender (as the case may be) of the relevant Global Note or, as applicable, Global Note Certificate and, in the case of a Temporary Global Note, certification as to non-U.S. beneficial ownership. In the case of Bearer Notes, the bearer of the relevant Global Note, being the common depositary or, as the case may be, common safekeeper for Euroclear and/or Clearstream, Luxembourg, shall be treated by the Issuer and any Paying Agent as the sole holder of the relevant Notes represented by such Global Note with respect to the payment of principal, interest (if any) and any other amounts payable in respect of the Notes. In the case of Registered Notes, each Note represented by a Global Note Certificate will be registered in the name of a nominee for Euroclear and Clearstream, Luxembourg or DTC and such nominee shall be treated by the Issuer and any Paying Agent as the sole holder of the relevant Notes represented by such Global Note Certificate with respect to the payment of principal, interest (if any) and any other amounts payable in respect of such Notes. A holder of a beneficial interest in a Global Note or a Global Note Certificate must rely on the procedures of Euroclear, Clearstream, Luxembourg and/or DTC to receive payments under the relevant Notes.

***U.S. withholding tax could apply to a portion of payments on certain Notes***

The United States has enacted rules, commonly referred to as "FATCA," that generally impose a reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by entities that are classified as financial institutions under FATCA. As currently drafted, the Issuer does not expect that withholding under FATCA will apply to payments on the Notes. However, significant aspects of how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to certain payments on the Notes in the future. Even if FATCA were to become relevant to payments on the Notes, it would not be

applicable to Notes issued before the 6-month anniversary of the publication of final regulations defining how FATCA may apply to payments made by non-U.S. financial institutions and would not be applicable to payments made earlier than January 1, 2019 in any event. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA to an investment in the Notes.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following documents shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

- (a) the most recently published audited financial statements of the Issuer from time to time;
- (b) all supplements to this Information Memorandum 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 Information Memorandum,

save that any statement contained herein, in the most recently published audited financial statements of the Issuer or in such documents as are referred to in paragraph (b) above, shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such document subsequently incorporated by reference modifies or supersedes such statement.

In relation to paragraphs (a), (b) and (c) above, information incorporated by reference may be included in a separate document, set out in a Pricing Supplement and/or posted on the website of the Issuer ([www.iic.org/](http://www.iic.org/)).

## **FINAL TERMS AND DRAWDOWN INFORMATION MEMORANDUM**

In this section the expression "necessary information" means, in relation to any Tranche of Notes, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Notes. In relation to the different types of Notes which may be issued under the Programme the Issuer has endeavoured to include in this Information Memorandum all of the necessary information except for information relating to the Notes which is not known at the date of this Information Memorandum and which can only be determined at the time of an individual issue of a Tranche of Notes.

Any information relating to the Notes which is not included in this Information Memorandum and which is required in order to complete the necessary information in relation to a Tranche of Notes will be contained either in the relevant Pricing Supplement or in a Drawdown Information Memorandum.

For a Tranche of Notes which is the subject of Pricing Supplement, the Pricing Supplement will, for the purposes of that Tranche only, supplement this Information Memorandum and must be read in conjunction with this Information Memorandum. The terms and conditions applicable to any particular Tranche of Notes which is the subject of Pricing Supplement are the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Pricing Supplement.

The terms and conditions applicable to any particular Tranche of Notes which is the subject of a Drawdown Information Memorandum will be the Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Information Memorandum. In the case of a Tranche of Notes which is the subject of a Drawdown Information Memorandum, each reference in this Information Memorandum to information being specified or identified in the relevant Pricing Supplement shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Information Memorandum unless the context requires otherwise.

## FORMS OF THE NOTES

### **Bearer Notes**

Each Tranche of Notes in bearer form ("**Bearer Notes**") will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Note**"), without interest coupons, or a permanent global note in bearer form (the "**Permanent Global Note**"), without interest coupons, in each case as specified in the relevant Pricing Supplement. Each Temporary Global Note or, as the case may be, Permanent Global Note (each a "**Global Note**") which is not intended to be issued in new global note ("**NGN**") form, as specified in the relevant Pricing Supplement, will be deposited on or around the issue date of the relevant Tranche of the Notes with a depository or a common depository for Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**") and/or any other relevant clearing system and each Global Note which is intended to be issued in NGN form, as specified in the relevant Pricing Supplement, will be deposited on or around the issue date of the relevant Tranche of the Notes with a common safekeeper for Euroclear and/or Clearstream, Luxembourg.

On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), **provided that** certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used.

In the case of each Tranche of Bearer Notes, the relevant Pricing Supplement will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Notes or, if the Notes are issued in registered form for U.S. federal income tax purposes or if the Notes do not have a maturity of more than 365 days, that neither the TEFRA C Rules nor the TEFRA D Rules are applicable.

### ***Temporary Global Note exchangeable for Permanent Global Note***

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for a Permanent Global Note", then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for interests in a Permanent Global Note, without interest coupons, not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Note unless exchange for interests in the Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of first exchange) the delivery of a Permanent Global Note, duly authenticated and, in the case of a NGN, effectuated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against:

- (i) presentation and (in the case of final exchange) presentation and surrender of the Temporary Global Note to or to the order of the Principal Paying Agent; and
- (ii) receipt by the Fiscal Agent of a certificate or certificates of non-U.S. beneficial ownership,

within 7 days of the bearer requesting such exchange.

### ***Temporary Global Note exchangeable for Definitive Notes***

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules or the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole but not in part, for Bearer Notes



in definitive form ("**Definitive Notes**") not earlier than 40 days after the issue date of the relevant Tranche of the Notes.

If the relevant Pricing Supplement specifies the form of Notes as being "Temporary Global Note exchangeable for Definitive Notes" and also specifies that the TEFRA D Rules are applicable, then the Notes will initially be in the form of a Temporary Global Note which will be exchangeable, in whole or in part, for Definitive Notes not earlier than 40 days after the issue date of the relevant Tranche of the Notes upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Temporary Global Note to the bearer of the Temporary Global Note against the surrender of the Temporary Global Note to or to the order of the Fiscal Agent within 30 days of the bearer requesting such exchange.

#### ***Permanent Global Note exchangeable for Definitive Notes***

If the relevant Pricing Supplement specifies the form of Notes as being "Permanent Global Note exchangeable for Definitive Notes", then the Notes will initially be in the form of a Permanent Global Note which will be exchangeable in whole, but not in part, for Definitive Notes:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Permanent Global Note", then if either of the following even occurs:
  - (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or
  - (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached (if so specified in the relevant Pricing Supplement), in an aggregate principal amount equal to the principal amount of the Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note to or to the order of the Principal Paying Agent within 30 days of the bearer requesting such exchange.

The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes includes language substantially to the following effect: "U.S.\$100,000 and integral multiples of U.S.\$1,000 in excess thereof up to and including U.S.\$199,000". Furthermore, such Specified Denomination construction is not permitted in relation to any issuance of Notes which is to be represented on issue by a Permanent Bearer Global Notes exchangeable for Definitive Notes.

#### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Definitive Note will be endorsed on that Note and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

### ***Legend concerning United States persons***

In the case of any Tranche of Bearer Notes that is not treated as issued in registered form for U.S. federal income tax purposes or has a maturity of more than 365 days, the Notes in global form, the Notes in definitive form and any Coupons and Talons appertaining thereto will bear a legend to the following effect:

*"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."*

### **Registered Notes**

Each Tranche of Notes in registered form ("**Registered Notes**") will be represented by either:

- (i) individual Note Certificates in registered form ("**Individual Note Certificates**"); or
- (ii) one or more unrestricted global note certificates ("**Unrestricted Global Note Certificate(s)**") in the case of Registered Notes sold outside the United States to non-U.S. persons in reliance on Regulation S ("**Unrestricted Registered Notes**") and/or one or more restricted global note certificates ("**Restricted Global Note Certificate(s)**") in the case of Registered Notes sold to QIBs in reliance on Rule 144A ("**Restricted Registered Notes**"),

in each case as specified in the relevant Pricing Supplement, and references in this Information Memorandum to "**Global Note Certificates**" shall be construed as a reference to Unrestricted Global Note Certificates and/or Restricted Global Note Certificates.

In a press release dated 22 October 2008, "*Evolution of the custody arrangement for international debt securities and their eligibility in Eurosystem credit operations*", the ECB announced that it has assessed the new holding structure and custody arrangements for registered notes which the ICSDs had designed in cooperation with market participants and that Notes to be held under the new structure (the "**New Safekeeping Structure**" or "**NSS**") would be in compliance with the "*Standards for the use of EU securities settlement systems in ESCB credit operations*" of the central banking system for the euro (the "**Eurosystem**"), subject to the conclusion of the necessary legal and contractual arrangements. The press release also stated that the new arrangements for Notes to be held in NSS form will be offered by Euroclear and Clearstream, Luxembourg as of June 30, 2010 and that registered debt securities in global registered form issued through Euroclear and Clearstream, Luxembourg after September 30, 2010 will only be eligible as collateral in Eurosystem operations if the New Safekeeping Structure is used.

Each Note represented by a Restricted Global Note Certificate will be registered in the name of Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for The Depository Trust Company ("**DTC**") and each relevant Global Note Certificate will be deposited on or about the issue date with the custodian for DTC (the "**DTC Custodian**").

Each Note represented by an Unrestricted Global Note Certificate will either be: (a) in the case of a Certificate which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common depository; or (b) in the case of a Certificate to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Unrestricted Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg.

If the relevant Pricing Supplement specifies the form of Notes as being "Individual Note Certificates", then the Notes will at all times be represented by Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

### ***Global Note Certificate exchangeable for Individual Note Certificates***

If the relevant Pricing Supplement specifies the form of Notes as being "Global Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be represented by one or more

Global Note Certificates each of which will be exchangeable in whole, but not in part, for Individual Note Certificates:

- (i) on the expiry of such period of notice as may be specified in the relevant Pricing Supplement; or
- (ii) at any time, if so specified in the relevant Pricing Supplement; or
- (iii) if the relevant Pricing Supplement specifies "in the limited circumstances described in the Global Note Certificate", then:
  - (a) in the case of any Global Note Certificate held by or on behalf of DTC, if DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depositary with respect to the Global Note Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or if at any time DTC is no longer eligible to act as such, and the relevant Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC;
  - (b) in the case of any Unrestricted Global Note Certificate, if Euroclear, Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; and
  - (c) in any case, if any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in a Global Note Certificate must provide the Registrar (through the relevant clearing system) with such information as the Issuer and the Registrar may require to complete and deliver Individual Note Certificates (including the name and address of each person in which the Notes represented by the Individual Note Certificates are to be registered and the principal amount of each such person's holding). In addition, whenever a Restricted Global Note Certificate is to be exchanged for Individual Note Certificates, each person having an interest in the Restricted Global Note Certificate must provide the Registrar (through the relevant clearing system) with a certificate given by or on behalf of the holder of each beneficial interest in the Restricted Global Note Certificate stating either (i) that such holder is not transferring its interest at the time of such exchange or (ii) that the transfer or exchange of such interest has been made in compliance with the transfer restrictions applicable to the Notes and that the person transferring such interest reasonably believes that the person acquiring such interest is a QIB and is obtaining such beneficial interest in a transaction meeting the requirements of Rule 144A. Individual Note Certificates issued in exchange for interests in the Restricted Global Note Certificate will bear the legends and be subject to the transfer restrictions set out under "Transfer Restrictions".

Whenever a Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled to the Agency Agreement and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

#### ***Terms and Conditions applicable to the Notes***

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "Terms and Conditions of the Notes" below and the provisions of the relevant Pricing Supplement which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

### **Summary of Provisions relating to the Notes while in Global Form**

#### ***Clearing System Accountholders***

In relation to any Tranche of Notes represented by a Global Note, references in the Terms and Conditions of the Notes to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a depositary or a common depositary, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or, as the case may be, common safekeeper.

In relation to any Tranche of Notes represented by one or more Global Note Certificates, references in the Terms and Conditions of the Notes to "Noteholder" are references to the person in whose name the relevant Global Note Certificate is for the time being registered in the Register which (a) in the case of a Restricted Global Note Certificate held by or on behalf of DTC, will be Cede & Co. (or such other entity as is specified in the applicable Pricing Supplement) as nominee for DTC; and (b) in the case of any Unrestricted Global Note Certificate which is held by or on behalf of a depositary or a common depositary or a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depositary or common depositary or common safekeeper or a nominee for that depositary or common depositary or common safekeeper.

Each of the persons shown in the records of DTC, Euroclear, Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to DTC, Euroclear, Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Note or Global Note Certificate will be determined by the respective rules and procedures of DTC, Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Note Certificate.

#### ***Transfers of Interests in Global Notes and Global Note Certificates***

Transfers of interests in Global Notes and Global Note Certificates within DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system will be in accordance with their respective rules and operating procedures. None of the Issuer, the Registrar, the Dealers or the Agents will have any responsibility or liability for any aspect of the records of any DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or any of their respective participants relating to payments made on account of beneficial ownership interests in a Global Note or Global Note Certificate or for maintaining, supervising or reviewing any of the records of DTC, Euroclear and Clearstream, Luxembourg or any other relevant clearing system or the records of their respective participants relating to such beneficial ownership interests.

The laws of some states of the United States require that certain persons receive individual certificates in respect of their holdings of Notes. Consequently, the ability to transfer interests in a Global Note Certificate to such persons will be limited. Because clearing systems only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note Certificate to pledge such interest to persons or entities which do not participate in the relevant clearing systems, or otherwise take actions in respect of such interest, may be affected by the lack of an Individual Note Certificate representing such interest.

Subject to compliance with the transfer restrictions applicable to the Registered Notes described under "Transfer Restrictions", transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will be effected by the relevant clearing systems

in accordance with their respective rules and through action taken by the DTC Custodian, the Registrar and the Fiscal Agent.

On or after the issue date for any Series, transfers of Notes of such Series between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Notes of such Series between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Transfers between DTC participants, on the one hand, and Euroclear or Clearstream, Luxembourg accountholders, on the other will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests in the relevant Global Note Certificates will be effected through the Fiscal Agent, the DTC Custodian, the relevant Registrar and any applicable Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Note Certificate resulting in such transfer and (ii) two business days after receipt by the Fiscal Agent or the Registrar, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately. The customary arrangements for delivery versus payment between Euroclear and Clearstream, Luxembourg account holders or between DTC participants are not affected.

For a further description of restrictions on the transfer of Notes, see "*Subscription and Sale*" and "*Transfer Restrictions*".

Upon the issue of a Global Note Certificate to be held by or on behalf of DTC or the DTC Custodian will credit the respective nominal amounts of the individual beneficial interests represented by such Global Note Certificate to the account of DTC participants. Ownership of beneficial interests in such Global Note Certificate will be held through participants of DTC, including the respective depositories of Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in such Global Note Certificate will be shown on, and the transfer of such ownership will be effected only through, records maintained by DTC or its nominee. DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Registered Notes represented by a Global Note Certificate held by or on behalf of DTC (including, without limitation, the presentation of such Global Note Certificates for exchange as described above) only at the direction of one or more participants in whose account with DTC interests in such Global Note Certificate are credited, and only in respect of such portion of the aggregate nominal amount of such Global Note Certificate as to which such participant or participants has or have given such direction. However, in certain circumstances, DTC will exchange the relevant Global Note Certificate for Individual Note Certificates (which will bear the relevant legends set out in "Transfer Restrictions").

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the foregoing procedures in order to facilitate transfers of interests in the Global Note Certificates among participants and account holders of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Registrar, the Dealers or the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their respective operations.

While a Global Note Certificate is lodged with DTC, Euroclear, Clearstream, Luxembourg or any relevant clearing system, Individual Note Certificates for the relevant Series of Notes will not be eligible for clearing and settlement through such clearing systems.

#### ***Conditions applicable to Global Notes***

Each Global Note and Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or Global Note Certificate which, according to the Terms and Conditions of the Notes, require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or Global Note Certificate to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the payment is noted in a schedule thereto and in respect of an NGN the payment is entered pro rata in the records of Euroclear and Clearstream, Luxembourg.

