ELECTRONIC TRANSMISSION DISCLAIMER

STRICTLY NOT TO BE FORWARDED TO ANY OTHER PERSONS

IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached document and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached offering circular relating to **International Investment Bank** (the "**Issuer**"). In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended for you only and you agree you will not forward, reproduce or publish this electronic transmission or the attached document to any other person. This electronic transmission and the attached document has been prepared solely in connection with the proposed offering via private placements addressed to persons in Member States of the European Economic Area ("**EEA**") (i) who are "qualified investors" within the meaning of Article 2(e) of the Prospectus Regulation ("**Qualified Investors**"); in addition, in the United Kingdom, this electronic transmission and the attached document is being distributed only to, and is directed only at, Qualified Investors (a) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, and (b) to whom it may otherwise lawfully be communicated (all such persons together being referred to as "**Relevant Persons**") and/or (ii) to less than 150 natural or legal persons, other than qualified investors per Member State, and to such other investors in Hungary or such other Member States of the EEA, in reliance on the exemptions set out in article 1 para. 4. of the Prospectus Regulation and in reliance of Regulation S (**"Regulation S"**) under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") (the "**Offering**") of fixed interest rate HUF-denominated bonds, and having a maturity of three (3) years, issued by the Issuer (the "**Bonds**"). The publication of this offering circular (the "**Offering Circular**") in connection with the listing of the Bonds on the Budapest Stock Exchange ("**Listing**") was approved by the National Bank of Hungary (in Hungarian, *Magyar Nemzeti Bank*) (the "**NBH**") under its resolution H-KE-III-619/2019. on 15 October 2019. The Offering Circular will be published and following publication will be available on the Issuer's website at https://www.iib.int/en, on each of the Managers' websites https://www.otpbank.hu and https://www.unicreditbank.hu respectively, on the website of the Budapest Stock Exchange www.bet.hu, on the website of the NBH www.kozzetetelek.hu and, to the extent required by law or so elected by the Issuer, on an online medium. Pricing information and other related disclosures are expected to be published on these websites. Prospective investors are advised to access such information prior to making an investment decision.

NOTHING IN THIS ELECTRONIC TRANSMISSION OR THE OFFERING CIRCULAR CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THE OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("**U.S.**") OR OTHER JURISDICTION OF THE U.S. AND SUCH SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S ("**REGULATION S**") UNDER THE SECURITIES ACT).

NEITHER THE OFFERING CIRCULAR NOR ANY PART OR COPY OF IT MAY BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR MAY NOT BE FORWARDED TO ANY U.S. PERSON OR TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR APPLICABLE LAWS OF OTHER JURISDICTIONS.

THIS ELECTRONIC TRANSMISSION, THE OFFERING CIRCULAR AND THE OFFERING IS AVAILABLE ONLY TO NON-US PERSONS (AS DEFINED IN REGULATION S) OUTSIDE OF THE U.S.

Confirmation of Your Representation: This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to the Issuer and OTP Bank Nyrt. and UniCredit Bank Hungary Zrt. (the "**Managers**") that (i) you are acquiring such securities in "offshore transactions", as defined in, and in reliance on, Regulation S under the Securities Act ("**Regulation S**"); (ii) if you are in the UK, you are a Relevant Person, and/or a Relevant Person who is acting on behalf of, Relevant Persons in the United Kingdom and/or Qualified Investors to the extent you are acting on behalf of persons or entities in the UK or the EEA; (iii) if you are in any member state of the EEA other than the UK, you are a Qualified Investor and/or a Qualified Investor acting on behalf of, Qualified Investors or Relevant Persons, to the extent you are acting on behalf of persons or entities in the EEA or the UK; or (iv) you are an institutional investor or an investor that is otherwise eligible to receive this document and you consent to delivery by electronic transmission.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver this document, electronically or otherwise, to any other person. If you receive this electronic transmission and the attached document by e-mail, you should not reply by e-mail. Any reply to e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. If you receive the attached document in electronic format by e-mail, your use of such document in electronic format and such e-mail is at your own risk and it is your responsibility to take precautions to ensure that each is free from viruses and other items of a destructive nature. The materials relating to the Offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the Offering be made by an authorized broker or dealer and the underwriters or any affiliate of the underwriters is an authorized broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer, the Managers nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version made available to you upon request from any of the Managers. By accessing the linked document, you consent to receiving it in electronic form. Neither the Managers nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by it, or on its behalf, in connection with the Issuer or the Bonds. The Issuer and each of its respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by the Managers or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in this document.

The Managers are acting exclusively for the Issuer and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the Offering and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

IMPORTANT NOTICE

THIS OFFERING OF THE BONDS DESCRIBED HEREIN IS AVAILABLE ONLY TO (I) INVESTORS IN HUNGARY WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(E) OF REGULATION (EU) 2017/1129 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 14 JUNE 2017 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING ON A REGULATED MARKET, AND REPEALING DIRECTIVE 2003/71/EC, AS AMENDED (THE "**PROSPECTUS REGULATION**"); AND/OR (II) LESS THAN 150 NATURAL OR LEGAL PERSONS, OTHER THAN QUALIFIED INVESTORS PER MEMBER STATE, AND TO SUCH OTHER INVESTORS IN HUNGARY OR SUCH OTHER MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHERE IT IS POSSIBLE TO DO SO, IN RELIANCE OF REGULATION S (**"REGULATION S"**) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") AND WITHOUT THE NEED TO PUBLISH A PROSPECTUS OR UNDERTAKE ANY OTHER FORMALITIES WHATSOEVER UNDER ANY APPLICABLE LAW, IN RELIANCE ON ARTICLE 1(4) OF THE PROSPECTUS REGULATION, TO THE EXTENT, AND ONLY PROVIDED THAT, AN INVESTMENT IN THE BONDS DOES NOT CONSTITUTE A VIOLATION OF ANY APPLICABLE LAW BY SUCH INVESTORS. IN ADDITION, IN THE UNITED KINGDOM, THE OFFERING OF THE BONDS DESCRIBED HEREIN IS DIRECTED ONLY AT QUALIFIED INVESTORS WITHIN THE MEANING OF ARTICLE 2(E) OF THE PROSPECTUS REGULATION ("**QUALIFIED INVESTORS**") (X) WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "**FINANCIAL PROMOTION ORDER**") AND QUALIFIED INVESTORS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER AND (Y) TO WHOM IT MAY OTHERWISE LAWFULLY BE DIRECTED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). INVESTOR TO WHOM THE OFFERING OF THE BONDS DESCRIBED HEREIN IS AVAILABLE IN ACCORDANCE WITH THE FOREGOING ARE HEREIN REFERRED TO AS "**ELIGIBLE INVESTORS**".