*Payment Business Day:* in the case of a Global Note or a Global Note Certificate, shall be: if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or, if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

*Payment Record Date:* Each payment in respect of a Global Note Certificate will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

*Exercise of put option:* In order to exercise the option contained in Condition 10(e) (*Redemption at the option of Noteholders*) the bearer of a Permanent Global Note or the holder of a Global Note Certificate must, within the period specified in the Conditions for the deposit of the relevant Note and put notice, give written notice of such exercise to the Fiscal Agent specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial exercise of call option:* In connection with an exercise of the option contained in Condition 10(c) (*Redemption at the option of the Issuer*) in relation to some only of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of DTC, Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of DTC, Euroclear and/or Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 20 (*Notices*), while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or a Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and/or the Temporary Global Note are), or the Global Note Certificate is, registered in the name of DTC's nominee or deposited with a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 20 (*Notices*) on the date of delivery to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system except that, for so long as such Notes are admitted to trading on a recognised stock exchange notices may be published in accordance with the rules of such stock exchange and any applicable law and regulation.

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, as supplemented, amended and/or replaced by the relevant Pricing Supplement, will be endorsed on each Note in definitive form issued under the Programme. The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.

### 1. Introduction

- (a) *Programme:* Inter-American Investment Corporation (the "**Issuer**") has established a Euro Medium Term Note Programme (the "**Programme**") for the issuance of up to U.S.\$3,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- (b) *Pricing Supplement:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a pricing supplement (the "**Pricing Supplement**") which supplements these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented, amended and/or replaced by the relevant Pricing Supplement. In the event of any inconsistency between these Conditions and the relevant Pricing Supplement, the relevant Pricing Supplement shall prevail.
- (c) *Agency Agreement:* The Notes are the subject of an amended and restated issue and paying agency agreement dated 18 March 2016, as may be further amended from time to time, (the "**Agency Agreement**") between the Issuer, Citibank, N.A., London Branch as fiscal agent (the "**Fiscal Agent**", which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), Citigroup Global Markets Deutschland AG as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes), the paying agents named therein (together with the Fiscal Agent, the "**Paying Agents**", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes) and the transfer agents named therein (together with the Registrar, the "**Transfer Agents**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Notes). In these Conditions references to the "**Agents**" are to the Paying Agents and the Transfer Agents and any reference to an "**Agent**" is to any one of them
- (d) *Deed of Covenant:* The Notes may be issued in bearer form ("**Bearer Notes**"), or in registered form ("**Registered Notes**"). Registered Notes are constituted by an amended and restated deed of covenant dated 18 March 2016, as may be further amended from time to time, (the "**Deed of Covenant**") entered into by the Issuer.
- (e) *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the relevant Pricing Supplement. Copies of the relevant Pricing Supplement are available for viewing at [www.iic.org](http://www.iic.org).
- (f) *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement and the Deed of Covenant and are subject to their detailed provisions. Noteholders and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. Copies of the Agency Agreement and the Deed of Covenant are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Agents, the initial Specified Offices of which are set out below.

### 2. Interpretation

- (a) *Definitions:* In these Conditions the following expressions have the following meanings:
  - "**Accrual Yield**" has the meaning given in the relevant Pricing Supplement;
  - "**Additional Business Centre(s)**" means the city or cities specified as such in the relevant Pricing Supplement;

**"Additional Financial Centre(s)"** means the city or cities specified as such in the relevant Pricing Supplement;

**"Business Day"** means:

- (a) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in each (if any) Additional Business Centre; and
- (b) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the Principal Financial Centre of the relevant currency and in each (if any) Additional Business Centre;

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the relevant Pricing Supplement and, if so specified in the relevant Pricing Supplement, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (a) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (b) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (c) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (d) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the relevant Pricing Supplement as the Specified Period after the calendar month in which the preceding such date occurred **provided, however, that:**
  - (i) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (ii) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (iii) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and
- (e) **"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means the Fiscal Agent or such other Person specified in the relevant Pricing Supplement as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or such other amount(s) as may be specified in the relevant Pricing Supplement;

**"Calculation Amount"** has the meaning given in the relevant Pricing Supplement;

**"Coupon Sheet"** means, in respect of a Note, a coupon sheet relating to the Note;



**"Day Count Fraction"** means, in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the relevant Pricing Supplement and:

- (a) if **"Actual/Actual (ICMA)"** is so specified, means:
  - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (ii) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (a) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year;
  - (iii) if **"Actual/Actual (ISDA)"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
  - (iv) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;
  - (v) if **"Actual/360"** is so specified, means the actual number of days in the Calculation Period divided by 360;
  - (vi) if **"30/360"** is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows

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

Where:

**"Y<sub>1</sub>"** is the year, expressed as a number, in which the first day of the Calculation Period falls;

**"Y<sub>2</sub>"** is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**"M<sub>1</sub>"** is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

**"M<sub>2</sub>"** is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

**"D<sub>1</sub>"** is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

**"D<sub>2</sub>"** is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and "D<sub>1</sub>" is greater than 29, in which case "D<sub>2</sub>" will be 30;

- (vii) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case **D<sub>1</sub>** will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case **D<sub>2</sub>** will be 30; and

- (viii) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

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

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D<sub>1</sub>** will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation 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 **D<sub>2</sub>** will be 30.

"**Early Redemption Amount (Tax)**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**"Early Termination Amount"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, these Conditions or the relevant Pricing Supplement;

**"Establishing Agreement"** means the Agreement Establishing the Inter-American Investment Corporation effective 23 March 1986 as amended by resolutions effective 3 October 1995, 4 July 2001 and 12 June 2002;

**"Extraordinary Resolution"** has the meaning given in the Agency Agreement;

**"Final Redemption Amount"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**"First Interest Payment Date"** means the date specified in the relevant Pricing Supplement;

**"Fixed Coupon Amount"** has the meaning given in the relevant Pricing Supplement;

**"Guarantee"** means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) 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 Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness;

**"Holder"**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

**"Indebtedness"** means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing;

**"Interest Amount"** means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the relevant Pricing Supplement;

**"Interest Determination Date"** has the meaning given in the relevant Pricing Supplement;

**"Interest Payment Date"** means the First Interest Payment Date and any date or dates specified as such in, or determined in accordance with the provisions of, the relevant Pricing Supplement and, if a Business Day Convention is specified in the relevant Pricing Supplement:

- (a) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (b) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the relevant Pricing Supplement as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Definitions"** means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the relevant Pricing Supplement) as published by the International Swaps and Derivatives Association, Inc.);

**"Issue Date"** has the meaning given in the relevant Pricing Supplement;

**"Margin"** has the meaning given in the relevant Pricing Supplement;

**"Maturity Date"** has the meaning given in the relevant Pricing Supplement;

**"Maximum Redemption Amount"** has the meaning given in the relevant Pricing Supplement;

**"Minimum Redemption Amount"** has the meaning given in the relevant Pricing Supplement;

**"Noteholder"**, in the case of Bearer Notes, has the meaning given in Condition 3(b) (*Form, Denomination, Title and Transfer - Title to Bearer Notes*) and, in the case of Registered Notes, has the meaning given in Condition 3(d) (*Form, Denomination, Title and Transfer - Title to Registered Notes*);

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the relevant Pricing Supplement;

**"Optional Redemption Date (Call)"** has the meaning given in the relevant Pricing Supplement;

**"Optional Redemption Date (Put)"** has the meaning given in the relevant Pricing Supplement;

**"Participating Member State"** means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

**"Payment Business Day"** means:

- (a) if the currency of payment is euro, any day which is:
  - (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

- (b) if the currency of payment is not euro, any day which is:
- (i) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (ii) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency **provided, however, that:**

- (a) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (b) in relation to New Zealand dollars, it means either Wellington or Auckland as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in the relevant Pricing Supplement or calculated or determined in accordance with the provisions of these Conditions and/or the relevant Pricing Supplement;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Early Redemption Amount (Tax), the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Termination Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the relevant Pricing Supplement;

**"Reference Banks"** has the meaning given in the relevant Pricing Supplement or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**"Reference Price"** has the meaning given in the relevant Pricing Supplement;

**"Reference Rate"** has the meaning given in the relevant Pricing Supplement;

**"Regular Period"** means:

- (a) in the case of Notes where interest is scheduled to be paid only by means of regular payments, each period from and including the Interest Commencement Date to but excluding the first Interest Payment Date and each successive period from and including one Interest Payment Date to but excluding the next Interest Payment Date;
- (b) in the case of Notes where, apart from the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **"Regular Date"** means the day and month (but not the year) on which any Interest Payment Date falls; and

- (c) in the case of Notes where, apart from one Interest Period other than the first Interest Period, interest is scheduled to be paid only by means of regular payments, each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls other than the Interest Payment Date falling at the end of the irregular Interest Period .

"**Relevant Date**" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

"**Relevant Financial Centre**" has the meaning given in the relevant Pricing Supplement;

"**Relevant Indebtedness**" means any Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, or is capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market);

"**Relevant Screen Page**" means the page, section or other part of a particular information service (including, without limitation, Reuters) specified as the Relevant Screen Page in the relevant Pricing Supplement, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

"**Relevant Time**" has the meaning given in the relevant Pricing Supplement;

"**Reserved Matter**" means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

"**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;

"**Specified Currency**" has the meaning given in the relevant Pricing Supplement;

"**Specified Denomination(s)**" has the meaning given in the relevant Pricing Supplement;

"**Specified Office**" has the meaning given in the Agency Agreement;

"**Specified Period**" has the meaning given in the relevant Pricing Supplement;

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**"):

- (a) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (b) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

"**Talon**" means a talon for further Coupons;

"**TARGET2**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

"**TARGET Settlement Day**" means any day on which TARGET2 is open for the settlement of payments in euro;

"**Treaty**" means the Treaty establishing the European Communities, as amended;

"**Zero Coupon Note**" means a Note specified as such in the relevant Pricing Supplement;

(b) *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) if Talons are specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) if Talons are not specified in the relevant Pricing Supplement as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Agency Agreement;
- (vii) if an expression is stated in Condition 2(a) to have the meaning given in the relevant Pricing Supplement, but the relevant Pricing Supplement gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes; and
- (viii) any reference to the Agency Agreement shall be construed as a reference to the Agency Agreement as amended and/or supplemented up to and including the Issue Date of the Notes.

### 3. **Form, Denomination, Title and Transfer**

- (a) *Bearer Notes:* Bearer Notes are in the Specified Denomination(s) with Coupons and, if specified in the relevant Pricing Supplement, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.
- (b) *Title to Bearer Notes:* Title to Bearer Notes and the Coupons will pass by delivery. In the case of Bearer Notes, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.
- (c) *Registered Notes:* Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the relevant Pricing Supplement and higher integral multiples of a smaller amount specified in the relevant Pricing Supplement .
- (d) *Title to Registered Notes:* The Registrar will maintain the register in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. In the case of Registered Notes, "**Holder**" means the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

- (e) *Ownership:* The Holder of any Note or Coupon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or, in the case of Registered Notes, on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Note under the Contracts (Rights of Third Parties) Act 1999.
- (f) *Transfers of Registered Notes:* Subject to paragraphs (i) (*Closed periods*) and (j) (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; **provided, however, that** a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a Holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.
- (g) *Registration and delivery of Note Certificates:* Within five business days of the surrender of a Note Certificate in accordance with paragraph (f) (*Transfers of Registered Notes*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant Holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- (h) *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- (i) *Closed periods:* Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- (j) *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

#### 4. **Status**

*Status of the Notes:* The Notes constitute unsecured, unsubordinated, direct, general and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

#### 5. **Negative Pledge**

So long as any Note remains outstanding, the Issuer shall not, create or permit to subsist any 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 (a) at the same time or



prior thereto securing the Notes equally and rateably therewith or (b) providing such other security for the Notes as may be approved by an Extraordinary Resolution of Noteholders.

#### 6. **Fixed Rate Note Provisions**

- (a) *Application:* This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.
- (d) *Calculation of interest amount:* The amount of interest payable in respect of the Notes for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the outstanding principal amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

#### 7. **Floating Rate Note and Index-Linked Interest Note Provisions**

- (a) *Application:* This Condition 7 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 11 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).
- (c) *Screen Rate Determination:* If Screen Rate Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:
  - (i) if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;
  - (ii) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

- (iii) if, in the case of (i) above, such rate does not appear on that page or, in the case of (ii) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
  - (A) request the principal Relevant Financial Centre office of each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and
  - (B) determine the arithmetic mean of such quotations; and
- (iv) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; **provided, however, that** if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- (d) *ISDA Determination:* If ISDA Determination is specified in the relevant Pricing Supplement as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
  - (i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Pricing Supplement;
  - (ii) the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the relevant Pricing Supplement; and
  - (iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the relevant Pricing Supplement.
- (e) *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the relevant Pricing Supplement.
- (f) *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the relevant Pricing Supplement, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- (g) *Calculation of Interest Amount:* The amount of interest payable in respect of the Notes for any period for which a Fixed Coupon Amount is not specified shall be calculated by applying the Rate of Interest to the outstanding principal amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any

currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

- (h) *Calculation of other amounts:* If the relevant Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the relevant Pricing Supplement.
- (i) *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- (j) *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

#### 8. **Zero Coupon Note Provisions**

- (a) *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
  - (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price on the basis of the relevant Day Count Fraction from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

#### 9. **Dual Currency Note Provisions**

- (a) *Application:* This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the relevant Pricing Supplement as being applicable.
- (b) *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the relevant Pricing Supplement.

10. **Redemption and Purchase**

(a) *Scheduled redemption:* Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 11 (*Payments*).

(b) *Redemption for tax reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part:

- (i) at any time (if neither the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable); or
- (ii) on any Interest Payment Date (if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the relevant Pricing Supplement as being applicable),

on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (Tax), together with interest accrued (if any) to the date fixed for redemption, if:

- (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, any applicable tax, laws or regulations, or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the date of issue of the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

**provided, however, that** no such notice of redemption shall be given earlier than:

- (1) where the Notes may be redeemed at any time, 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due; or
- (2) where the Notes may be redeemed only on an Interest Payment Date, 60 days prior to the Interest Payment Date occurring immediately before the earliest date on which the Issuer would be obliged to pay such additional amounts if a payment in respect of the Notes were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Fiscal Agent a certificate signed by two directors 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. Upon the expiry of any such notice as is referred to in this Condition 10(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 10(b).

(c) *Redemption at the option of the Issuer:* If the Call Option is specified in the relevant Pricing Supplement as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the relevant Pricing Supplement, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

- (d) *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 10(c) (*Redemption at the option of the Issuer*), in the case of Bearer Notes, the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law, the rules of each competent authority, stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the notice to Noteholders referred to in Condition 10(c) (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed, and, in the case of Registered Notes, each Note shall be redeemed in part in the proportion which the aggregate principal amount of the outstanding Notes to be redeemed on the relevant Optional Redemption Date (Call) bears to the aggregate principal amount of outstanding Notes on such date. If any Maximum Redemption Amount or Minimum Redemption Amount is specified in the relevant Pricing Supplement, then the Optional Redemption Amount (Call) shall in no event be greater than the maximum or be less than the minimum so specified.
- (e) *Redemption at the option of Noteholders:* If the Put Option is specified in the relevant Pricing Supplement as being applicable, the Issuer shall, at the option of the Holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 10(e), the Holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10(e), may be withdrawn; **provided, however, that** if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10(e), the depositor of such Note and not such Paying Agent shall be deemed to be the Holder of such Note for all purposes.
- (f) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e) above.
- (g) *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the relevant Pricing Supplement, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:
- (i) the Reference Price; and
  - (ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Pricing Supplement for the purposes of this Condition 10(g) or, if none is so specified, a Day Count Fraction of 30E/360.

- (h) *Purchase:* The Issuer may at any time purchase Notes in the open market or otherwise and at any price, **provided that** all unmatured Coupons are purchased therewith.
- (i) *Cancellation:* All Notes so redeemed or purchased by the Issuer and any unmatured Coupons attached to or surrendered with them shall be cancelled and may not be reissued or resold.

11. **Payments - Bearer Notes**

This Condition 11 is only applicable to Bearer Notes.

- (a) *Principal:* Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency.
- (b) *Interest:* Payments of interest shall, subject to paragraph (h) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments in New York City:* Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law.
- (d) *Payments subject to fiscal laws:* All payments in respect of the Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and notwithstanding the provisions of Condition 13 (*Taxation*), 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. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (e) *Deductions for unmatured Coupons:* If the relevant Pricing Supplement specifies that the Fixed Rate Note Provisions are applicable and a Bearer Note is presented without all unmatured Coupons relating thereto:
  - (i) if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment; **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
  - (ii) if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
    - (A) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment; **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
    - (B) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment; **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant

Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.

Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.

- (f) *Unmatured Coupons void:* If the relevant Pricing Supplement specifies that this Condition 11(f) is applicable or that the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are applicable, on the due date for final redemption of any Note or early redemption in whole of such Note pursuant to Condition 10(b) (*Redemption for tax reasons*), Condition 10(e) (*Redemption at the option of Noteholders*), Condition 10(c) (*Redemption at the option of the Issuer*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- (g) *Payments on business days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- (h) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by paragraph (c) above).
- (i) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (j) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Fiscal Agent for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 15 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

## 12. **Payments - Registered Notes**

This Condition 12 is only applicable to Registered Notes.

- (a) *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.
- (b) *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a Holder of a Registered Note to the Specified Office of the Fiscal Agent not later than the fifteenth day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on

redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- (c) *Payments subject to fiscal laws:* All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*); and notwithstanding the provisions of Condition 13 (*Taxation*), 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. No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- (d) *Payments on business days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A Holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12 arriving after the due date for payment or being lost in the mail.
- (e) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- (f) *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the Holder in the Register at the close of business in the place of the Registrar's Specified Office on the fifteenth day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the Holder in the Register at the opening of business on the relevant Record Date.

### 13. **Taxation**

- (a) *Gross up:* All payments of principal and interest in respect of the Notes and the Coupons by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected or withheld unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon:
  - (i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of its having some connection with the jurisdiction by which such taxes, duties, assessments or charges have been imposed, levied, collected, withheld or assessed other than the mere holding of the Note or Coupon; or
  - (ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, this Directive; or



- (iii) held by or on behalf of a Holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the EU; or
- (iv) where the relevant Note or Coupon or Note Certificate is presented or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Note or Coupon would have been entitled to such additional amounts on presenting or surrendering such Note or Coupon or Note Certificate for payment on the last day of such period of 30 days.

#### 14. **Events of Default**

If any of the following events occurs and is continuing:

- (a) *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within 30 days of the due date for payment thereof; or
- (b) *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 90 days after written notice thereof, addressed to the Issuer by any Noteholder, has been delivered to the Issuer or to the Specified Office of the Fiscal Agent; or
- (c) *Termination of Operations:* the Issuer shall terminate its operations by resolution of its Board of Governors and cease to carry on its activities as provided for in the Establishing Agreement, except for those activities incident to the conservation, preservation and realisation of its assets and settlement of its obligations,

then any Note may, by written notice addressed by the Holder thereof to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its Early Termination Amount together with accrued interest (if any) without further action or formality.

#### 15. **Prescription**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

#### 16. **Replacement of Notes and Coupons**

If any Note, Note Certificate or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent, in the case of Bearer Notes, or the Registrar, in the case of Registered Notes (and, if the Notes are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or Transfer Agent in any particular place, the Paying Agent or Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes, Note Certificates or Coupons must be surrendered before replacements will be issued.

#### 17. **Agents**

In acting under the Agency Agreement and in connection with the Notes and the Coupons, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The initial Agents and their initial Specified Offices are listed below. The initial Calculation Agent (if any) is specified in the relevant Pricing Supplement. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor fiscal agent or registrar or Calculation Agent and additional or successor paying agents; **provided, however, that:**

- (a) the Issuer shall at all times maintain a fiscal agent and a registrar; and
- (b) the Issuer shall at all times maintain a paying agent in an EU member state that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC; and
- (c) if a Calculation Agent is specified in the relevant Pricing Supplement, the Issuer shall at all times maintain a Calculation Agent; and
- (d) if and for so long as the Notes are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent and/or a Transfer Agent in any particular place, the Issuer shall maintain a Paying Agent and/or a Transfer Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders.

#### 18. **Meetings of Noteholders; Modification and Waiver**

- (a) *Meetings of Noteholders:* The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by them upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification:* The Notes, these Conditions and the Deed of Covenant may be amended without the consent of the Noteholders or the Couponholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.

#### 19. **Further Issues**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

20. **Notices**

- (a) *Bearer Notes:* Notices to the Holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in London (which is expected to be the *Financial Times*) or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers). Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Holders of Bearer Notes.
- (b) *Registered Notes:* Notices to the Holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.

21. **Rounding**

- (a) For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Pricing Supplement), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.), (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downwards to the next lower whole Japanese Yen amount, and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

22. **Governing Law and Jurisdiction**

- (a) *Governing law:* The Notes and any non-contractual obligations arising out of or in connection with the Notes are governed by English law.
- (b) *English courts:* The courts of England have exclusive jurisdiction to settle any dispute (a "**Dispute**") arising out of or in connection with the Notes (including any non-contractual obligation arising out of or in connection with the Notes).
- (c) *Appropriate forum:* The Issuer agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- (d) *Process agent:* The Issuer agrees that the documents which start any proceedings relating to a Dispute ("**Proceedings**") and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to TMF Corporate Services Limited at 6 St. Andrew Street, 5th Floor, London EC4A 3AE. If such person is not or ceases to be effectively appointed to accept service of process on behalf of the Issuer, the Issuer shall, on the written demand of any Noteholder addressed and delivered to the Issuer or to the Specified Office of the Fiscal Agent appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 days, any Noteholder shall be entitled to appoint such a person by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent. Nothing in this paragraph shall affect the right of any Noteholder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and to Proceedings elsewhere.
- (e) *Immunity:* The Issuer hereby irrevocably waives any immunity from service of process or jurisdiction of the Courts of England, to which it might otherwise be entitled, in respect of any dispute concerning its obligations under these Conditions. Nothing in these Conditions shall operate as or be construed to constitute a waiver, renunciation or modification of any other privilege or immunity of the Issuer pursuant to Article VII of the Establishing Agreement or any applicable law.

## FORM OF PRICING SUPPLEMENT

*The Pricing Supplement in respect of each Tranche of Notes will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Notes and their issue. Text in this section appearing in italics does not form part of the form of the Pricing Supplement but denotes directions for completing the Pricing Supplement.*

### Pricing Supplement dated •

#### INTER-AMERICAN INVESTMENT CORPORATION

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

under the **U.S.\$3,000,000,000**

#### Euro Medium Term Note Programme

This document constitutes the pricing supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Information Memorandum dated 14 March 2017 [and the supplemental Information Memorandum dated [date]] (the "**Information Memorandum**"). This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Information Memorandum [as so supplemented].

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and 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. tax regulations. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States (as defined in Regulation S under the Securities Act ("**Regulation S**")) except in certain transactions exempt from the registration requirements of the Securities Act.

*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Information Memorandum with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Information Memorandum dated [•] March 2017. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Information Memorandum dated [•] March 2017 [and the supplemental Information Memorandum dated [date]], save in respect of the Conditions which are extracted from the Information Memorandum dated [date] and are attached hereto.]

*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Pricing Supplement.*

1. Issuer: Inter-American Investment Corporation

2. [(i) Series Number:] [•]

[(ii) Tranche Number:] [•]

(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)

3. Specified Currency or Currencies: [•]

*(If Notes are being cleared through DTC with interest and or principal payable in a currency other than U.S. dollars, check*

- whether DTC will accept payments in such currency)*
4. Aggregate Nominal Amount: [•]
    - [(i)] [Series]: [•]
    - [(ii)] Tranche: [•]
  5. Issue Price: [•] per cent. of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
  6. (i) Specified Denominations: [•]
    - (ii) Calculation Amount: [•]
  7. (i) Issue Date: [•]
    - (ii) Interest Commencement Date: [*Specify/Issue Date/Not Applicable*]
  8. Maturity Date: [*Specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
 

*If the Maturity Date is less than one year from the Issue Date, the Notes must have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be sold only to "professional investors" (or another applicable exemption from section 19 of the FSMA must be available).*
  9. Interest Basis: [• per cent. Fixed Rate]
 

[[*Specify* reference rate] +/- [•] per cent. Floating Rate]

[Zero Coupon]

[Index Linked Interest]

[Other (*Specify*)]

(further particulars specified below)
  10. Redemption/Payment Basis: [Redemption at par]
 

[Index Linked Redemption]

[Dual Currency]

[Partly Paid]

[Instalment]

[Other (*Specify*)]
  11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]

12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
13. [(i)] Status of the Notes: [Senior]  
[(iii)] [Date [Board] approval for [•]  
issuance of Notes obtained:  
*(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*
14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [•] per cent. per annum [payable [annually/semi-annually/quarterly/monthly/other (specify)] in arrear]
- (ii) Interest Payment Date(s): [•] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (iv) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (v) Day Count Fraction: [30/360 / Actual/Actual (ICMA/ISDA) / other]
- (vi) [Determination Dates: [•] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Period(s): [•]
- (ii) Specified Period: [•]  
*(Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business*

*Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*

- (iii) Specified Interest Payment Dates: [•]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*
- (iv) [First Interest Payment Date]: [•]
- (v) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (vi) Additional Business Centre(s): [Not Applicable/give details]
- (vii) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (viii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Principal Paying Agent]): [[Name] shall be the Calculation Agent (no need to specify if the Fiscal Agent is to perform this function)]
- (ix) Screen Rate Determination:
- Reference Rate: [For example, LIBOR or EURIBOR]
  - Interest Determination Date(s): [•]
  - Relevant Screen Page: [For example, Reuters LIBOR 01/ EURIBOR 01]
  - Relevant Time: [For example, 11.00 a.m. London time/Brussels time]
  - Relevant Financial Centre: [For example, London/Euro-zone (where Euro-zone means the region comprised of the countries whose lawful currency is the euro)]
- (x) ISDA Determination:
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
- (xi) Margin(s): [+/-][•] per cent. per annum
- (xii) Minimum Rate of Interest: [•] per cent. per annum
- (xiii) Maximum Rate of Interest: [•] per cent. per annum

- (xiv) Day Count Fraction: [•]
- (xv) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [•] per cent. per annum
- (ii) Reference Price: [•]
- (iii) Any other formula/basis of determining amount payable: [Consider whether it is necessary to specify a Day Count Fraction for the purposes of Condition [10(g)]]
18. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula/other variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the interest due: [•]
- (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable: [•]
- (vi) Interest Determination Date(s): [•]
- (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (vi) Interest or calculation period(s): [•]
- (vii) Specified Period: [•]
- (Specified Period and Specified Interest Payment Dates are alternatives. A Specified Period, rather than Specified Interest Payment Dates, will only be relevant if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention. Otherwise, insert "Not Applicable")*
- (viii) Specified Interest Payment Dates: [•]
- (Specified Period and Specified Interest Payment Dates are alternatives. If the*



*Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention, insert "Not Applicable")*

- (ix) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (x) Additional Business Centre(s): [•]
- (xi) Minimum Rate/Amount of Interest: [•] per cent. per annum
- (xii) Maximum Rate/Amount of Interest: [•] per cent. per annum
- (xiii) Day Count Fraction: [•]

**19. Dual Currency Note Provisions**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [•]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [•]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [•]

**PROVISIONS RELATING TO REDEMPTION**

**20. Call Option**

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) If redeemable in part:
  - Minimum Redemption Amount: [•] per Calculation Amount
  - Maximum Redemption Amount: [•] per Calculation Amount
- (iv) Notice period: [•]

21. **Put Option** [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
- (iii) Notice period: [•]
22. **Final Redemption Amount of each Note** [•] per Calculation Amount
- In cases where the Final Redemption Amount is Index-Linked or other variable-linked:
- (i) Index/Formula/variable: [give or annex details]
- (ii) Calculation Agent responsible for calculating the Final Redemption Amount: [•]
- (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: [•]
- (iv) Date for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable: [•]
- (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [•]
- (vi) [Payment Date]: [•]
- (vii) Minimum Final Redemption Amount: [•] per Calculation Amount
- (viii) Maximum Final Redemption Amount: [•] per Calculation Amount
23. **Early Redemption Amount** [Not Applicable]
- Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the *(If both the Early Redemption Amount (Tax) and the Early Termination Amount are the principal amount of the Notes/specify the Early Redemption Amount (Tax) and/or the Early Termination Amount if different from the principal amount of the Notes)*)

Conditions):

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. **Form of Notes:**

**Bearer Notes:**

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances described in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances described in the Permanent Global Note]

**Registered Notes:**

[Unrestricted Global Note Certificate exchangeable for unrestricted Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Unrestricted Global Note Certificate]

[and]

[Restricted Global Note Certificate exchangeable for Restricted Individual Note Certificates on [•] days' notice/at any time/in the limited circumstances described in the Restricted Global Note Certificate]

[and]

[Restricted Global Note Certificate [(U.S.\$ [•]/Euro [•] nominal amount)] registered in the name of a nominee for [DTC].]

[Unrestricted Global Note Certificate [(U.S.\$/Euro [•] nominal amount)] registered in the name of a nominee for [DTC/a common depository for Euroclear and Clearstream, Luxembourg/a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))].]

25. **New Global Note:**

[Yes] [No]

26. **Additional Financial Centre(s) or other special provisions relating to payment dates:**

[Not Applicable/give details.

*Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub paragraphs 15(ii),*

*16(vi) and 18(x) relate]*

27. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): [Yes/No. *If yes, give details*]
28. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made [and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment]: [Not Applicable/*give details*]
29. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/*give details*]
30. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition [•] apply]
31. [Consolidation provisions: Not Applicable/The provisions [in Condition 18 (*Further Issues*)] [annexed to this Pricing Supplement] apply]
32. Other final terms: [Not Applicable/*give details*]

*[(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

## **DISTRIBUTION**

33. (i) If syndicated, names and addresses of Managers and underwriting commitments: [Not Applicable/*give names, addresses and underwriting commitments*]
- (Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
- (ii) Date of [Subscription] Agreement: [•]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
34. If non-syndicated, name and address of Dealer: [Not Applicable/*give name and address*]
35. Total commission and concession: [•] per cent. of the Aggregate Nominal Amount
36. U.S. Selling Restrictions: [Reg. S Compliance Category];
- (In the case of Bearer Notes) - [TEFRA C/TEFRA D/ TEFRA not applicable]*

(In the case of Registered Notes) - [Not] Rule 144A Eligible

37. Additional selling restrictions: [Not Applicable/give details]

**PURPOSE OF PRICING SUPPLEMENT**

This Pricing Supplement comprises the final terms required for issue [and] [admission to trading on [specify relevant regulated market] of the Notes described herein] pursuant to the U.S.\$3,000,000,000 Euro Medium Term Note Programme of Inter-American Investment Corporation.

**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.]

Signed on behalf of Inter-American Investment Corporation:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing [London /Other(*specify*)/None]
- (ii) Admission to trading [Application is has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [•].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify relevant regulated market*] with effect from [•].] [Not Applicable.]

*(Where documenting a fungible issue need to indicate that original Notes are already admitted to trading.)*

### 2. RATINGS

- Ratings: The Notes to be issued have been rated:
- [Standard & Poor's: [•]]
- [Moody's: [•]]
- [Fitch: [•]]
- [[Other]: [•]]

### 3. OPERATIONAL INFORMATION

- CUSIP Number: [•] [Not Applicable]
- [*Select "Not Applicable" if no Restricted Registered Notes will be issued*]
- ISIN Code: [•]
- Common Code: [•]
- Any clearing system(s) other than DTC, Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- Delivery: Delivery [against/free of] payment
- Names and addresses of initial Paying Agent(s): [•]
- Names and addresses of additional Paying Agent(s) (if any): [•]

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No][Not Applicable]

[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] 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 these Final Terms, 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.]

## **USE OF PROCEEDS**

The Issuer will use the net proceeds from the issue of each Series of Notes for the general business of the Issuer.



## DESCRIPTION OF THE ISSUER

### OVERVIEW

On March 23, 1986, the Agreement Establishing the Inter-American Investment Corporation (the "**Establishing Agreement**" or the "**Agreement**") became effective, establishing the IIC. The IIC is an international organization that began operation in 1989 with the mission of promoting the economic development of its regional developing member countries, which are located in Latin America and the Caribbean, by encouraging the establishment, expansion, and modernization of private enterprises in such a way as to supplement the activities of the Inter-American Development Bank ("**IDB**"). The IIC makes loans, guarantees and equity investments where sufficient private capital is not otherwise available on adequate terms in the market. The IIC also arranges additional project funding from other investors and lenders, either through joint financing or through loan syndications, loan participations, underwritings and guarantees. In addition, the IIC provides financial and technical advisory services to clients through its own resources and those specifically provided for this purpose by its member countries. As of the date hereof, 45 member countries have subscribed to share capital in the IIC. The IIC conducts its operations principally in United States dollars, and operates within 26 of its member countries (all 26 being located in Latin America and the Caribbean) (the "**Regional Developing Member Countries**"). The IIC is an autonomous international organisation and a member of the Inter-American Development Bank Group (the "**IDB Group**"), which also includes the IDB and the Multilateral Investment Fund ("**MIF**").