IMPORTANT: You must read the following before continuing. The following applies to the Offering Circular (the "**Offering Circular**") following this notice, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

The Offering Circular has been prepared in connection with the proposed offer and sale of the Bonds described therein.

NOTHING IN THIS OFFERING CIRCULAR CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("U.S.") OR OTHER JURISDICTION AND SUCH BONDS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT). THE BONDS ARE OFFERED AND SOLD ONLY TO INVESTORS IN HUNGARY OR SUCH OTHER JURISDICTIONS WHERE IT IS POSSIBLE TO DO SO WITHOUT THE NEED TO PUBLISH A PROSPECTUS OR UNDERTAKE ANY OTHER FORMALITIES WHATSOEVER UNDER APPLICABLE LAW, IN RELIANCE ON REGULATION S UNDER THE U.S. SECURITIES ACT.

NONE OF THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER U.S. REGULATORY AUTHORITY, HAS APPROVED OR DISAPPROVED THE BONDS NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE FOLLOWING OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE BONDS DESCRIBED THEREIN.

Confirmation of your representation: In order to be eligible to view the Offering Circular or make an investment decision with respect to the Bonds, you must be an Eligible Investor. The Offering Circular is being sent at your request. By accepting the e-mail or otherwise accessing the Offering Circular, you shall be deemed to have represented to us that:

(1) you consent to delivery of such Offering Circular by electronic transmission, and

(2) you and any customers you represent are Eligible Investors or, if you are in the United Kingdom, you are a relevant person and/or a relevant person who is acting on behalf of, relevant persons in the United Kingdom and/or Qualified Investors to the extent you are acting on behalf of persons or entities in the United Kingdom or the European Economic Area, and

(3) the e-mail address that you gave us and to which the e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia, or any other territory which is not in the European Economic Area.

You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorized to, deliver the Offering Circular to any other person.

Under no circumstances shall the Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

In addition, in the United Kingdom, this electronic transmission and the attached document is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Promotion Order and Qualified Investors falling within Article 49(2)(a) to (d) of the Financial Promotion Order, and (ii) to whom it may otherwise lawfully be communicated. The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Issuer or the Managers, nor any of their affiliates, nor any of their or its directors, officers, employees, advisers or agents accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version made available to you on request from any of the Managers.

None of the Managers nor any of their affiliates accept any responsibility whatsoever for the contents of this electronic transmission or the Offering Circular or for any other statement made or purported to be made by them, or on their behalf, in connection with the Issuer or the securities or the Offering referred to herein. The Managers and each of their affiliates disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of this electronic transmission, the Offering Circular or any such statement. No representation or warranty, express or implied, is made by the Managers or any of their affiliates or advisors as to the accuracy, completeness or sufficiency of the information set out in this electronic transmission or the Offering Circular.

MIFID II product governance / Retail investors, professional investors and eligible counterparties – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties, professional clients and retail clients, each as defined in MiFID II; (ii) retail clients are only considered target market if they have (a) the ability to understand relevant financial products and transactions and their risks; (b) knowledge regarding investments; (c) knowledge regarding trading procedures; (d) financial industry experience, interest, and knowledge; (e) the respective counterparty or client understands that he/she can incur capital losses; (iii) all channels for distribution to eligible counterparties and professional clients are appropriate; and (iv) the following channels for distribution of the Bonds to retail clients are appropriate - investment advice, portfolio management, unsolicited sales and pure execution services, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable. The product is incompatible for any client outside the positive target market identified above. Any person subsequently offering, selling or recommending the Bonds (a distributor) should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels, subject to the distributor's suitability and appropriateness obligations under MiFID II, as applicable.

INTERNATIONAL INVESTMENT BANK

OFFERING OF HUF BONDS

International Investment Bank (the "**Issuer**"), an international organisation operating on the basis of the intergovernmental Agreement on the Establishment of the International Investment Bank of 10 July 1970 and the Charter of the International Investment Bank attached to the Establishment Agreement, initially registered with the Secretariat of the United Nations on 1 December 1971 under number 11417, is offering fixed interest rate HUF-denominated bonds, and having a maturity of three (3) years (the "**Bonds**"), in a private placement (the "**Offering**") to investors in Hungary who are "qualified investors" within the meaning of article 2(e) of the Prospectus Regulation; and/or to less than 150 natural or legal persons, other than qualified investors per member state, and to such other investors in Hungary or such other members states of the European Economic Area where it is possible to do so, in reliance of Regulation S ("**Regulation S**") under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") and without the need to publish a prospectus or undertake any other formalities whatsoever under applicable law in reliance on article 1(4) of the Prospectus Regulation, to the extent, and only provided that an investment in the Bonds does not constitute a violation of any applicable law by such investors. This offering circular (the "**Offering Circular**") has been prepared for the Offering and constitutes an "*információs összeállítás*" for the purposes of section 8(1) of 285/2001 (XII. 26.) Government Decree on bonds.

IN ACCORDANCE WITH SECTION 18 OF ACT CXX OF 2001 ON THE CAPITAL MARKETS ("THE CAPITAL MARKETS ACT") THIS DOCUMENT MUST HIGHLIGHT THAT THE OFFERING IS A PRIVATE PLACEMENT IN HUNGARY.