On March 30, 2015, the Boards of Governors of the IIC and the IDB approved the transfer to the IIC of all operational and administrative functions associated with the IDB and the IIC private sector and non-sovereign guaranteed ("**NSG**") activities (the "**IDBG-NSG Reform**") to better serve the region, clients and partners, and to maximize development impact. The IDBG-NSG Reform took effect on January 1, 2016. As of such date, the IIC is responsible for carrying out and administering all new NSG operations, as well as administering existing IIC and IDB NSG legacy operations. In addition, during a seven-year period which started on January 1, 2016, certain operations originated by the IIC are to be financed wholly or partially by the IDB, including with funds administered by the IDB. The NSG portfolio of operations funded by the IDB will remain as assets on its balance sheet. Also, since January 1, 2016, the IIC and the IDB have entered into service level agreements ("**SLAs**") whereby the IIC provides certain services to the IDB and the IDB provides certain services to the IIC. The IIC provides loan origination, credit risk evaluation and monitoring and other loan administration services for IDB NSG operations, as well as for IDB's legacy portfolio operations pursuant to an SLA.

On March 30, 2015, the IIC's Board of Governors further authorized the IIC's second general capital increase ("**GCI-II**") for U.S.\$2.03 billion. The capitalization increase is comprised of (i) U.S.\$1.305 billion in capital to be paid by the IIC shareholders during the 2016-2022 period ("Annex A Shares"); and (ii) annual transfers from the income of the IDB, on behalf of its shareholders, to be made to the IIC during the period 2018-2025, totalling U.S.\$725 million for the entire period, and conditional upon annual approval by the IDB Board of Governors ("Annex B Shares").

The IIC's Board of Governors also authorized the Republic of Croatia, the Republic of Slovenia and the United Kingdom, members of the IDB not currently members of the IIC, if they so wish, to join the IIC under the same institutional legal conditions under which Canada, the most recent country to join the IIC, was admitted, with the exception of share price, payment-related matters, and trust fund-related matters.

### PURPOSE AND FUNCTION OF THE ISSUER

The purpose of the IIC, as a member of the IDB Group, is to support and encourage the establishment, expansion, and modernization of private and state-owned enterprises in Latin America and the Caribbean that do not benefit from a sovereign guarantee, through financing loans, equity investments and providing guarantees. IIC also works closely with the private sector to help overcome core challenges to growth, to refine business strategies, and embrace new technologies to improve productivity.

As part of its mission, the IIC partners with the private sector to support projects that aim to bolster competitiveness and growth while maintaining sustainability. IIC provides financial products and advisory services to corporates, financial intermediaries, micro, small- and medium-sized enterprises ("**MSMEs**"), and partially- and wholly-owned state enterprises.

IIC financing may also be used to attract other resources: additional financing, technology, and know-how through co-financing and syndication in order to maximize developmental impact.

Projects financed by the IIC aim to offer profitable investment opportunities and sustainable economic development. These objectives range from creating jobs and broadening capital ownership, which facilitate transfers of resources and technology to projects whose goal is to promote economic growth and sustainability. Further examples of projects that are eligible for IIC funding are projects that generate foreign exchange income or promote the economic integration of Latin America and the Caribbean.

All projects financed by the IIC are subject to an environmental and social review process prior to investment, including but not limited to assessments of compliance with domestic environmental legislation, waste management practices and occupational health and safety issues. The IIC only invests in for-profit projects and charges market rates for the products and services provided.

## **THE AGREEMENT ESTABLISHING THE IIC**

The IIC's Establishing Agreement sets forth the IIC's purpose and functions, capital structure and organization. The Establishing Agreement outlines the operations in which the IIC may participate and prescribes limits and directives. The Establishing Agreement also establishes the IIC's status, legal capacity, immunities and privileges, and regulates membership and the termination of the IIC's operations.

The Establishing Agreement may be amended only by decision of the Board of Governors by a majority representing at least four-fifths of the votes of the members and two-thirds of the number of Governors. The unanimous agreement of the Board of Governors is required for the approval of any amendment modifying: the right to withdraw from the IIC; the right to purchase shares in the IIC; or any changes to the limitation of liability of its member countries.

Under the Establishing Agreement, any member may withdraw from the IIC by notifying the IIC's principal office in writing of its intention to do so. Such withdrawal shall become effective on the date specified in the notice provided that it is not prior to six months from the date on which such notice was delivered to the IIC. Even after withdrawal, a member shall remain liable for all obligations to the IIC to which it was subject at the date of delivery of the withdrawal notice.

In the event that a member withdraws from the IIC, the IIC and the member may agree the terms for the repurchase of such member's shares. If an agreement is not reached, the repurchase price of the member's shares shall be equal to the book value determined by the IIC's audited financial statements.

## **LEGAL STATUS, IMMUNITIES AND PRIVILEGES**

The following is a summary of the principal provisions of the Establishing Agreement relating to the legal status, immunities and privileges of the IIC in the territories of its members.

The IIC possesses legal personality and has full capacity to contract, acquire and dispose of immovable and movable property, and to institute legal and administrative proceedings.

Actions may be brought against the IIC only in a court of competent jurisdiction in the territories of a member country in which the IIC: has an office; has appointed an agent for the purpose of accepting service or notice of process; or has issued or guaranteed securities. No action shall be brought against the IIC by member countries or persons acting for or deriving claims from member countries. However, such countries or persons may have recourse to such special procedures to settle controversies between the IIC and its member countries as prescribed in the Establishing Agreement.

The property and assets of the IIC are immune from all forms of seizure, attachment or execution before the delivery of final judgment against the IIC. Immunity for the IIC's property and assets also applies against searches, requisitions, confiscation, expropriation and any other form of taking or foreclosure by executive or legislative action. The archives of the IIC are also inviolable.

The Governors, Executive Directors, Alternates, officers and employees of the IIC have the following privileges and immunities:

- (i) immunity from legal process with respect to acts performed by them in their official capacity, except when the IIC waives this immunity;
- (ii) when not local nationals, the same immunities from immigration restrictions, alien registration requirements and military service obligations and the same facilities as regards exchange provisions as are accorded by a member country to the representatives, officials, and employees of comparable rank of other member countries; and
- (iii) the same privileges in respect of travelling facilities as are accorded by member countries to representatives, officials, and employees of comparable rank of other member countries.

The IIC, its property, other assets, income, and the operations and transactions it carries out are immune from all taxation and from all customs duties in its member countries.

The IIC is also immune from any obligation relating to the payment, withholding or collection of any tax or duty. No tax is levied on or in respect of salaries and emoluments paid by the IIC to officials or employees of the IIC who are not local citizens or other local nationals. No tax of any kind is levied on any obligation or security issued by the IIC, including any dividend or interest thereon, by whosoever held:

- (i) which discriminates against such obligation or security solely because it is issued by the IIC; or
- (ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the IIC.

## **ORGANISATIONAL STRUCTURE**

### **The IDB Group**

#### *Inter-American Development Bank*

The IDB is an international organization, with a separate governance structure, including its own Board of Governors and Board of Executive Directors; however, most member countries of the IDB are also members of the IIC. The purpose of the IDB is to further the economic and social development of Latin America and the Caribbean by promoting environmentally sustainable growth, as well as poverty reduction and social equity. Alongside these objectives are two strategic goals: addressing the special needs of the less developed and smaller countries and fostering development through the private sector. The funds of the IDB are completely separate from those of the IIC.

#### *Multilateral Investment Fund*

The MIF, a trust fund with resources from IDB donor countries, supports private sector led development for the benefit of the businesses, farms and households of the poor. The aim is to provide low-income populations with the tools to: access markets; develop the skills necessary to compete in those markets; access finance; and access basic services and technology, including green technology. The MIF provides grants for technical assistance, loans and equity investments, as well as a combination of these tools when both capacity building and risk allocation are needed.

### **IIC Governing Structure and Management**

The IIC has a Board of Governors, a Board of Executive Directors, a General Manager, and such officers and staff as may be determined by the Board of Executive Directors.

#### *The Board of Governors*

All the powers of the IIC are vested in its Board of Governors, which consists of one Governor and one Alternate Governor appointed by each member country. The Board of Governors has delegated all of its powers to the Board of Executive Directors except for the power to admit new member countries, suspend a member, increase or decrease the capital stock, decide on appeals on interpretations of the Establishing

Agreement made by the Board of Executive Directors, engage the services of external auditors, declare dividends, approve the IIC's audited financial statements, amend the Establishing Agreement, and suspend permanently the operations of the IIC.

The Governor or Alternate Governor from each member country exercises the voting power to which its member country is entitled, each member country having one vote for each fully paid share held by it. The quorum for any meeting of the Board of Governors is the majority of the Governors representing at least two-thirds of the votes of the member countries. Matters before the Board of Governors are decided by a majority of the votes of the members except as specifically detailed in the Establishing Agreement or other regulations. Governors and Alternate Governors serve without compensation from the IIC.

The Board of Governors holds regular meetings, at least annually.

The following table lists the capital stock subscribed and subscriptions receivable from member countries as of December 31, 2016.

December 31

|                                  | Shares***      | Amount              | Additional paid-in capital * | Receivable from members ** | Paid in Capital   |
|----------------------------------|----------------|---------------------|------------------------------|----------------------------|-------------------|
| USD Thousands                    |                |                     |                              |                            |                   |
| Argentina                        | 17,376         | \$ 173,760          | \$ 57,381                    | \$ 150,251                 | \$ 80,890         |
| Austria                          | 887            | 8,870               | 3,349                        | 6,827                      | 5,392             |
| Bahamas                          | 308            | 3,080               | 1,013                        | 2,071                      | 2,022             |
| Barbados                         | 220            | 2,200               | 735                          | 1,440                      | 1,495             |
| Belgium                          | 169            | 1,690               | -                            | -                          | 1,690             |
| Belize                           | 101            | 1,010               | -                            | -                          | 1,010             |
| Bolivarian Republic of Venezuela | 10,448         | 104,480             | 37,918                       | 99,288                     | 43,110            |
| Brazil                           | 17,376         | 173,760             | 57,381                       | 150,251                    | 80,890            |
| Canada                           | 4,088          | 40,880              | 24,331                       | 63,711                     | 1,500             |
| Chile                            | 4,456          | 44,560              | 15,156                       | 30,869                     | 28,847            |
| Colombia                         | 4,456          | 44,560              | 14,643                       | 29,833                     | 29,370            |
| Costa Rica                       | 671            | 6,710               | 2,206                        | 4,498                      | 4,418             |
| Denmark                          | 1,071          | 10,710              | -                            | -                          | 10,710            |
| Dominican Republic               | 933            | 9,330               | 3,065                        | 6,245                      | 6,150             |
| Ecuador                          | 942            | 9,420               | 3,120                        | 6,358                      | 6,182             |
| El Salvador                      | 671            | 6,710               | 2,206                        | 5,776                      | 3,140             |
| Finland                          | 1,021          | 10,210              | 3,880                        | -                          | 14,090            |
| France                           | 2,868          | 28,680              | 4,362                        | 11,422                     | 21,620            |
| Germany                          | 1,334          | 13,340              | -                            | -                          | 13,340            |
| Guatemala                        | 897            | 8,970               | 2,947                        | 6,018                      | 5,899             |
| Guyana                           | 256            | 2,560               | 840                          | 1,715                      | 1,685             |
| Haiti                            | 671            | 6,710               | 2,206                        | 5,776                      | 3,140             |
| Honduras                         | 671            | 6,710               | 2,206                        | 5,776                      | 3,140             |
| Israel                           | 391            | 3,910               | 1,347                        | 2,766                      | 2,491             |
| Italy                            | 4,619          | 46,190              | 15,181                       | 39,751                     | 21,620            |
| Jamaica                          | 420            | 4,200               | -                            | -                          | 4,200             |
| Japan                            | 4,950          | 49,500              | 15,187                       | 31,904                     | 32,783            |
| Mexico                           | 11,124         | 111,240             | 36,559                       | 95,729                     | 52,070            |
| Netherlands                      | 1,071          | 10,710              | -                            | -                          | 10,710            |
| Nicaragua                        | 671            | 6,710               | 2,206                        | 4,498                      | 4,418             |
| Norway                           | 1,016          | 10,160              | 3,849                        | 7,847                      | 6,162             |
| Panama                           | 972            | 9,720               | 3,985                        | 8,122                      | 5,583             |
| Paraguay                         | 705            | 7,050               | 2,336                        | 6,115                      | 3,271             |
| People's Republic of China       | 9,330          | 93,300              | 56,682                       | 115,450                    | 34,532            |
| Peru                             | 5,172          | 51,720              | 19,067                       | 41,417                     | 29,370            |
| Plurinational State of Bolivia   | 1,398          | 13,980              | 4,622                        | 9,416                      | 9,186             |
| Portugal                         | 389            | 3,890               | 1,279                        | 2,621                      | 2,548             |
| Republic of Korea                | 8,293          | 82,930              | 50,275                       | 104,028                    | 29,177            |
| Spain                            | 6,962          | 69,620              | 27,618                       | 50,404                     | 46,834            |
| Suriname                         | 101            | 1,010               | -                            | -                          | 1,010             |
| Sweden                           | 946            | 9,460               | 3,417                        | 6,973                      | 5,904             |
| Switzerland                      | 2,288          | 22,880              | 7,519                        | 19,689                     | 10,710            |
| Trinidad and Tobago              | 671            | 6,710               | 2,206                        | 5,776                      | 3,140             |
| United States                    | 16,019         | 160,190             | -                            | -                          | 160,190           |
| Uruguay                          | 1,849          | 18,490              | 6,098                        | 12,425                     | 12,163            |
| <b>Total 2016</b>                | <b>151,248</b> | <b>\$ 1,512,480</b> | <b>\$ 498,378</b>            | <b>\$ 1,153,056</b>        | <b>\$ 857,802</b> |
| <b>Total 2015</b>                | <b>125,352</b> | <b>\$ 1,253,520</b> | <b>\$ 338,352</b>            | <b>\$ 888,709</b>          | <b>\$ 703,163</b> |

\* Represents the amount in addition to par value subscribed by member countries under GCI-II.

\*\* Represents receivable from members under GCI-II.

\*\*\* The table does not reflect Annex B Shares, which are conditional upon approval of transfers by the IDB Board of Governors.

## The Board of Executive Directors

### Function

The Board of Executive Directors is responsible for the conduct of the operations of the IIC. To this end, the Board of Executive Directors exercises all of the powers granted to it under the Establishing Agreement except those powers reserved to the Board of Governors under the Establishing Agreement. The Board of Executive Directors establishes the basic organisational structure of the IIC, including the number and general responsibilities of its main administrative and professional positions. The Board of Executive Directors is also responsible for adopting the IIC's annual budget.

## Membership

The Board of Executive Directors is composed as follows: (i) one Executive Director appointed by the member country having the largest number of shares in the IIC (as of the date of this Information Memorandum, this is the United States); (ii) nine Executive Directors elected by the Governors for the Regional Developing Member Countries; and (iii) three Executive Directors elected by the Governors for the remaining member countries. Executive Directors are persons of recognized competence and wide experience in economic and financial matters. Each Executive Director appoints an Alternate Executive Director who has full power to act for the Executive Director when he or she is not present. Executive Directors generally serve for three years. The president of the IDB is the ex-officio Chairman of the Board of Executive Directors of the IIC. He presides over meetings of the Board of Executive Directors but does not have the right to vote except in the case of a tie. The Chairman of the Board of Executive Directors may participate in, but may not vote at, meetings of the IIC Board of Governors.

## Operation

The Board of Executive Directors functions in continuous session at the principal offices of the IIC in Washington D.C., or exceptionally at such other locations as shall be designated by the Board of Executive Directors, and meets as often as business requires.

Agendas for the meetings of the Board of Executive Directors and modifications thereof are made available to the public at the same time that they are made available to the Executive Directors. Minutes of the meetings of the Board of Executive Directors are made available to the public no later than sixty calendar days after the Board of Executive Directors approves them, with material deemed by the Board of Executive Directors as too sensitive for public disclosure redacted.

Each Executive Director is entitled to cast the number of votes which the member or member countries of the IIC whose votes counted towards his nomination or election are entitled to cast. All the votes that an Executive Director is entitled to cast, are cast together. The quorum for any meeting of the Board of Executive Directors is the majority of the Directors representing not less than two-thirds of the votes of the member countries.

Unless an Executive Director requires formal voting, the Chairman may declare any matter approved based on verbal affirmations. In the event that a formal voting is called, unless otherwise provided, all matters are decided by a majority of the votes of the member countries.

The table below shows a list of Executive Directors and Alternate Executive Directors at March 1, 2017:

| <b>Country</b>  | <b>Executive Director<br/>Alternate Executive Director</b>                             |
|---|--|
| Argentina and Haiti   | Raul Novoa (Argentina)   |
| Austria, Belgium, Germany, Italy, the Netherlands, and the People's Republic of China | Stefania Antonella Bazzoni (Italy)<br>Ute Heinbuch (Germany)                           |
| Bahamas, Barbados, Guyana, Jamaica, and Trinidad and Tobago                           | Jerry Christopher Butler (Bahamas)<br>Cheryl Anita Morris-Skeete (Barbados)            |
| Belize, Costa Rica, El Salvador, Guatemala, Honduras, and Nicaragua                   | Marlon Ramsses Tabora Muñoz (Honduras)<br>Jose Mauricio Silva (El Salvador)            |
| Bolivarian Republic of Venezuela and Panama   | Armando León Rojas (Venezuela)<br>Fernando de León de Alba (Panama)                    |
| Brazil and Suriname   | Antonio Henrique Pinheiro Silveira (Brazil)<br>Frederico Gonzaga Jayme Junior (Brazil) |
| Canada, Denmark, Finland, France, Norway, Sweden and Switzerland                      | Christian Hofer (Switzerland)<br>Joffrey Roger Celestin Urbain (France)                |

| <u>Country</u>  | <u>Executive Director</u><br><u>Alternate Executive Director</u>                       |
|---|--|
| Chile and Ecuador                                     | Kevin Cowan Logan (Chile)<br>Xavier Eduardo Santillán (Ecuador)                        |
| Colombia and Peru                                     | Sergio Diaz-Granados Guida (Colombia)<br>Patricia Maria Miloslavich Hart (Peru)        |
| Dominican Republic and Mexico                         | Juan Bosco Marti Ascencio (Mexico)<br>Carlos Augusto Pared Vidal (Dominican Republic)  |
| Israel, Japan, Portugal, Republic of Korea, and Spain | María Rodríguez de la Rúa (Spain)<br>Ana Margarida Carneiro Torres Ferreira (Portugal) |
| Paraguay, Plurinational State of Bolivia, and Uruguay | Luis Hernando Larrazabal (Bolivia)<br>Marcelo Bisogno (Uruguay)                        |
| United States of America                              | Mark Edward Lopes  |

#### *Executive Committee of the Board of Executive Directors*

The Executive Committee of the Board of Executive Directors is composed of: (i) the Director or Alternate appointed by the member country having the largest number of shares in the IIC (as of the date of this Information Memorandum, this is the United States); (ii) two Directors representing the Regional Developing Member Countries; and (iii) one Director representing the other member countries. Rotating agreements among the Directors result in a change in the composition every quarter

The Executive Committee considers all loans, investments and financing programs in Regional Developing Member Countries. To be approved, a loan or investment requires the vote of the majority of the Executive Committee, which requires a quorum of at least three members for any meeting. A report with respect to such operation approved by the Executive Committee is then submitted to the Board of Executive Directors. If requested by any Executive Director, such approved operation will be presented to the Board of Executive Directors for a vote. An operation approved by the Executive Committee shall be deemed approved by the Board of Executive Directors in the absence of such request within the period specified by the Board of Executive Directors.

#### *Audit Committee of the Board of Executive Directors*

On June 30, 2016, the Board of Executive Directors created an Audit Committee of the IIC Board of Executive Directors. The purpose of this committee is to assist the Board of Executive Directors in its oversight of (i) the IIC's accounting and financial reporting processes, and internal controls over financial reporting, (ii) the qualifications, independence, reports and written communications of the IIC's External Auditor, and (iii) the performance, work program and reports of the IIC's internal audit function, which is carried out by the IDB Office of the Executive Auditor (AUG).

#### *Key Executives and Personnel*

The Board of Executive Directors appoints the General Manager of the IIC by a four-fifths majority of the total voting power of the member countries, on the recommendation of the Chairman of the Board of Executive Directors and for such term as she/he shall indicate.

The General Manager is responsible for the ordinary business of the IIC under the direction of the Board of Executive Directors and the general supervision of the Chairman of the Board of Executive Directors. The General Manager is responsible for the organization, appointment, and dismissal of IIC officers and staff in consultation with the Board of Executive Directors and the Chairman of the Board of Executive Directors. The General Manager may participate in meetings of the Board of Executive Directors but does not have the right to vote at these meetings. The departments that provide support for project and program activities include: Investment Operations; Strategy, Development Effectiveness and Programming; Legal; Risk; and Finance and Administration. As of February 28, 2017, the IIC has approximately 228 staff and 126 consultants on-board.

The table below shows a list of key executives and management of the IIC as at March 1, 2017 (together, the "**IIC Management**").

### **IIC's Executives and Management**

| <b>Executives</b>          | <b>Position</b>                          |
|----------------------------|--|
| James P. Scriven           | General Manager                          |
| <b>Management</b>          | <b>Position</b>                          |
| H. Rosemary Jeronimides    | General Counsel                          |
| Gema Sacristán Postigo     | Chief Investment Officer                 |
| Orlando Ferreira Caballero | Chief Strategy Officer                   |
| Christian Novak            | Chief Risk Officer                       |
| María del Rocío Palafox    | Chief Finance and Administration Officer |

### **KEY BUSINESS ACTIVITIES**

The IIC pursues a variety of initiatives designed to bolster private sector competitiveness and growth in Latin America and the Caribbean (the "**Region**") while ensuring financial sustainability. The IIC encourages the establishment, expansion, and modernization of private and state-owned enterprises that do not benefit from a sovereign guarantee in such a way as to supplement the activities of the IDB. It provides both financial and non-financial products and services to clients in the Region, which include MSMEs, large corporates, financial intermediaries, partially and wholly-owned state enterprises and others. IIC activities aim to leverage its experience in the Region and mobilize additional resources in order to maximize developmental impact.

The IIC works closely with private enterprises throughout the Region to help them meet core challenges to growth, focus and refine business strategies, and embrace new technologies to improve productivity.

Projects financed by the IIC aim to offer profitable investment opportunities and foster economic development. From creating jobs and broadening capital ownership to facilitating transfers of resources and technology, projects should help spur economic growth and promote environmental stewardship. Projects that generate foreign exchange income or promote the economic integration of Latin America and the Caribbean are also eligible for IIC funding.

All projects financed by the IIC are subject to an environmental and social review process, including but not limited to an assessment of compliance with domestic environmental legislation, waste management practices, and relevant occupational health and safety issues. The IIC only invests in for-profit projects and charges market rates for the products and services it provides.

### **Investment Products**

The IIC offers a variety of financial products and services for promoting private sector development in Latin America and the Caribbean. The payment terms vary, with loan maturities ranging from 1 to 20 years at market-based fixed or floating rates with tailored repayment schedules. The U.S. dollar-denominated loan amounts generally range from U.S.\$100,000 to U.S.\$200 million. The IIC also engages in local currency lending in certain markets.

The investment services of the IIC include: corporate loans, working capital loans, project finance, financing for financial institutions, syndicated loans, equity and quasi-equity, capital market solutions, local currency financing, small business loans, and guarantees.

IIC's experience has shown that private sector enterprises needs more than financing if they are to achieve sustainable growth. They also need technical assistance to make improvements in areas ranging from corporate governance to innovation to environmental management. Accordingly, the IIC offers targeted technical assistance.



## **Corporate Financing**

In order for a company to qualify for IIC financing, it must be a profitable business, generally with audited financial statements, have good growth potential, and comply with domestic social and environmental regulations. The IIC focuses on companies with high value-added products and services, as well as on financial solutions, environmental management, social considerations, and resource mobilization.

The IIC provides financing through senior loans, subordinated debt instruments, and equity and quasi-equity investments. Loans are typically denominated in U.S. dollars, although local currency financing is also available in specific markets. Smaller loans (from U.S.\$100,000 to U.S.\$600,000) are offered in certain markets through the FINPYME Credit program. Loans can also be syndicated with other international and local banks. In addition, the IIC provides guarantees for loans and debt securities, as well as finances supply or value chains.

The structure, terms, and payment conditions for IIC financing are flexible. Loans to corporates typically have maturities of 3-10 years. Grace periods and amortization schedules are established on a case-by-case basis according to the borrower.

In addition, the IIC provides financing through syndications with other institutional investors, as well as loan guarantees and specialized financing to develop local supply chains.

## **Financial Institutions**

IIC provides financing to financial institutions to channel resources to private sector companies lacking access to adequate medium- or long-term financing. The IIC also offers a range of different services and technical assistance products for financial institutions.

IIC financing solutions can be provided to banks; microfinance institutions; leasing companies; savings and loans; and specialized financial institutions. IIC funding can be used to finance expansion projects; upgrading projects; working capital needs; financial or operating leases; trade; and discounting products and services.

Financial institutions can obtain short, medium and long-term loans; syndicated loans with other banks to expand their funding capacity; capital markets solutions, subordinated loans for capital enhancement; equity or quasi-equity products, and guarantees. In addition to financial support, financial institutions can also receive IIC specialized technical assistance on issues including environmental and social sustainability and corporate governance.

## **Project Finance**

Economic growth in Latin America and the Caribbean needs infrastructure development to help facilitate the free movement of people, goods, and services, as well as access to electric energy from clean, renewable sources.

The IIC has been a pioneer in the structuring and financing of private-sector projects in Latin America and the Caribbean. Included among the many projects the IIC has financed over the past years are, telecommunications networks, airport and port terminals, and hydroelectric, wind, thermal, and biomass power plants. The IIC offers a wide range of project finance products with: terms of up to 20 years; payment schedules tailored to the project; competitive fixed or variable interest rates; subordinated debt/quasi-equity instruments, where appropriate; mobilization of resources from other financial institutions, including commercial banks and multilateral agencies; equity investments, capital market solutions such as project bonds and guarantees, and support for improvements in corporate, financial, and environmental governance (through access to technical assistance trust funds from donor countries managed directly by the IIC or the IDB or other development finance institutions, which can be used for conducting feasibility studies, engaging independent engineers to oversee project implementation, and/or procuring consulting services to obtain carbon credits).

## **Financial Products and Services**

In addition to loans, the IIC also offers a range of financing solutions to corporates, financial intermediaries and projects, including warehousing facilities for securitization, guarantees for corporate,

project and asset backed securities, debt and equity products for funds, equity and quasi-equity investments to promote the development of private sector enterprises and financial intermediaries, and trade and supply chain finance products for financial intermediaries, SMEs and corporates.

The IIC equity investments cover a wide range of economic sectors and are designed mainly to bolster the expansion and globalization plans of growing companies and banks with proven business models. The IIC also makes equity investments in renewable energy and energy efficiency projects, offering an array of different equity and quasi-equity instruments to meet specific business and project needs in the form of: preferred shares; common shares; warrants; investments with returns pegged to revenue; subordinated loans; and convertible loans.

IIC equity investments generally range from U.S.\$2 million to U.S.\$20 million, with investment terms of 4 to 10 years, and a minority ownership interest. The IIC also offers non-financial assistance in areas such as business competitiveness, exporting, corporate governance, energy efficiency and environmental management.

### **Non-Financial Products and Services**

The IIC has continued to expand its non-financial products and services in Latin America and the Caribbean. Through these products and services, clients improve their competitiveness and access to long-term financing from the IIC and other financial institutions. IIC services, together with financing, are key tools used to support development through the private sector in Latin America and the Caribbean.

Value-added services are made possible by special contributions and a series of trust funds established by member countries and other partners. Effective January 1, 2016, the Corporation began administering certain IDB funds and funds administered by the IDB. These funds are used mainly to co-finance projects between the Corporation and the IDB and to fund non-financial products and services.

### **BUSINESS STRATEGY**

The IIC has set a clear strategic framework to guide its work throughout the next 3 years. Following a year of transition, the focus for the 2017-2019 planning cycle will be on consolidation for growth. In this period, the IIC will work to consolidate and implement specific instruments and products grouped in three categories as follows.

- (a) The IIC's impact toolbox aims to provide practical solutions to implement selectivity at origination, efficient tracking of results at the structuring, approval and supervision stages and an intelligent ex-post evaluation framework so that lessons are learned and a positive feedback loop is created to support future origination efforts.
- (b) The innovation toolbox will promote a culture that remains flexible, efficient and creative and is therefore better prepared to promote innovation through its operations in the Region.
- (c) Management is building a capital toolbox to promote rational and efficient use of resources and ensure long-term financial sustainability.

The IIC's business strategy remains grounded on three main pillars: (i) strategic selectivity; (ii) development effectiveness; and (iii) systemic approach. Strategic selectivity refers to prioritization of operations in sectors and projects where the IIC has the greatest potential to deliver positive impact in a financially sustainable manner, based on the size of the development gap, country-specific priorities, IIC expertise and additionality, and complementarity to IDB operations. The IIC follows a portfolio approach whereby it assesses the developmental and financial contributions of individual operations to the portfolio as a whole. This allows it to pursue a broader range of projects with varying degrees of development impact and financial return. Management conducts periodic portfolio reviews to hone strategic targets, ensure appropriate risk levels, and seek opportunities to enhance impact through new financial and non-financial offerings.

The current business plan outlines IIC's commitment to four strategic segments:

- (i) **Infrastructure:** The IIC will focus on its portfolio in renewable energy and transport given the gaps in the Region and the organization's leadership in these two sub-sectors. The IIC will also address social infrastructure and water and sanitation through its infrastructure segment.

Development of this area will be through building specialized capabilities through recruitment and training. These sub-sectors present opportunities for impact through collaboration across the IDBG, as well as mobilization of significant third-party resources.

- (ii) **Build capabilities and expertise in corporate sectors:** The IIC will prioritize certain sectors where it can add the most value according to a country, requirement, institutional capacity, and market conditions. To support the growth, development, and productivity of Latin America and the Caribbean ("LAC") private sector, the IIC has identified four key priority sectors where it will focus its resources and strengthen its comparative advantage: agribusiness; telecom, media, and technology ("TMT"); manufacturing; and sustainable tourism. Additionally, building on its expertise supporting the MSME segment, the IIC will continue to improve MSMEs' access to finance and support their development with technical assistance.
- (iii) **Partner with financial institutions to increase the scale of impact:** The IIC's strategic approach to working with financial intermediaries aims to make the biggest developmental impact while ensuring the financial sustainability and growth of financial intermediaries. It will work with partners to reach more sectors and beneficiaries, build and disseminate knowledge, impact priority business areas ("PBAs") and transversals, and mobilize the financial resources needed in the Region.
- (iv) **Further leverage additional products, services and solutions:** The IIC is committed to developing solutions that go beyond traditional lending to drive private sector growth in the Region. In this regard, the IIC provides technical assistance and knowledge products, supports capital markets and international trade, and leverages strategic partnerships and funds to increase the scope and scale of its impact.

These strategic segments are aligned with five PBAs that aim to accelerate sustainable development in the Region: (i) improve MSMEs' access to finance and technical assistance; (ii) improve national, regional, and inclusive infrastructure; (iii) support innovation and technological development; (iv) increase income and social mobility for vulnerable populations; and (v) promote green growth.

The PBAs constitute a bridge between individual projects the IIC undertakes and the broader systemic development impact it wishes to achieve, which are reflected in three transversal topics: (i) gender and diversity; (ii) environment and social sustainability; and (iii) enabling environment.

### **Expected Result: Enhanced Development Impact**

Since inception, the IIC's mission has been to provide the private sector with greater access to financial resources and technical assistance to expand and improve their operations, create jobs, and promote environmental and social sustainability. Inadequate access to finance is still an important factor contributing to issues of income inequality in LAC and its slower economic growth. The IIC is working not only to improve access to finance in the Region, but also to document the impact of its interventions and use this knowledge to better serve the private sector.