Each Bond has a nominal value of HUF 10,000 (the "**Nominal Value**"). The interest on the Bonds shall be paid in twelve-months arrears. The Bonds and any payments thereunder are governed by the relevant provisions of the "*Terms and conditions of the Bonds*" section of this Offering Circular. The Bonds are issued in dematerialised form (in Hungarian: *dematerializált értékpapír*). The entity in charge of keeping the records of the Bonds is KELER Központi Értéktár Zrt. the Hungarian central depository, a Hungarian company having its registered office at Rákóczi út 70-72., 1074 Budapest, Hungary (the "**Central Depository**"). The Bonds shall be registered in the system of the Central Depository in accordance with the regulations thereof, by the crediting of the accounts of the Bondholders opened with the Central Depository, directly or through a participant who has an account with the Central Depository (the "**Participant**").

Under section 45(1) of the Capital Markets Act the public offering or listing on a regulated market of the Bonds in Hungary is subject to the publication of a document called "*ismertető*" approved by the National Bank of Hungary (the "**NBH**"). The Issuer will apply for the Bonds to be listed on the Regulated Market of the Budapest Stock Exchange. The Regulated Market of the Budapest Stock Exchange is a regulated market in the European Economic Area for the purposes of Directive 2014/65/EU, as amended. Accordingly, this Offering Circular has been prepared also for the listing of the Bonds on the Budapest Stock Exchange and constitutes an "*ismertető*" for the purposes of section 45(1) of the Capital Markets Act. The publication of this Offering Circular has been approved by the NBH on 15 October 2019 in its resolution No. H-KE-III-619/2019. However, this Offering Circular constitutes neither a prospectus nor a base prospectus for the purposes of Regulation 2017/1129/EU, as amended (the "**Prospectus Regulation**"). Accordingly, this Offering Circular does not purport to meet the format and the disclosure requirements set forth under the Prospectus Regulation and Commission Delegated Regulation (EU) No 980/2019 supplementing the Prospectus Regulation, as amended, and it has not been and will not be submitted for approval to any competent authority within the meaning of the Prospectus Regulation.

The first day of trading of the Bonds on the Regulated Market of the Budapest Stock Exchange is expected to occur on or about 24 October 2019. At the discretion of the Issuer, an application may also be made for the Bonds to be admitted to trading on any other regulated market in the European Union.

The Issuer has been rated A3 with stable outlook by Moody's Investors Service, Inc. ("**Moody's**"), BBB+ with positive outlook by Fitch Ratings CIS Ltd ("**Fitch**"), A- with stable outlook by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and A- with positive outlook by Dagong Global Credit Rating Co., Ltd ("**Dagong**") and A- with stable outlook by Dagong Europe Credit Rating Srl ("**Dagong Europe**"). Fitch, S&P and Dagong Europe are established in the European Union and registered under the Regulation (EC) No. 1060/2009, as amended (the "**CRA Regulation**") and are included in the list of registered credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulation, whereas Moody's is a leading market intelligence services provider based in the United States and Dagong is a notable credit rating agency based in the People's Republic of China.

An investment in the Bonds involves risks. See "*Risk factors*" for a discussion of certain matters that investors should consider prior to making an investment in the Bonds.

AS THE MANAGERS WILL NOT UNDERTAKE JOINT AND SEVERAL LIABILITY WITH THE ISSUER FOR THE CONTENT OF THIS OFFERING CIRCULAR, THEREFORE UNDER SECTION 38(4b) OF THE CAPITAL MARKETS ACT THE BONDS ARE DEEMED AS HIGH RISK INVESTMENTS.

ALSO, SINCE THE VALUE OF THE TOTAL ASSETS OF THE ISSUER, WHEN AGGREGATED WITH THE MAXIMUM AGGREGATE PRINCIPAL VALUE OF THE BONDS AND DECREASED BY THE EQUITY OF THE ISSUER, IS, IN ACCORDANCE WITH ITS MOST RECENT AUDITED ANNUAL ACCOUNTS, 2.43 TIMES HIGHER THAN ITS EQUITY, UNDER SECTION 38(4b) OF THE CAPITAL MARKETS ACT THE BONDS ARE DEEMED AS HIGH RISK INVESTMENTS.

According to the provisions of the Capital Markets Act, a credit institution would only be considered as a high risk investment from the perspective of asset / equity ratio if its assets are 20 times higher than its equity. Although the Issuer does not qualify as credit institution under Hungarian law, it has many features similar to credit institutions and adopted best practices and a prudent risk management framework similar with those required for credit institutions (see "*Description of the Issuer*"). Therefore, since the Capital Markets Act does not treat specifically multilateral development banks for these purposes, the categorisation of the Bonds as high risk investment from the asset / equity ratio perspective should be interpreted accordingly.

The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The Bonds have not been and will not be registered under the U.S. Securities Act of 1933 or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States. For a discussion of certain further restrictions on offers, sales and transfers of the Bonds and the distribution of this Offering Circular, see "*General information – Selling and transfer restrictions*".

MANAGERS

OTP BANK NYRT. **UNICREDIT BANK HUNGARY ZRT.**

Offering Circular dated 8 October 2019

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IMPORTANT NOTICES

General notices to investors

This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Bonds. Distribution of this Offering Circular to any person other than the prospective investor and any person retained to advise such prospective investor with respect to the purchase of Bonds is unauthorized. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing.

This Offering Circular contains information provided by the Issuer in connection with the issue of the Bonds. The Issuer accepts responsibility for the information contained in this Offering Circular.

The Issuer confirms that this Offering Circular is true and accurate in all material respects and is not misleading in any material respect, that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect, that to the best of the Issuer's knowledge and belief this Offering Circular does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the issue, offering and sale of the Bonds) not misleading in any material respect, and that all reasonable enquiries have been made to verify the foregoing. However, the information set out under the section "*Description of the Issuer – Relevant geographic markets*" includes extracts from information and data released by publicly available sources in Europe and elsewhere. While we accept responsibility for the accurate extraction and summarization of such information and data, we have not independently verified the accuracy of such information and data and we accept no further responsibility in respect thereof. In addition, this Offering Circular contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. However, as far as we are aware, no information or data has been omitted which would render reproduced information inaccurate or misleading.