IIC adheres to rigorous standards to ensure sustainable development and offer unique and innovate products. Although the IIC is limited in size and scope, it aims to target its interventions in ways to maximize impact through: careful market segmentation; intelligent deployment of IIC's products; assessment of projects' economic development impact, selective use of resources; and building new and fully leveraging existing partnerships.

### **SOURCES OF FUNDING**

The IIC funds its operations with capital, debt and bond issuances in the capital markets.

The IIC issues only whole shares. In 1999, the IIC authorized a general capital increase ("GCI-I") and all the available shares were subscribed for with a par value of ten thousand dollars each. All shares were paid in full except for 4 shares that remained unpaid as of October 1, 2016. These shares will be offered for subscription in the future as per the terms and conditions to reallocate shares of the GCI-II.

On March 30, 2015, the Boards of Governors of the IIC and the IDB approved the Reorganization of the IDB Group private sector activities into the IIC and authorized the IIC's GCI-II. The GCI-II increases the

IIC's authorized capital stock by U.S.\$2.03 billion, to U.S.\$2.74 billion equivalent to the issuance of 196,064 shares.

Subscribed shares are recorded at the stock issuance price of U.S.\$16,178.6 each and are expected to be paid in over time. Shares corresponding to transfers from the IDB, on behalf of its member countries, will be conditional upon annually approved transfers by the Board of Governors of the IDB expected to begin in 2018 and extending through 2025.

Consistent with its growth objectives, the IIC pursues a strategy of expanding and diversifying its funding sources. To this end, its main funding source consists of issued bonds through its Euro Medium Term Note (EMTN) program and bilateral and syndicated loans negotiated with commercial banks. Alongside this type of financing, the IIC has also issued bonds in local capital markets in Latin America.

As an example of its work on local capital markets, the IIC issued local-currency bonds in Mexico in 2007, 2011 and 2012 and in Colombia in 2005. The proceeds of each of these bond issuances were used to provide local currency financing to private sector enterprises in those countries.

The IIC has available a renewable credit facility with the IDB amounting to U.S.\$300 million, which has been in place since 1997. In August 2008, the IIC borrowed U.S.\$100 million under this facility and U.S.\$200 million remains available for disbursement. Borrowings under the IDB facility are due fifteen years after the respective disbursement. This facility has been renewed four times, and expires in November 2020.

As of December 31, 2016, the IIC has one foreign currency credit facility amounting to U.S.\$48 million (1 billion Mexican pesos). During 2016, the IIC borrowed U.S.\$29 million (600 million Mexican pesos) and U.S.\$19 million remains available for disbursement (400 million Mexican pesos). This borrowing is due to be repaid in May 2017 and the facility is renewable and expires in April 2018. The IIC has other credit facilities available amount to U.S.\$80 million that matures in January 2018. As of December 31, 2016, outstanding borrowings denominated in foreign currency amounted to U.S.\$30 million and total borrowings outstanding amounted to U.S.\$1,062 million.

Article III Section 7(a) of the Establishing Agreement authorizes the IIC to borrow funds for an amount not to exceed three times the sum of its subscribed capital, earned surplus and reserves. However, the IIC's Management has set a prudential debt ceiling target at two-thirds of this authority.

## **FINANCIAL DATA**

The table below summarizes the IIC's main financial variables. The sections that follow provide more detailed information on the IIC's financial performance.

## Selected Financial Data

The following information is based upon and should be read in conjunction with, the detailed information appearing in this document and in the IIC's financial statements

(Amounts expressed in thousands of United States dollars)

|   | Years ended December 31 |           |
|---|-------------------------|-----------|
|   | 2015                    | 2016      |
| <b>Balance Sheet Data</b>                           |                         |           |
| Cash and Marketable Securities .....                | 528,607                 | 1,274,913 |
| Gross Loan and Equity Investments .....             | 990,748                 | 886,507   |
| Less Allowance for losses .....                     | (36,746)                | (34,938)  |
| Total Investments .....                             | 954,002                 | 851,569   |
| Total Assets .....                                  | 1,505,296               | 2,146,724 |
| Borrowings outstanding .....                        | 598,456                 | 1,062,383 |
| Total Liabilities .....                             | 647,972                 | 1,124,742 |
| Paid-In Capital .....                               | 703,163                 | 857,802   |
| Retained Earnings .....                             | 173,146                 | 190,917   |
| Accumulated other (loss)/ income <sup>1</sup> ..... | (18,985)                | (26,737)  |
| Total Equity .....                                  | 857,324                 | 1,021,982 |
| <b>Income Statement Data</b>                        |                         |           |
| Total Income .....                                  | 56,897                  | 114,134   |
| Total Income, Net of Interest Expense .....         | 47,454                  | 101,579   |
| Total Operating Expenses .....                      | 50,006                  | 81,249    |
| Net Income .....                                    | 3,002                   | 17,771    |
| <b>Ratios</b>                                       |                         |           |
|   | <i>(per cent.)</i>      |           |
| Return on Average Assets .....                      | 0.2%                    | 1.0%      |
| Return on Average Equity .....                      | 0.4%                    | 1.9%      |
| Debt to Equity .....                                | 70%                     | 104%      |
| Equity to Assets .....                              | 57%                     | 48%       |
| Liquidity to total assets .....                     | 35%                     | 59%       |

<sup>1</sup>This account reflects the changes in assets/liabilities balance of the IIC's pension plan

## Financial Statement Reporting

The accounting and reporting policies of the IIC conform to U.S. generally accepted accounting principles ("US GAAP"). References to US GAAP issued by the Financial Accounting Standards Board ("FASB") in the notes to the IIC's financial statements are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC. All amounts presented in the IIC's financial statements and notes are expressed, unless otherwise indicated, in thousands of United States dollars, which is the IIC's functional and reporting currency.

## FINANCIAL RESULTS

In 2016, the first year after the consolidation of the IDBG private sector operations into the IIC (IDBG NSG Reform), the IIC reported net income of \$17.7 million (compared to \$3.0 million for 2015). This marks fourteen consecutive years of profits. During 2016, the Corporation's total equity grew by 19%, from \$857 million in 2015 to \$1,022 million in 2016. This increase in IIC's equity base resulted from \$154.6 million in capital contributions and positive retained earnings from current year net income.

During 2016, development-related assets, measured as gross loans and equity outstanding (GLEO), decreased from \$1.0 billion in 2015 to \$0.9 billion in 2016, mainly due to the strategic reorientation of IIC operations to increase the focus in new priority sectors, specifically infrastructure, prudent business expansion in the wake of the IDBG NSG Reform, as well as repayments outpacing disbursements. During 2016, IIC successfully closed transactions, adding \$130 million of undisbursed commitments to GLEO by the end of the year.

Total income, net of borrowing-related expenses, amounted to \$101.6 million in 2016, \$54.1 million higher than in 2015. The increase in total income compared to the prior year is mainly related to administrative fees for managing the IDB's private sector portfolio of \$51.4 million, higher income from equity investments of \$5.1 million, and higher income from the investment securities portfolio of \$4.1 million, which were partially offset by credit related adjustments in loan loss provisions and impairments on equity investments of \$8.1 million. Conversely, operating expenses increased from \$50.0 million in 2015 to \$81.2 million in 2016, reflecting higher administrative expenses, which increased by \$34.9 million mainly due to the increase in workforce from the IDBG NSG Reform.

The IIC's paid-in capital rose by \$154.6 million driven by the first annual installment of the IIC's Second General Capital Increase. As of December 31, 2016, all 80,662 shares offered to member countries under Annex A of the Busan Resolution were subscribed.

## **ASSET QUALITY**

The IIC maintained a high-quality portfolio in 2016. The main indicators of asset quality remained remarkably stable despite the fall in the region's GDP for the second consecutive year and persistently low commodity prices. The portfolio past due by one day or more had an outstanding amount of \$15.2 million in 2016, equivalent to 1.8% of the loan portfolio, in line with the three-year average of 1.7%. The ratio of impaired loans to loan portfolio outstanding remained unchanged at 1.0% in 2016. All transactions have adequate collateral coverage and are closely monitored by the IIC. Moreover, loan loss provisions coverage is 230% for past due loans and 397% for impaired loans.

## **CAPITAL ADEQUACY**

The IIC's solvency ratios remained very strong in 2016. Its capital-to-total-assets ratio came back to previous years' level at 48% as of December 2016, decreasing from 57% in 2015. This decrease was mainly driven by the U.S.\$500 million Euro Medium Term Note (EMTN) issuance in April 2016 that was partially offset by the increase in the IIC's equity base. Considering its capital and loan loss provision levels as of December 2016, the IIC has a coverage of 119% of its total development-related asset exposure.

## **LEVERAGE AND LIQUIDITY**

In April 2016, the IIC launched its third and largest debt offering under its EMTN Program with a U.S.\$500 million 3-year Floating Rate Note, bringing the total borrowing outstanding to U.S.\$1.1 billion at the end of 2016.

The liabilities-to-capital ratio increased to 1.1 in comparison to 0.8 the year before, staying well below the maximum level of 3.0 established by the Agreement Establishing the IIC. The IIC's liquidity ratios remained strong with a liquidity to total assets ratio of 59% in 2016 and a liquidity to financial debt ratio of 120% in 2016.

## **PENSION AND POST RETIREMENT BENEFIT PLANS**

Consequent to the IDBG NSG Reform, 92 personnel transferred from the IDB's to the IIC's Pension Plan and Postretirement Benefit Plan (PRBP). The IIC's Pension Plan is 85% funded (\$27.1 million underfunded) and the PRBP is 98% funded (\$2.1 million underfunded) as of December 31, 2016. The funded status of the Pension Plan decreased \$3.1 million and the PRBP decreased \$4.0 million from 2015. The changes to the funded status of the Pension Plan and PRBP were driven by a decrease to the discount rates of 0.18% and 0.19%, respectively, as a result of current economic and financial conditions, resulting in a higher actuarial value of the Plans' projected liabilities. This decrease was partially offset by positive returns on plan assets of 8.04% for the Pension Plan and 7.78% for the PRBP driven by strong capital markets' performance in 2016.

## **FINANCIAL RISK MANAGEMENT**

The IIC provides a range of financing alternatives including direct loans, guarantees, quasi-equity and equity investments, and credit lines to financial intermediaries. This activity exposes the IIC to credit risk, market risk (exchange rate, interest rate, and spread risks), liquidity risk and operational risk.

To manage the risk inherent in its activities, the IIC conducts its operations within a framework of financial and risk management policies and a risk-management decision-making process.

There is a systematic approval process in place to incorporate any development related asset to the IIC's portfolio, which includes an analysis of the credit risk and the safety, liquidity and yield of proposed investments. The IIC seeks diversification of the asset operations in the Development, or project portfolio, and the Liquidity, or treasury portfolio, to mitigate these risks. To this effect the IIC Operating Policy establishes well defined exposure limits by: country, sector, client, economic group, unregulated financial intermediaries, global financial groups, regional financial groups, and relative levels in equity and quasi-equity investments, among other limits.

The same IIC Operating Policy also defines the main guidelines for the supervision of the portfolio. Once a loan or equity operation becomes part of the IIC's portfolio, the Portfolio Management Division and Management's Portfolio Supervision Committee are responsible for monitoring.

The portfolio is monitored by personnel in its headquarters in Washington D.C., and in the regional offices. Individual transactions are reviewed at least once a year, which generally involves a field visit. Certain transactions facing critical risks are reviewed with greater frequency. The allowance for losses are adjusted accordingly to the specific issues foreseen or structural improvements in performance in such a way that the provisions are maintained at a level that, in IIC Management's judgment, is adequate to absorb estimated probable losses in the loan portfolio.

Management's judgment is based on the risk ratings and performance of individual loan investments, economic conditions, and other factors. These ratings are based on past experience, available market information, and on financial statements prepared in accordance with locally accepted accounting principles. They take into account country and regulatory risk as well as company risk. The latter includes the financial and competitive position of the company, sponsor quality and support and loan structure including collateral.

The IIC's loan and equity portfolio is composed mainly of corporate and financial institution loans. Among the main drivers of the credit risk in this portfolio are the following:

- (i) lower demand that could lead to an excess of supply and lower prices impacting company revenues;
- (ii) higher costs of raw materials that could lead to lower margins;
- (iii) a higher rate of inflation;
- (iv) deterioration of the financial position of the end-users that purchase the goods and services from borrowers that could lead to an increase in more days of account receivables putting pressure on higher working capital needs;
- (v) liquidity constraints in the country, which could lead to higher interest expenses and lower credit supply by financial intermediaries;
- (vi) some companies are exposed to exchange risk given that their income stream is provided mainly by local sales, therefore some companies face income volatility due to their exchange rate gap;
- (vii) some loans are related to the implementation of expansion projects or start-up operations and risks related to cost over-runs, due to delays or cost increases during the implementation process;
- (viii) the political and regulatory environment could also affect some companies compared to other competitors from foreign countries that sell their products in the same market;
- (ix) the demand of financial services could be hindered by lower growth expectations of the economy or higher burdens foreseen by the economic agents. Moreover, a decrease in the market interest rate could impact the income of IIC clients in the financial sector; and
- (x) any deterioration in the macroeconomic conditions and the competitiveness of the borrowers could impact the credit quality of the portfolio of the financial intermediaries and have impact on their earnings due to higher provision.

A market and operational risk management team monitors non-credit risks within defined frameworks. For market risk, IIC operating policy provides guidelines that set forth the aim of minimizing mismatches in key market risk exposures. In addition, management provides additional oversight through a finance and asset liability management committee and an operational risk management committee.

## **RATINGS**

The IIC's ratings as at the date of this Information Memorandum are AA/Stable/A-1+ by S&P, Aa1/Stable/P-1 by Moody's and AAA/Stable/F1+ by Fitch. In the case of S&P, the latest change in the rating was an upgrade approved in July 2010, which has been affirmed ever since and remains the current

rating as of their latest report in July 2016. In the case of Moody's, the rating was upgraded from Aa2 to Aa1 and the outlook changed from positive to stable in March 2016. As Moody's expressed in its press release dated March 31, 2016, the key drivers for the rating upgrade were "1) evidence of increased member support following the Board of Governors' decision to consolidate the Inter-American Development Bank (IADB) Group private sector operations at the IIC and the capital subscription process; 2) Moody's expectation that as the IIC expands its operations over the next five years, its intrinsic financial strength metrics will remain very strong relative to Aaa- and other Aa1-rated multilateral development banks." Lastly, the Fitch rating was issued in March 2012 and was affirmed in February 2017 demonstrating further confidence in IIC.



## 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. Prospective purchasers of Notes should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Information Memorandum and is subject to any change in law that may take effect after such date.*

### General

Payments of principal and interest on the Notes generally are not exempt from taxation.

Payments of principal and interest on the Notes are not subject to tax by any member country if such tax discriminates against the Notes solely because they are issued by the IIC or if the sole jurisdictional basis for such tax is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the IIC.

The imposition of U.S. federal income tax on Notes held by U.S. Holders as described below under "Certain U.S. Federal Income Tax Considerations" is not inconsistent with the provisions of the Charter.

### Certain U.S. Federal Income Tax Considerations

#### *U.S. Holders*

The following summary discusses the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of the Notes. Except as specifically noted below, this discussion applies only to:

- Notes purchased on original issuance at their issue price (as defined below);
- Notes held as capital assets; and
- U.S. Holders (as defined below).

This discussion does not describe all of the tax consequences that may be relevant in light of a Noteholder's particular circumstances or to Noteholders subject to special rules, such as:

- financial institutions;
- insurance companies;
- dealers in securities or foreign currencies;
- persons holding Notes as part of a hedging transaction, straddle, conversion transaction or other integrated transaction;
- U.S. Holders whose functional currency is not the U.S. dollar;
- partnerships or other entities classified as partnerships for U.S. federal income tax purposes; or
- former citizens and residents of the United States.

This summary is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed U.S. Treasury Regulations all as of the date of this Information Memorandum and any of which may at any time be repeated, revised or subject to differing interpretation, possibly retroactively so as to result in U.S. federal income tax consequences different from those described below. Persons considering the purchase of the Notes should consult the relevant Pricing Supplement for any additional discussion regarding U.S. federal income taxation and should consult their tax advisers with regard to the application of the U.S. federal income tax laws to their particular situations as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

This summary does not discuss Notes with a maturity of greater than 30 years, the impact of redenomination of a Note, Notes that by their terms may be retired for an amount less than their principal amount and Notes subject to special rules. It also does not address the impact of the alternative minimum tax rules or the medicare tax on net investment income. The tax treatment of certain Notes such as, for example, Index-Linked Notes or Dual Currency Notes, may be specified in the relevant Pricing Supplement. Moreover, this summary does not discuss Bearer Notes. In general, U.S. federal income tax law imposes significant limitations on U.S. Holders of Bearer Notes. U.S. Holders should consult their tax advisers regarding the restrictions and penalties imposed under U.S. federal income tax law with respect to Bearer Notes and any other tax consequences with respect to the acquisition, ownership and disposition of any of these Notes.

As used herein, the term "**U.S. Holder**" means a beneficial owner of a Note that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation created or organised in or under the laws of the United States or of any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Notes, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and upon the activities of the partnership. Partners of partnerships holding Notes should consult with their tax advisers regarding the U.S. federal tax consequences of an investment in the Notes.

#### *Payments of Stated Interest*

Interest paid on a Note will be taxable to a U.S. Holder as ordinary interest income at the time it accrues or is received in accordance with the Noteholder's method of accounting for U.S. federal income tax purposes, provided that the interest is "qualified stated interest" (as defined below). Interest income earned by a U.S. Holder with respect to a Note will constitute foreign source income for U.S. federal income tax purposes, which may be relevant in calculating the Noteholder's foreign tax credit limitation. The rules regarding foreign tax credits are complex and prospective investors should consult their tax advisers about the application of such rules to them in their particular circumstances. Special rules governing the treatment of interest paid with respect to original issue discount notes and foreign currency notes are described under "*—Original Issue Discount,*" "*—Contingent Payment Debt Instruments,*" and "*—Foreign Currency Notes.*"

#### *Original Issue Discount*

A Note that has an "issue price" that is less than its "stated redemption price at maturity" will be considered to have been issued with original issue discount for U.S. federal income tax purposes (and will be referred to as an "original issue discount Note") unless the Note satisfies a *de minimis* threshold (as described below) or is a short-term Note (as defined below). The "issue price" of a Note generally will be the first price at which a substantial amount of the Notes is sold to the public (which does not include sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers). The "stated redemption price at maturity" of a Note generally will equal the sum of all payments required to be made under the Note other than payments of "qualified stated interest." "Qualified stated interest" is stated interest unconditionally payable (other than in debt instruments of the Issuer) at least annually during the entire term of the Note at a single fixed rate of interest, at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the Note is denominated.

If the difference between a Note's stated redemption price at maturity and its issue price is less than a *de minimis* amount, i.e., 1/4 of 1 per cent. of the stated redemption price at maturity multiplied by the number of complete years to maturity (or weighted average maturity if any amount included in the stated redemption price at maturity is payable before maturity), the Note will not be considered to have original issue discount. U.S. Holders of the Notes with a *de minimis* amount of original issue discount will include this original issue discount in income, as capital gain, on a pro rata basis as principal payments are made on the Note.

U.S. Holders of original issue discount Notes that mature more than one year from their date of issuance will be required to include original issue discount in income for U.S. federal income tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, regardless of whether cash attributable to this income is received. Under these rules, U.S. Holders generally will have to include in taxable income, increasingly greater amounts of original issue discount in successive accrual periods.

A U.S. Holder may make an election to include in gross income all interest that accrues on any particular Note (including stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortisable bond premium or acquisition premium) in accordance with a constant yield method based on the compounding of interest, and generally may revoke such election only with the permission of the U.S. Internal Revenue Service ("**IRS**") (a "**constant yield election**"). If a U.S. Holder makes a constant yield election with respect to a Note with market discount (discussed below), the U.S. Holder will be treated as having made an election to include market discount in income currently over the life of all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies. U.S. Holders should consult their tax advisers about making this election in light of their particular circumstances.

A Note that matures one year or less from its date of issuance (a "**short-term Note**") will be treated as being issued at a discount and none of the interest paid on the Note will be treated as qualified stated interest regardless of issue price. In general, a cash method U.S. Holder of a short-term Note is not required to accrue the discount for U.S. federal income tax purposes unless it elects to do so. Cash method U.S. Holders who do not elect to accrue the discount should include stated interest payments on short-term Notes as ordinary income upon receipt. Cash method U.S. Holders who do elect to accrue the discount and certain other Noteholders, including those who report income on the accrual method of accounting for U.S. federal income tax purposes, are required to include the discount in income as it accrues on a straight-line basis, unless another election is made to accrue the discount according to a constant yield method based on daily compounding. In the case of a U.S. Holder who is not required and who does not elect to include the discount in income currently, any gain realised on the sale, exchange, or retirement of the short-term Note will be ordinary income to the extent of the discount accrued on a straight-line basis (or, if elected, according to a constant yield method based on daily compounding) through the date of sale, exchange or retirement. In addition, those U.S. Holders will be required to defer deductions for any interest paid on indebtedness incurred to purchase or carry short-term Notes in an amount not exceeding the accrued discount until the accrued discount is included in income.

The Issuer may have an unconditional option to redeem, or U.S. Holders may have an unconditional option to require the Issuer to redeem, a Note prior to its stated maturity date. Under applicable regulations, if the Issuer has an unconditional option to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if, by utilizing any date on which the Note may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the Note as the stated redemption price at maturity, the yield on the Note would be lower than its yield to maturity. If the U.S. holders have an unconditional option to require the Issuer to redeem a Note prior to its stated maturity date, this option will be presumed to be exercised if making the same assumptions as those set forth in the previous sentence, the yield on the Note would be higher than its yield to maturity. If it was presumed that an option would be exercised but it is not in fact exercised, the Note would be treated solely for purposes of calculating original issue discount as if it were redeemed, and a new Note were issued, on the presumed exercise date for an amount equal to the Note's adjusted issue price on that date. The adjusted issue price of an original issue discount Note is defined as the sum of the issue price of the Note and the aggregate amount of previously accrued original issue discount, less any prior payments other than payments of qualified stated interest.

### *Market Discount*

If a U.S. Holder purchases a Note (other than a short-term Note) for an amount that is less than its stated redemption price at maturity or, in the case of an original issue discount Note, its adjusted issue price, the amount of the difference will be treated as market discount for U.S. federal income tax purposes, unless this difference is less than a specified *de minimis* amount.

A U.S. Holder will be required to treat any principal payment (or, in the case of an original issue discount Note, any payment that does not constitute qualified stated interest) on, or any gain on the sale, exchange, retirement or other disposition of a Note, including disposition in certain nonrecognition transactions, as ordinary income to the extent of the market discount accrued on the Note at the time of the payment or disposition unless this market discount has been previously included in income by the U.S. Holder pursuant to an election by the Noteholder to include market discount in income as it accrues. An election to include market discount in income as it accrues applies to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which such election applies and may not be revoked without the consent of the IRS. In addition, a U.S. Holder that does not elect to include market discount in income currently may be required to defer, until the maturity of the Note or its earlier disposition (including certain nontaxable transactions), the deduction of all or a portion of the interest expense on any indebtedness incurred or maintained to purchase or carry such Note.

Market discount will accrue on a straight line basis unless a U.S. Holder makes an election with respect to a particular note to accrue on a constant yield basis (as described under "*Original Issue Discount*"). Such election will result in a deemed election for all market discount bonds acquired by the Noteholder on or after the first day of the first taxable year to which such election applies.

### *Acquisition Premium and Amortisable Bond Premium*

A U.S. Holder who purchases a Note for an amount that is greater than the Note's adjusted issue price but less than or equal to sum of all amounts payable on the Note after the purchase date other than payments of qualified stated interest will be considered to have purchased the Note at an acquisition premium. Under the acquisition premium rules, the amount of original issue discount that the U.S. Holder must include in its gross income with respect to the Note for any taxable year will be reduced by the portion of acquisition premium properly allocable to that year.

If a U.S. Holder purchases a Note for an amount that is greater than the stated redemption price at maturity, the Noteholder will be considered to have purchased the Note with amortisable bond premium equal in amount to the excess of the purchase price over the amount payable at maturity. The Noteholder may elect to amortise this premium, using a constant yield method, over the remaining term of the Note. A Noteholder who elects to amortise bond premium must reduce its tax basis in the Note by the amount of the premium amortised in any year. An election to amortise bond premium applies to all taxable debt obligations then owned and thereafter acquired by the Noteholder and may be revoked only with the consent of the IRS.

If a U.S. Holder makes a constant yield election (as described under "*Original Issue Discount*") for a Note with amortisable bond premium, such election will result in a deemed election to amortise bond premium for all of the Noteholder's debt instruments with amortisable bond premium.

### *Sale, Exchange or Retirement of the Notes*

Upon the sale, exchange or retirement of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the Noteholder's adjusted tax basis in the Note. A U.S. Holder's adjusted tax basis in a Note generally will equal the acquisition cost of the Note increased by the amount of original issue discount and market discount included in the Holder's gross income and decreased by any bond premium or acquisition premium previously amortised and by the amount of any payment received from the Republic other than a payment of qualified stated interest. Gain or loss, if any, will generally be U.S. source income for purposes of computing a U.S. Holder's foreign tax credit limitation. For these purposes, the amount realised does not include any amount attributable to accrued but unpaid qualified stated interest on the Note. Amounts attributable to accrued but unpaid qualified stated interest are treated as payments of interest as described under "*Payments of Stated Interest*."

Gain or loss realised on the sale, exchange or retirement of a Note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale, exchange or retirement the U.S. Holder has held the Note for more than one year. The tax rate for long-term capital gains of non-corporate taxpayers is scheduled to increase for taxable years beginning on or after January 1, 2013. Exceptions to this general rule apply to the extent of any accrued market discount or, in the case of a short-term Note, to the extent of any accrued discount not previously included in the Noteholder's taxable income. See "*Original Issue Discount*" and "*Market Discount*." In addition, other exceptions to this general rule apply in the case of foreign currency Notes, and contingent payment debt instruments. See "*Foreign Currency Notes*" and "*Contingent Payment Debt Instruments*." The deductibility of capital losses is subject to limitations.

#### *Contingent Payment Debt Instruments*

If the terms of the Notes provide for certain contingencies that affect the timing and amount of payments (including Notes with a variable rate or rates that do not qualify as "variable rate debt instruments" for purposes of the original issue discount rules) they generally will be "contingent payment debt instruments" for U.S. federal income tax purposes. Under the rules that govern the treatment of contingent payment debt instruments, no payment on such Notes qualifies as qualified stated interest. Rather, a U.S. Holder must account for interest for U.S. federal income tax purposes based on a "comparable yield" and the differences between actual payments on the Note and the Note's "projected payment schedule" as described below. The comparable yield is determined by us at the time of issuance of the Notes. The comparable yield may be greater than or less than the stated interest, if any, with respect to the Notes. Solely for the purpose of determining the amount of interest income that a U.S. Holder will be required to accrue on a contingent payment debt instrument, the Republic will be required to construct a "projected payment schedule" that represents a series of payments the amount and timing of which would produce a yield to maturity on the contingent payment debt instrument equal to the comparable yield.

**Neither the comparable yield nor the projected payment schedule constitutes a representation by the Republic regarding the actual amount, if any, that the contingent payment debt instrument will pay.**

For U.S. federal income tax purposes, a U.S. Holder will be required to use the comparable yield and the projected payment schedule established by the Republic in determining interest accruals and adjustments, unless the Noteholder timely discloses and justifies the use of a different comparable yield and projected payment schedule to the IRS.

A U.S. Holder, regardless of the Noteholder's method of accounting for U.S. federal income tax purposes, will be required to accrue interest income on a contingent payment debt instrument at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of any contingent payments on the contingent payment instrument (as set forth below).

A U.S. Holder will be required to recognise interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a contingent payment debt instrument for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a contingent payment debt instrument for a taxable year:

- will first reduce the amount of interest in respect of the contingent payment debt instrument that a Noteholder would otherwise be required to include in income in the taxable year; and
- to the extent of any excess, will give rise to an ordinary loss equal to so much of this excess as does not exceed the excess of:
  - the amount of all previous interest inclusions under the contingent payment debt instrument over
  - the total amount of the U.S. Holder's net negative adjustments treated as ordinary loss on the contingent payment debt instrument in prior taxable years.

A net negative adjustment is not subject to the two per cent. floor limitation imposed on miscellaneous deductions. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the contingent payment debt instrument or to reduce the amount realised on a sale, exchange or retirement of the contingent payment debt instrument. Where

a U.S. Holder purchases a contingent payment debt instrument for a price other than its adjusted issue price, the difference between the purchase price and the adjusted issue price must be reasonably allocated to the daily portions of interest or projected payments with respect to the contingent payment debt instrument over its remaining term and treated as a positive or negative adjustment, as the case may be, with respect to each period to which it is allocated.

Upon a sale, exchange or retirement of a contingent payment debt instrument, a U.S. Holder generally will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the Noteholder's adjusted basis in the contingent payment debt instrument. A U.S. Holder's adjusted basis in a Note that is a contingent payment debt instrument generally will be the acquisition cost of the Note, increased by the interest previously accrued by the U.S. Holder on the Note under these rules, disregarding any net positive and net negative adjustments, and decreased by the amount of any noncontingent payments and the projected amount of any contingent payments previously made on the Note. A U.S. Holder generally will treat any gain as interest income, and any loss as ordinary loss to the extent of the excess of previous interest inclusions in excess of the total net negative adjustments previously taken into account as ordinary losses, and the balance as capital loss. The deductibility of capital losses is subject to limitations. In addition, if a Noteholder recognises loss above certain thresholds, the Noteholder may be required to file a disclosure statement with the IRS (as described under "*—Reportable Transactions*").

A U.S. Holder will have a tax basis in any property, other than cash, received upon the retirement of a contingent payment debt instrument equal to the fair market value of the property, determined at the time of retirement. The Noteholder's holding period for the property will commence on the day immediately following its receipt. Special rules apply to contingent payment debt instruments that are denominated, or provide for payments, in a currency other than the U.S. dollar ("**Foreign Currency Contingent Payment Debt Instruments**"). Very generally, these instruments are accounted for like a contingent payment debt instrument, as described above, but in the currency of the Foreign Currency Contingent Payment Debt Instruments. The relevant amounts must then be translated into U.S. dollars. The rules applicable to Foreign Currency Contingent Payment Debt Instruments are complex and U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of such instruments.

#### *Foreign Currency Notes*

The following discussion summarizes the principal U.S. federal income tax consequences to a U.S. Holder of the ownership and disposition of the Notes that are denominated in a specified currency other than the U.S. dollar or the payments of interest or principal on which are determined by reference to a currency other than the U.S. dollar ("**foreign currency Notes**").

The rules applicable to foreign currency Notes could require some or all gain or loss on the sale, exchange or other disposition of a foreign currency Note to be recharacterised as ordinary income or loss. The rules applicable to foreign currency Notes are complex and may depend on the Noteholder's particular U.S. federal income tax situation. For example, various elections are available under these rules, and whether a Noteholder should make any of these elections may depend on the Noteholder's particular U.S. federal income tax situation. U.S. Holders are urged to consult their tax advisers regarding the U.S. federal income tax consequences of the ownership and disposition of foreign currency Notes.

A U.S. Holder who uses the cash method of accounting and who receives a payment of qualified stated interest in a foreign currency with respect to a foreign currency Note will be required to include in income the U.S. dollar value of the foreign currency payment (determined on the date the payment is received) regardless of whether the payment is in fact converted to U.S. dollars at the time, and this U.S. dollar value will be the U.S. Holder's tax basis in the foreign currency.

An accrual method U.S. Holder will be required to include in income the U.S. dollar value of the amount of interest income (including original issue discount or market discount, but reduced by acquisition premium and amortisable bond premium, to the extent applicable) that has accrued and is otherwise required to be taken into account with respect to a foreign currency Note during an accrual period. The U.S. dollar value of the accrued income will be determined by translating the income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the taxable year. The U.S. Holder will recognise ordinary income or loss with respect to accrued interest income on the date the income is actually received. The

amount of ordinary income or loss recognised will equal the difference between the U.S. dollar value of the foreign currency payment received (determined on the date the payment is received) in respect of the accrual period and the U.S. dollar value of interest income that has accrued during the accrual period (as determined above). Rules similar to these rules apply in the case of a cash method taxpayer required to currently accrue original issue discount or market discount.