Pursuant to a mandate letter, the Issuer has appointed OTP Bank Nyrt. ("**OTP Bank**") and UniCredit Bank Hungary Zrt. ("**UniCredit**") as joint lead managers (the "**Joint Lead Managers**") and UniCredit as paying agent (the "**Paying Agent**"), in connection with the issuance of the Bonds, subject to terms of the contractual arrangements entered into by the foregoing parties (OTP Bank and UniCredit are hereinafter each referred to as a "**Manager**", and collectively referred to as the "**Managers**").

Neither the Managers nor any of their affiliates make any representation, warranty or undertaking, express or implied, or accept any responsibility or liability, as to the accuracy or completeness at any time of the information contained in this Offering Circular. No person has been authorised by the Issuer or any of the Managers to give any information or to make any representation not contained herein, and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or the Managers. Neither the delivery of this Offering Circular, nor the offering, sale or delivery of any Bonds shall, under any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no change in the financial situation of the Issuer or the information presented herein since the date hereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Bonds is correct at any time subsequent to the date on which it is supplied or, if different, to the date indicated in the document containing the same.

Neither this Offering Circular, nor any other information supplied in connection with the issue of the Bonds: (i) is intended to provide the basis for any credit or other evaluation; or (ii) should be considered as a recommendation by the Issuer or any Manager that any recipient of this Offering Circular, or any other information supplied relating to the issue of the Bonds, should purchase any Bonds. Each investor contemplating the purchase of any Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, as well as the risks involved, as it deems necessary. Neither this Offering Circular, nor any other information supplied in connection with the issue of any Bonds, constitutes an offer or invitation by or on behalf of the Issuer or any Manager to any person to subscribe to or purchase any Bonds. In addition, neither the Issuer nor the Managers or any of their affiliates are making any representation regarding the legality of an investment in the Bonds, and investors should not construe anything in this Offering Circular as legal, business or tax advice. Investors should consult their own advisors as to legal, tax, business, financial and related aspects of an investment in the Bonds. Investors must comply with all laws applicable in any jurisdiction in which they buy, offer or sell the Bonds or possess or distribute this Offering Circular, and must obtain all applicable consents and approvals; neither the Issuer nor any Manager shall have any responsibility for any of the foregoing legal requirements.

The distribution of this Offering Circular and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. Persons who come into possession of this Offering Circular are required to inform themselves of and observe any such restrictions. In particular, such persons are required to comply with the restrictions on the offer or sale of Bonds and on the distribution of this Offering Circular and other information in relation to the Bonds set out under "*General information – Selling and transfer restrictions*" section below.

By receiving this Offering Circular, investors acknowledge that they have had an opportunity to request from the Issuer for review, and that they have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this Offering Circular. Investors also acknowledge that they have not relied on any Manager in connection with their investigation of the accuracy of this information or their decision whether to invest in the Bonds.

NOTHING IN THIS OFFERING CIRCULAR CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE BONDS HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES ("U.S.") OR OTHER JURISDICTION AND SUCH BONDS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT). NONE OF THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER U.S. REGULATORY AUTHORITY, HAS APPROVED OR DISAPPROVED THE BONDS NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The Issuer and the Managers reserve the right to reject any offer to purchase the Bonds, in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the Bonds sought by it. The Managers and certain of its affiliates may acquire a portion of the Bonds for their own accounts.

Neither the Issuer nor the Managers can guarantee that the application made to the Budapest Stock Exchange for the Bonds to be listed on the Regulated Market thereof will be approved as of the settlement date for the Bonds or at any time thereafter, and settlement of the Bonds is not conditional on obtaining this listing approval.

Each purchaser of the Bonds will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Circular under the "*Important notices*" section of this Offering Circular.

The Offering is only addressed to investors in Hungary who are "qualified investors" within the meaning of article 2(e) of the Prospectus Regulation ("**Qualified Investors**") and/or to less than 150 natural or legal persons, other than Qualified Investors per member state and to such other investors in Hungary or such other member states of the European Economic Area where it is possible to do so, in reliance of Regulation S and without the need to publish a prospectus or undertake any other formalities whatsoever under applicable law in reliance on article 1(4) of the Prospectus Regulation, to the extent, and only provided that, an investment in the Bonds does not constitute a violation of any applicable law by such investors. In addition, in the United Kingdom, the Offering is directed only at Qualified Investors (x) who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**") and Qualified Investors falling within article 49(2)(a) to (d) of the Financial Promotion Order and (y) to whom it may otherwise lawfully be directed (all such persons together being referred to as "**relevant persons**").

Presentation of financial and other information

The unaudited reviewed interim condensed consolidated financial statements of the Issuer's group for the six-month period ended 30 June 2018 and, respectively, 30 June 2019 (the "**Interim Unaudited Financial Statements**") and the audited consolidated financial statements of the Issuer's group for the years ended 31

December 2016, 31 December 2017 and, respectively, 31 December 2018 (the "**Audited Financial Statements**" collectively with the Interim Unaudited Financial Statements, the "**Financial Statements**") are attached to this Offering Circular.

The Audited Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("**IFRS**"). Presentation of financial information in accordance with IFRS requires management to make various estimates and assumptions which may impact the values shown in the financial statements and bonds thereto. The actual values may differ from such assumptions. The Interim Unaudited Financial Statements have been prepared in accordance with International Accounting Standard (IAS) 34.

The Financial Statements are presented in EUR, the functional and presentation currency of the Issuer. Furthermore, unless otherwise indicated, financial and statistical data included in this Offering Circular is expressed in EUR million. All financial data on the Issuer are presented on a consolidated basis, unless indicated otherwise.

Unless otherwise stated, all annual information is based on calendar years. Statistical data appearing in this Offering Circular has, unless otherwise stated, been principally obtained from the Eurostat, European Commission, International Monetary Fund, World Bank, Standard and Poor's, Moody's and Fitch. Similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. Certain statistical information relating to 2018 and future periods should be treated as preliminary and any statistical information may be subject to future adjustment.

Certain financial measures are presented in this Offering Circular, including some of the measures presented in "*Description of the Issuer – Risk management*". Because these measures are not standardized, companies can define and calculate these measures differently and therefore investors are advised not to use these measures for comparing the Issuer's results with those of other companies or issuers.

Certain figures included in this Offering Circular have been subject to rounding adjustments and presented in EUR million or EUR billion (not in EUR thousand as in the Financial Statements). Accordingly, in certain instances the sum of numbers in a column or a row in tables contained in this Offering Circular may not conform exactly to the total figure given for that column or row. Some percentages in the tables and/or text in this Offering Circular have also been rounded, and accordingly the totals in these tables and/or text may not exactly add up to 100%. Percentage changes during the compared periods were computed on the basis of the original amounts.

Documents incorporated by reference. Website

This Offering Circular should be read and construed in conjunction with the Financial Statements of the Issuer which shall be incorporated in, and form part of, this Offering Circular. Any documents themselves incorporated by reference in the documents incorporated by reference shall not form part of this Offering Circular.

The contents of the Issuer's websites do not form any part of this Offering Circular. The website is mainly addressed to potential clients of the Issuer's services and, therefore, information available on the Issuer's website may differ in content or may be organized differently than information in this Offering Circular. For the purposes of making an investment decision regarding the Bonds, you should not rely on the information on the Issuer's website.

Cautionary note regarding forward-looking statements

Certain statements in this Offering Circular are not historical facts and are forward-looking. The Issuer may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. In addition, this Offering Circular includes forward-looking information that has been extracted from third-party sources. Forward-looking statements include statements concerning the Issuer's plans, expectations, projections, objectives, targets, goals, strategies, future events, future operating revenues or performance, capital expenditures, financing needs, plans or intentions relating to business, competitive strengths and weaknesses, strategy, and the trends the Issuer anticipates in the industries and the political and legal environments in which the Issuer operates and other information that is not historical information.

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

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

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

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

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

Currencies

In this Offering Circular, references to "euro," "EUR," "€" or "eurocents" are to the currency of the member states of the European Union participating in the European Monetary Union, references to "U.S. dollar" or "USD" are to the currency of the United States, references to “Hungarian forint” or “HUF” are to the currency of Hungary, references to "RUB" are to the currency of the Russian Federation, references to “CZK” are to the currency of the Czech Republic and references to "RON" are to the currency of Romania.

No representation is made that any specific currency amount in this Offering Circular could have been converted into any of the other currencies presented in this Offering Circular at any particular rate or at all. There are limited markets for the Hungarian forint outside Hungary. The limited availability of such currencies may lead to volatility of exchange rates.

Unless otherwise indicated herein and unless such amounts are derived from the Financial Statements, the EUR equivalent of amounts denominated in RUB, USD, RON and other currencies has been computed based on the average and rounded exchange rate applicable as of 30.06.2019. The above rates may differ from the actual rates used in the preparation of the Financial Statements and other financial information appearing in this Offering Circular.

OVERVIEW OF THE BONDS

The following is only a brief summary of key features of the issue of the Bonds, does not purport to be complete description of the Bonds or the Offering and should be read in conjunction with the rest of this Offering Circular. Certain of the terms and conditions described below are subject to important limitations and exceptions. In particular, prospective investors are advised to consult the "Terms and conditions of the Bonds" section of this Offering Circular for a more detailed description of the terms and conditions governing the Bonds, including definitions of certain terms used in this overview.

Issuer	International Investment Bank *Váci út, 188, H-1138 Budapest, Hungary*
Managers	OTP Bank Nyrt. *Nádor utca 16., 1051, Budapest, Hungary* *(performing the functions of Joint Lead Manager and joint bookrunner in connection with the Offering)* UniCredit Bank Hungary Zrt. *Szabadság tér 5-6., 1054, Budapest, Hungary* *(performing the functions of Joint Lead Manager, joint bookrunner and paying agent in connection with the Offering)* *(OTP Bank Nyrt. and UniCredit Bank Hungary Zrt. are hereinafter each referred to as a "**Manager**" and collectively referred to as the "**Managers**")*
Paying Agent	UniCredit Bank Hungary Zrt. *Szabadság tér 5-6., 1054, Budapest, Hungary*
Central Depository	KELER Központi Értéktár Zrt. *Rákóczi út 70-72., 1074, Budapest, Hungary*
Aggregate principal value of the Bonds offered	The aggregate principal value of the Bonds offered is HUF 15,000,000,000 which may (i) increase up to HUF 22,500,000,000 as a result of the Issuer accepting offers in the auction process for Bonds of a higher number than originally offered; or (ii) decrease by any amount to HUF 0 as a result of insufficient demand for the Bonds (see Part "*Subscription and Sale*").
Denomination	Hungarian forint (HUF)
Form of the Bonds	The Bonds are in dematerialised form. In accordance with section 7(2) of the Capital Markets Act, the Issuer issues and deposits with the Central Depository a document (the "**Document**"), which does not qualify as a security, with the particulars of the Bonds. The Document will remain to be deposited with the Central Depository, or (if applicable) the Central Depository's successor, until all claims of the Bondholders under the Bonds will be satisfied.
Nominal Value	HUF 10,000