An accrual method U.S. Holder or cash method U.S. Holder accruing original issue discount may elect to translate interest income (including original issue discount) into U.S. dollars at the spot rate on the last day in the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the partial accrual period in the taxable year) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Original issue discount, market discount, acquisition premium and amortisable bond premium on a foreign currency Note are to be determined in the relevant foreign currency. Where the taxpayer elects to include market discount in income currently, the amount of market discount will be determined for any accrual period in the relevant foreign currency and then translated into U.S. dollars on the basis of the average rate in effect during the accrual period. Exchange gain or loss realised with respect to such accrued market discount shall be determined in accordance with the rules relating to accrued interest described above. Accrued market discount (other than market discount currently included in income) taken into account upon the receipt of any partial principal payment or upon the sale, retirement or other disposition of a Note is translated into U.S. dollars at the spot rate on such payment or disposition date.

If an election to amortise bond premium is made, amortisable bond premium taken into account on a current basis shall reduce interest income in units of the relevant foreign currency. Exchange gain or loss is realised on amortised bond premium with respect to any period by treating the bond premium amortised in the period in the same manner as payments on the sale, exchange or retirement of the foreign currency Note, as described below. Any exchange gain or loss will be ordinary income or loss as described below. If the election is not made, any loss realised on the sale, exchange or retirement of a foreign currency Note with amortisable bond premium by a U.S. Holder who has not elected to amortise the premium will be a capital loss to the extent of the bond premium.

A U.S. Holder's tax basis in a foreign currency Note, and the amount of any subsequent adjustment to the Noteholder's tax basis, will be the U.S. dollar value amount of the foreign currency amount paid for such foreign currency Note, or of the foreign currency amount of the adjustment, determined on the date of the purchase or adjustment. A U.S. Holder who purchases a foreign currency Note with previously owned foreign currency will recognise ordinary income or loss in an amount equal to the difference, if any, between such U.S. Holder's tax basis in the foreign currency and the U.S. dollar fair market value of the foreign currency Note on the date of purchase.

Gain or loss realised upon the sale, exchange or retirement of a foreign currency Note that is attributable to fluctuation in currency exchange rates will be ordinary income or loss that will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the payment is received or the Note is disposed of, and (ii) the U.S. dollar value of the foreign currency principal amount of the Note, determined on the date the U.S. Holder acquired the Note. Payments received attributable to accrued interest will be treated in accordance with the rules applicable to payments of interest on foreign currency Notes described above. The foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by the Noteholder on the sale, exchange or retirement of the foreign currency Note. The source of the foreign currency gain or loss will be determined by reference to the residence of the Noteholder on whose books the Note is properly reflected. Any gain or loss realised by these Noteholders in excess of the foreign currency gain or loss will be capital gain or loss except to the extent of any accrued market discount or, in the case of short-term Note, to the extent of any discount not previously included in the Noteholder's income provided that the Note is not a Foreign Currency Contingent Payment Debt Instrument. Noteholders should consult their tax advisers with respect to the tax consequences of receiving payments in a currency different from the currency in which payments with respect to such Note accrue.

A U.S. Holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a foreign currency Note equal to the U.S. dollar value of the foreign currency, determined at the time

of sale, exchange or retirement. A cash method taxpayer who buys or sells a foreign currency Note that is traded on an established securities market is required to translate units of foreign currency paid or received into U.S. dollars at the spot rate on the settlement date of the purchase or sale. Accordingly, no exchange gain or loss will result from currency fluctuations between the trade date and the settlement date of the purchase or sale. An accrual method taxpayer may elect the same treatment for all purchases and sales of foreign currency obligations **provided that** the Notes are traded on an established securities market. This election cannot be changed without the consent of the IRS. If either (i) the Note is not traded on an established securities market or (ii) it is and the holder is an accrual method taxpayer that does not make the election described above with respect to such Note, exchange gain or loss may result from currency fluctuations between the trade date and the settlement date of the purchase or sale. Any gain or loss realized by a U.S. Holder on a sale or other disposition of foreign currency (including its exchange for U.S. dollars or its use to purchase foreign currency Notes) will be ordinary income or loss.

#### *Certain Reporting Obligations*

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.\$50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other U.S. Holders. In the event the acquisition, ownership or disposition of the Notes constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Prospective purchasers should consult their tax advisers regarding the application of these rules to the acquisition, ownership or disposition of the Notes.

In addition, U.S. Holders should consult their tax advisers about any additional reporting obligations that may apply as a result of the acquisition, holding or disposition of the Notes. Failure to comply with certain reporting obligations could result in the imposition of substantial penalties.

#### *Information Reporting and Backup Withholding*

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A U.S. Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the Noteholder's U.S. federal income tax liability and may entitle the Noteholder to a refund, provided that the required information is timely furnished to the IRS.

#### *Non-U.S. Holders*

The following summary describes certain U.S. federal income tax consequences of the acquisition, ownership and disposition of a Note by a Non-U.S. Holder (as defined below). This summary does not address all aspects of the U.S. federal income taxation that may be applicable to particular Non-U.S. Holders subject to special rules, including, among others, Non-U.S. Holders holding Notes in a manner that is effectively connected with a U.S. trade or business, individuals present in the United States for 183 days or more in the taxable year of disposition, banks and other financial institutions, nonresident alien individuals who have lost their U.S. citizenship or who have ceased to be treated as resident aliens and corporations that are treated as controlled foreign corporations or passive foreign investment companies for U.S. federal income tax purposes. Such holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the acquisition, ownership or disposition of a Note.

As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Note that is for U.S. federal income tax purposes: (i) a nonresident alien individual; (ii) a foreign corporation; or (iii) a foreign estate or trust.

A Non-U.S. Holder generally will not be subject to U.S. federal income tax, U.S. withholding tax, on payments of principal or interest on a Note, or on proceeds from the disposition of a Note. A Non-U.S. Holder generally will not be subject to the U.S. information reporting and backup withholding rules; however, if a Non-U.S. Holder receives payments in the United States from a financial intermediary that is a United States person or has certain other connections with the United States, such U.S. Holder may have to certify, generally on IRS Form W-8BEN, under penalties of perjury, that it is not a United States person and it otherwise satisfies applicable requirements relating to the form.



**The U.S. federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a Noteholder's particular situation. Noteholders should consult their tax advisers with respect to the tax consequences to them of the ownership and disposition of the Notes, including the tax consequences under state, local, foreign and other tax laws and the possible effects of changes in U.S. federal or other tax laws.**

#### **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 the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, 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 the 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 the Notes are advised to seek their own professional advice in relation to the FTT.

#### **FATCA**

The United States has enacted rules, commonly referred to as "FATCA," that generally impose a reporting and withholding regime with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends and certain payments made by entities that are classified as financial institutions under FATCA. As currently drafted, the Issuer does not expect that withholding under FATCA will apply to payments on the Notes. However, significant aspects of how FATCA will apply remain unclear, and no assurance can be given that withholding under FATCA will not become relevant with respect to certain payments on the Notes in the future. Even if FATCA were to become relevant to payments on the Notes, it would not be applicable to Notes issued before the 6-month anniversary of the publication of final regulations defining how FATCA may apply to payments made by non-U.S. financial institutions and would not be applicable to payments made earlier than January 1, 2019 in any event. Prospective investors should consult their own tax advisors regarding the potential impact of FATCA to an investment in the Notes.

## SUBSCRIPTION AND SALE

Notes may be sold from time to time by the Issuer to any one or more of the Arrangers, Dealers and any other dealers appointed under the Programme (the "**Dealers**"). The arrangements under which Notes may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers are set out in an amended and restated dealer agreement dated [•] March 2017, as may be further amended from time to time, (the "**Dealer Agreement**"). Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealer Agreement makes provision for the resignation or termination of appointment of Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Tranche of Notes.

**United States of America:** *Regulation S Category 2; TEFRA D or TEFRA C as specified in the relevant Pricing Supplement or neither if TEFRA is specified as not applicable in the relevant Pricing Supplement.*

The Notes have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or (in the case of Bearer Notes) delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in certain transactions exempt from the registration requirements of the Securities Act.

The Bearer Notes 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. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Dealer has agreed that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Notes comprising the relevant Tranche, as certified to the Fiscal Agent or the Issuer by such Dealer (or, in the case of a sale of a Tranche of Notes to or through more than one Dealer, by each of such Dealers as to the Notes of such Tranche purchased by or through it, in which case the Fiscal Agent or the Issuer shall notify each such Dealer when all such Dealers have so certified) within the United States or to, or for the account or benefit of, U.S. persons, other than pursuant to Rule 144A, and such Dealer will have sent to each dealer to which it sells Notes during the distribution compliance period relating thereto, 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.

In addition, until 40 days after the commencement of the offering of Notes comprising any Tranche, any offer or sale of 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 Rule 144A or another exemption from registration under the Securities Act.

The Dealer Agreement provides that a Mandated Dealer and any other Dealer may directly or through its affiliates arrange for the placing of Restricted Registered Notes in the United States only to qualified institutional buyers (as defined in Rule 144A under the Securities Act) pursuant to Rule 144A under the Securities Act and in accordance with the provisions of the Dealer Agreement.

### **Selling Restrictions Addressing Additional United Kingdom Securities Laws**

Each Dealer has represented, warranted and agreed that:

- (a) **No deposit-taking:** in relation to any Notes having 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:
    - (A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

- (B) 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) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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) **General compliance:** 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** "). 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, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, a resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and other relevant laws and regulations of Japan.

## Hong Kong

Each Dealer has represented and agreed 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 (the "**SFO**"), other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong (the "**Companies Ordinance**") or which do not constitute an offer to the public within the meaning of the Companies Ordinance; 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 Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree that it has not offered or sold any Notes or caused the Notes to be made subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes, whether directly or indirectly, to any person in Singapore other than (1) to an institutional investor (as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore (the "**Securities and Futures Act**")) pursuant to Section 274 of the Securities and Futures Act, (2) to a relevant person (as defined in Section 275(2) of the Securities

and Futures Act) pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act or (3) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the Securities and Futures Act.

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 Securities and Futures Act)) 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 (as defined in Section 239(1) of the Securities and Futures Act of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the Securities and Futures Act except:

- (a) to an institutional investor (under Section 274 of the Securities and Futures Act) or to a relevant person as defined in Section 275(2) of the Securities and Futures Act, or any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the Securities and Futures Act;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the Securities and Futures Act; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

#### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that the Notes to be issued under the Programme have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

#### **Dubai International Financial Centre**

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 and will not offer the Notes to be issued under the Programme to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "**Exempt Offer**" in accordance with the Market Rules (MKT) Module of the Dubai Financial Services Authority (the "**DFSA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the DFSA Conduct of Business Module of the DFSA rulebook.

#### **General**

Each Dealer has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Information Memorandum, any Pricing Supplement, Drawdown Information Memorandum or any related offering material, in all cases at its own expense. Other persons into whose hands this Information Memorandum or any Pricing Supplement comes are required by the Issuer and the Dealers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Notes or possess,

distribute or publish this Information Memorandum or any Pricing Supplement or any related offering material, in all cases at their own expense.

The Dealer Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph headed "General" above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification may be set out in the relevant Pricing Supplement, Drawdown Information Memorandum (in the case of a supplement or modification relevant only to a particular Tranche of Notes) or in a supplement to this Information Memorandum.

## TRANSFER RESTRICTIONS

### Regulation S Notes

Each purchaser of Bearer Notes or Unrestricted Registered Notes outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Information Memorandum and the Notes, will be deemed to have represented, agreed and acknowledged that:

- (i) it is, or at the time Notes are purchased will be, the beneficial owner of such Notes and:
  - (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S); and
  - (b) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;
- (ii) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period (as defined in Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except:
  - (a) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S; or
  - (b) to the Issuer; or
  - (c) in the case of Unrestricted Registered Notes only, in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB,in each case in accordance with any applicable securities laws of any State of the United States;
- (iii) it understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

On or prior to the fortieth day after the relevant issue date, Notes represented by an interest in an Unrestricted Global Note Certificate may be transferred to a person who wishes to hold such Notes in the form of an interest in a Restricted Global Note Certificate only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 12 (*Form of Unrestricted Individual Note Certificate*) to the Programme Manual) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. After such fortieth day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of such Global Note Certificate, as described above under "Forms of the Notes".

Notes represented by an interest in a Restricted Global Note Certificate may also be transferred to a person who wishes to hold such Notes in the form of an interest in an Unrestricted Global Note Certificate, but only upon receipt by the Registrar of a written certification from the transferor (in the form set out in Schedule 13 (*Form of Restricted Individual Note Certificate*) to the Programme Manual) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 (if available) under the Securities Act.

Any interest in a Note represented by an Unrestricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in a Note represented by a Restricted Global Note Certificate will, upon transfer, cease to be an interest in a Note represented by an Unrestricted Global Note Certificate and become an interest in a Note represented by a Restricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Notes represented by a Restricted Global Note Certificate.

## Rule 144A Notes

Each purchaser of Restricted Registered Notes in reliance on Rule 144A, by accepting delivery of this Information Memorandum, will be deemed to have represented, agreed and acknowledged as follows (terms used in the following paragraphs that are defined in Rule 144A have the respective meanings given to them in Rule 144A):

- (i) the purchaser is (a) a QIB, (b) acquiring the Notes for its own account or for the account of one or more QIBs, (c) not formed for the purpose of investing in the Notes or the Issuer and (d) is aware, and each beneficial owner of such Notes has been advised that the sale of the Notes to it is being made in reliance on Rule 144A;
- (ii) the purchaser understands that (1) the Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it, and any person acting on its behalf, reasonably believes is a QIB purchasing for its own account or for the account of one or more QIBs, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), (d) pursuant to an effective registration statement under the Securities Act or (e) to the Issuer or any of its respective affiliates, in each case in accordance with any applicable securities laws of any State of the United States and (2) it will, and each subsequent holder of the Restricted Registered Notes is required to, notify any purchaser of the Restricted Registered Notes from it of the resale restrictions applicable to the Restricted Registered Notes;
- (iii) the purchaser understands that the Restricted Global Note Certificate and any restricted Individual Note Certificate (a "**Restricted Individual Note Certificate**") will bear a legend to the following effect, unless the relevant Issuer determines otherwise in accordance with applicable law:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR ANY SECURITIES LAW OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THE NOTES REPRESENTED HEREBY, AGREES FOR THE BENEFIT OF THE ISSUER THAT THE NOTES REPRESENTED HEREBY MAY BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR A PERSON PURCHASING FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE REOFFER, RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (4) TO THE ISSUER, OR ITS AFFILIATES.

- (iv) if it is acquiring any Notes for the account of one or more QIBs the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (v) the purchaser understands that the Issuer, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Upon the transfer, exchange or replacement of a Restricted Global Note Certificate or a Restricted Individual Note Certificate, or upon specific request for removal of the legend, the Issuer will deliver only a Restricted Global Note Certificate or one or more Restricted Individual Note Certificates that bear such

legend or will refuse to remove such legend, unless there is delivered to the Issuer and the Registrar such satisfactory evidence (which may include a legal opinion) as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

Any interest in a Restricted Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note Certificate will, upon transfer, cease to be an interest in a Restricted Global Note Certificate and become an interest in an Unrestricted Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in an Unrestricted Global Note Certificate.

**Prospective purchasers that are QIBs are hereby notified that sellers of the Restricted Registered Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**



## GENERAL INFORMATION

### Authorisation

1. The establishment of the Programme was authorised by a resolution of the Board of Executive Directors of the Issuer passed on December 13, 2011. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes.

### Auditors

2. The financial statements of the Issuer have been audited without qualification for the years ended 2015 and 2016 by KPMG LLP.

### Documents on Display

3. Copies of the following documents may be inspected during normal business hours at the offices of the Issuer:
  - (a) the Agreement establishing the Inter-American Investment Corporation;
  - (b) the audited financial statements of the Issuer for the years ended 31 December 2015 and 31 December 2016;
  - (c) the Agency Agreement;
  - (d) the Programme Manual;
  - (e) the Dealer Agreement; and
  - (f) the Issuer-ICSDs Agreement.

### Clearing of the Notes

4. The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg. The appropriate common code and/or the International Securities Identification Number (ISIN) and/or the Committee on Uniform Security Identification Procedures (CUSIP) Number in relation to the Notes of each Tranche will be specified in the relevant Pricing Supplement. The relevant Pricing Supplement shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### Dealers transacting with the Issuer

5. 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.

**PRINCIPAL OFFICE OF THE ISSUER**

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**FISCAL AGENT, TRANSFER AGENT AND PAYING AGENT**

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