Issue Date	18 October 2019
Maturity Date	The tenor and the maturity date of the Bonds offered hereunder shall be of three (3) years from the Issue Date.
Issue Price	The issue price of the Bonds will be determined in an auction process (see Part "*Subscription and Sale*").
Interest Rate	The Bonds shall bear fixed interest rate.
Interest Payment Dates	The Bonds bear interest from and including 18 October 2019 at the rate of 1.25 per cent. per annum, payable annually in arrear on 18 October of each year.
Status and ranking of the Bonds	The obligations under the Bonds will constitute direct, unsecured, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and as to the order of their satisfaction and at least *pari passu* to all other current and future direct, unsecured, unconditional and unsubordinated obligations of the Issuer, except for those obligations of the Issuer so identified by the mandatory provisions of law and provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, the Issuer shall have no obligation to pay other obligations at the same time or as a condition of paying sums due on the Bonds and/or applicable interest and *vice versa*.
Redemption	The Bonds shall be redeemed at par on the Maturity Date.
Early redemption at the Issuer's option	The Bonds may not be redeemed by the Issuer before their respective Maturity Date. However, the Issuer may at any time purchase any Bonds on the secondary market, under any conditions and for any market price. The Bonds thus purchased by the Issuer shall not cease to exist and may be kept, resold or cancelled by the Issuer, at its sole discretion. The rights and obligations under the Bonds purchased by the Issuer shall cease to exist due to their amalgamation in a single person at the earlier of: (i) cancellation by the Issuer and (ii) their respective Maturity Date.
Early redemption upon an Event of Default	Each Bondholder will have the right to declare all Bonds (but not some only) held by that Bondholder immediately due and payable and require the Issuer to pay the Nominal Value of each Bond held by that Bondholder together with any accrued interest, by a written notification to the Issuer, if an Event of Default occurs and is continuing.
No Gross-up	All payments in respect of Bonds will be made free and clear of withholding taxes of Hungary, unless the withholding is required by law. In that event, the Issuer will not pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction.
Taxation	For certain considerations regarding the taxation of payments related to the Bonds see Part "*Taxation*".
Governing law and jurisdiction	Any rights and obligations (including any non-contractual obligations) arising under or in connection with the Bonds will be governed and construed in accordance with the laws of Hungary. Any disputes which may arise out of or in connection with the Bonds, the issue thereof or any document created in connection with such issue (including a dispute relating to any non-contractual obligations arising out of or in

	connection with the Bonds), shall be subject to the exclusive jurisdiction of Hungarian courts.
Listing	The Issuer will apply for the listing of the Bonds on the Regulated Market of the Budapest Stock Exchange. The Issuer may apply for admission of the Bonds to trading on other regulated markets in the European Union.
Use of proceeds	The Bonds will be issued, and the net proceeds of the Offering shall be used by the Issuer, to finance its existing loan portfolio and new lending to its EU Member States and for debt refinancing (see Part "*Description of the Issuer – Mission*" and "*Description of the Issuer – Strategy*").
Risk factors	Investing in the Bonds involves risk. See Part "*Risk factors*" section for a description of certain of the risks investors should carefully consider before investing in the Bonds.
Selling and transfer restrictions	The Bonds are subject to certain restrictions on sale and transfer. For a description of certain restrictions on offers, sales and deliveries of Bonds and on the distribution of offering materials see Part "*General information – Selling and transfer restrictions*".

RISK FACTORS

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

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

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

In particular, the Issuer's operations are carried out across a wide region. As an international organisation composed of its Member States, its results of operations are significantly affected by economic conditions in its Member States which may be, in turn, adversely affected by the global financial and European sovereign debt crises and remain vulnerable to further external shocks.

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

Risk factors related to the Issuer and its Group

Risks related to global events in financial and economic markets

Social and economic disruptions stemming from the crises in Europe have affected in the past and may affect in the future the geographic market in which the Issuer operates (see *"Description of the Issuer – Relevant Geographic Markets"*). Such crises may result in a downturn and decrease in spending and investment in the relevant markets, potentially leading to an increase in costs due to currency fluctuations and legal and regulatory changes. These factors could increase the Issuer's operating costs or otherwise adversely affect the Issuer's business, prospects, results of operations and financial condition.

In particular, the reduction in recent years quantitative easing and the exit from the era of ultra-low interest rates in the Eurozone may lead to spill-over effects for some of the Issuer's key markets, notably the five EU countries in Central and Eastern Europe. These countries are an intrinsic part of the European supply chain as well as a major recipient of financial flows coming from core European Union countries. Higher interest rates in the Eurozone may negatively impact both the economic growth of core Europe countries (Germany, France, Netherlands, etc.) and thus spill over into the Central and Eastern European region as well as more directly through higher interest rates in the Central and Eastern European region as financial fund flows return to core Europe.

An additional risk is any potential for a trade war that could cause a restructuring of global supply chains and thus it may negatively impact the growth potential of the Central and Eastern European region. Many of the Issuer's operating countries are open economies with a large share of exports to GDP and in the event of slowdown in global trade this would negatively impact the growth dynamics of these countries.

Another event which has spurred significant volatility in the global financial markets is the vote cast in the United Kingdom referendum in favour of United Kingdom's exit from the European Union. Concerns that other member states of the European Union may express their intention to leave the European Union have also been amplified by the results of the United Kingdom referendum. Until the legal, political and economic terms and consequences of United Kingdom's exit from the European Union are settled, it is likely that the situation is likely to continue to adversely affect European and worldwide economic conditions.

Prospective investors should ensure that they have sufficient knowledge and awareness of global financial and economic developments, the crises faced by the European Union and the economic situation and outlook in the states in which the Issuer operates, or whose economical or financial situation may otherwise impact the Issuer, as they consider necessary to enable them to make their own evaluation (including in consultation with any tax, legal and financial advisors as it deems necessary) of the risks and merits of an investment in the Bonds. In particular, prospective investors should take into account the current uncertainty as to how the crises faced by the European Union and the wider global economic situation will develop over time and how they will affect the Issuer's financial condition, as well as its business, prospects and results of operations.

Risk related to the operations in emerging markets in general

An investment in emerging markets, such as some of the Member States of the Issuer, being the respective jurisdictions of the Issuer's Member States in which a significant part of its business is undertaken and its customers and assets are located, is subject to greater risks, including in some cases significant legal, economic and political risks, than an investment in more developed markets. Investors should be aware that these risks may be applicable to the Issuer notwithstanding that its status as an international organisation affords it certain privileges, immunities and political protection. Investors should also note that emerging markets are subject to rapid change and that the information set out in this Offering Circular may become outdated relatively quickly.

In addition, international investors' reactions to events occurring in one country sometimes demonstrate a "contagion" effect, in which an entire region or class of investment is disfavoured by international investors. Therefore, investment in the Bonds, as in any other comparable security, could be adversely affected by negative economic or financial developments in other countries, particularly its Member States. There also can be no assurance that conditions resulting from any crises similar to the global financial and economic crisis that started in 2008, the European sovereign debt crisis or the recent social and political turmoil in Europe, the Middle East and Africa and disruption in European financial markets caused by the United Kingdom's envisaged exit from the European Union will not negatively affect the economic performance of, or investor confidence in, developing markets, including the Member States and, hence, the Bonds.

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

The Issuer is a supranational multilateral development bank with nine sovereign shareholders. Therefore, the Issuer is measured and rated in the context of the specific country risks and credit ratings of its sovereign members. The Issuer's mission is to facilitate connectivity and integration between the economies of its Member States in order to ensure sustainable and inclusive growth, competitiveness of national economies, backed by the existing historical tie" and to this end the Issuer maintains a political impartiality.

To the extent the Issuer (although being a self-standing international organisation) is perceived as having a strong connection to the Russian Federation and since the Issuer is directly and indirectly financially exposed to entities in the Russian Federation, a downturn in general economic conditions in the Russian Federation and other Member States could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. Ongoing or heightened tensions between Russia and the United States, member states of the EU, Ukraine or other countries, the imposition of further sanctions on Russian persons and entities, or the impact of actions taken by the Russian government in response to actions by the United States, EU and other governments, could have a further adverse effect on the Russian economy and consequently, could have an adverse effect on the Group's business, financial condition, results of operations and prospects. However, the diverse shareholding of the Issuer and its strategy of diversification of its treasury assets, source of funding and lending portfolio has reduced significantly the idiosyncratic effects of negative consequences derived from various exogenous factors such as sanctions; this being proved by the developments of the Issuer's financials in the latest years as well as the recent rating upgrades from Standard and Poor's (in March 2019), Moody's (in April 2018) and Fitch (in September 2019) in the context of a set of sanctions applied by US on Russian individuals in April 2018. Therefore, the Issuer's ratings and outlook was decoupled from the rating or developments in a market of a specific Member State (such as in the case Russia). Moreover, the relocation of the Issuer's headquarters from Moscow to Budapest is seen as credit and rating positive by both Fitch, Standard & Poor's and Moody's as they underlined it in their public releases made in September 2019, March 2019 and respectively December 2018.

Credit risk faced by the Issuer in general

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

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

The Issuer is building a track record of low and sustainable NPL levels (< 6%) following its relaunch in 2012, fact that is one of the pillars of the recent positive rating actions by the international rating agencies.

Credit risk due to lending concentration

For the purpose of achieving the Issuer's mission, which is to ensure sustainable and inclusive growth of the Member States, the Issuer's loan and trading portfolio includes, and is likely to continue to include, concentrations in particular Member States. Also, as at 30 June 2019, the Issuer had corporate gross loan portfolio in the amount of EUR 629.44 million, out of which 17% was provided to corporate clients based in the Russian Federation, 20% to corporate clients based in the Republic of Bulgaria, 19% to corporate clients based in Romania, 3% to corporate clients based in Hungary and in Vietnam of each, 14% to corporate clients based in Slovak Republic, 4% to corporate clients based in Mongolia and 20% to corporate clients based in other countries.

In terms of sector concentration, as at 30 June 2019, 34% out of the Issuer's gross loan portfolio to corporate clients was provided to corporate clients active in the production and transmission of electricity and 21% to corporate clients active in the leasing industry, 20 was provided to clients active in communications, 6% to clients active in financial services, 4% to clients active in each of mining and manufacturing of refined oil products, 3% to clients active in each of food and beverage and manufacturing of electrical equipment, 2% to clients active in production of pharmaceutical products industry, 1% to clients active in production of each of postal activities, real estate and retail industries.

Concerning the Issuer's portfolio of loans extended to banks, loans granted to top six bank clients are concentrated. As at 30 June 2019, the outstanding value of each of the loans extended by the Issuer to six bank clients exceeded 10% of the aggregate gross value of the Issuer's portfolio of long-term loans to banks and trade financing loans. As at 30 June 2019, the Issuer's exposure to such major bank clients amounted to EUR 143.5 million out of the gross total EUR 164.2 million long-term loans extended by the Issuer to banks. As at 30 June 2019, 37% of the long-term loans provided to banks are banks based in Mongolia, 30% to banks based in Republic of Cuba, 4% to banks based in Vietnam and 29% in the other countries.

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

Foreign exchange rate risk and interest rate risk

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

The Issuer manages its currency risk by seeking to match the currency of its assets with that of its liabilities on a currency-by-currency basis within the limits established by the Board. The Issuer is running a prudent open currency position, having set open currency position limits at 10% for single currency position and 15% for a cumulative currency position. The factual results are comfortable well within the established limits at 0.23% of the capital for a single currency position and 0.65% for a cumulative currency position as of 30 June 2019.

The performances of the Issuer are influenced by the trend and by the fluctuation in interest rates in the markets in which the Issuer carries out its activities. Any misalignment between interest incomes accrued by the Issuer and interest expense payable by the same (in the absence of suitable instruments for protecting against this misalignment), could have significant effects on the financial position and the Issuer's operating results.

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

Market risk in connection with the investment portfolio

As of 30 June 2019, consolidated securities at fair value through other comprehensive income balance of the Group was EUR 220.6 million and debt instruments measured at amortized cost amounted to EUR 74.6 million as of 30 June 2019. The majority of the portfolio is composed of sovereign bonds denominated in EUR and USD. Government bonds account for 16% of the portfolio and represent securities issued and guaranteed by governments of Member States and by governments of other countries. Corporate bonds, mainly issued by large companies and banks of Member States, as well as international companies and development banks that have similar goals and missions with the Group, account for 83% of the portfolio. As a significant part of the Group's business is generated by trading activities relating to this portfolio, which is susceptible to market fluctuation and price volatility, prospects of the Group may be impaired by its ability to further finance this portfolio or to regain its investments. Market price fluctuations in the large investment security portfolio may therefore materially and adversely affect the Group's business, financial condition, results of operations and prospects. As of 30 June 2019, investment grade bonds represented 75% (including AAA-BBB-) of the total Issuer's debt securities portfolio. The weight of A-AAA assets in the portfolio under the Treasury rule had increased by 6% from 51% as of 31 December 2018 to 57 as of 30 June 2019.

The Issuer has limited operational history

Although the Issuer was founded in 1970, its modern operating history is relatively limited.

At the end of 2012 the Issuer's member states unanimously approved a new re-launch Strategy. As a result of the Issuer's re-launch Strategy 2013-2017, the Issuer managed not only to overcome a period of stagnation, but also achieved considerable success in all areas of its core activity: the Issuer's assets reached EUR 1,096 million, showing a three-fold growth for the Issuer's Development Strategy 2013-2017 implementation period; the increase in the Issuer's assets value was mainly driven by the growth of the loan and documentary portfolio, which amounted to EUR 712.4 million at the end of 2017 and included loans and documentary products in all 9 member states.

In June 2017, the Issuer adopted a new Development Strategy 2018-2022, aiming at doubling its assets while transforming the Issuer into an advanced, rapidly expanding and financially sustainable multilateral development institution, as well as a recognized player on markets in target geographical areas with a significant role for its shareholders and key partners. This strategy determines the global vector of the multilateral development institution’s growth path not only for the next five years, but also serves as a longer-term strategic guide (until end of 2032).

Prospective investors may therefore base their evaluation of an investment in the Bonds on a limited operating history of the Issuer. There can be no assurance that the Issuer will be successful in implementing its business strategy in the future or that its business will continue to grow at a similar or comparable rate, and any failure to do so could have a material adverse effect on its business, prospects, financial condition, cash flows and results of operations.

Profitability is not a key driver for the Issuer

The Issuer’s lending and investment activities are aimed at supporting development projects in the Member States. As for other multilateral development banks, profitability is not the key driver for Issuer. Also, operations in some of the Member States in some type of projects may involve lower rate of returns than other purely commercial lending entities would expect or demand. Profitability of the investment projects does not, therefore, represent the Issuer’s main objective and may remain low despite the expected rise in the interest income as the loan portfolio grows. As a result, although the Issuer has implemented robust risk management and credit approval systems, future profitability may be restrained owing to the nature of the Issuer’s development lending business, which in turn may have a negative impact on the financial conditions and prospects of the Issuer.

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

The Issuer’s Statutory Documents provide that any Member State may withdraw its membership by giving the Issuer a written six months’ notice to that effect. The outstanding rights and obligations including with regard to withdrawal of contributed capital are subject to and shall be governed by the provisions of the Statute and the relevant decisions of the Board of Governors. Poland and Hungary withdrew from the Issuer in 1999 and 2000 respectively, but due to the absence of a clear procedure of a Member State's withdrawal that would apply then, a final decision concerning the settlement of their rights and obligations with the Issuer was delayed and made by the Issuer’s Council only in 2012. A new withdrawal procedure may be approved in the future by the Board of Governors but the relevant provisions of the statutory documents provide for a detailed withdrawal procedure which leaves very few issues to be further specified in the separate document.

The withdrawal of a Member State may adversely affect the Issuer’s capital and financial condition, as well as its business, prospects and results of operations.

Hungary re-joined the Issuer in 2015, after having previously decided to terminate its membership in the Issuer in 2000. The Issuer’s Council approved Hungary’s request to re-join the Issuer in November 2014 and Hungary ratified its membership in the Issuer and finalized all necessary procedures to obtain full voting rights in the Issuer in May 2015.

Conditions and actions of Member States may affect the Issuer

Although the Issuer is an international organisation having a legal personality separate from its Member States, the Issuer and its business operations may be affected by decisions of the Member States in their relations with other nations. The Issuer’s operations are also subject to risks resulting from political and economic uncertainties, default under obligations and downturns in the economies of Member States as well the policies (such as monetary and financial) approved or pursued by Member States. The migrant crisis faced particularly, as of 2015, by European Member States of the Issuer also adds to civil tensions and political uncertainty within certain Member States of the Issuer. These decisions and circumstances may result in adverse effects on the Issuer and the business environment in which the Issuer and its counterparties operate, including the reduction or cessation of commercial activity by private counterparties as the result of perceived increases in operational risk, or more formal actions by countries or international organisations to limit or preclude business activity by their nationals or organisational participants with the Issuer or in the areas in which the Issuer operates.

No assurance can be given that such decisions and circumstances will not adversely affect the creditworthiness of borrowers and increase the Issuer’s funding costs, and accordingly, adversely affect the Issuer’s business, prospects, financial condition, cash flows and results of operations.

The Bonds are not guaranteed by any sovereign

The Issuer currently has nine members, namely: Czech Republic, Hungary, Mongolia, Republic of Bulgaria, Republic of Cuba, Romania, Russian Federation, Slovak Republic and Socialist Republic of Vietnam (the "**Member States**").

Although the Member States are sovereign states, the Issuer is a legal entity which is separate from the governments of its Member States and the agencies of such governments. The Bonds, interest or other amounts due or to become due in respect of the Bonds, constitute obligations solely of the Issuer and do not constitute the obligation of, nor are they guaranteed or insured by, the Russian Federation, Hungary or any other Member State or sovereign entity or agency thereof. However, it should be noted that beyond its regular equity the Issuer is benefiting by the so-called callable capital (amounting currently to Euro 798.5 million). This is an additional source of capital that could be called/used by the Issuer in case there is a default risk related to the payment of its debt service.

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

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

The Issuer is an entity acting under the rules, and subject to the provisions of the public international law. The Issuer's existence, powers, privileges, immunities, liabilities and operations are subject to and governed by the Statutory Documents.

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

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

The Group's ability to access the capital markets and other forms of financing (or refinancing), and the costs connected with such activities, depend in part on the Issuer's credit ratings. As at the date of this Offering Circular, the Issuer has a long-term foreign currency issuer default rating of A3 with stable outlook by Moody's, BBB+ with a positive outlook by Fitch, A- with a stable outlook by S&P, A with a positive outlook by Dagong and A- with stable outlook by Dagong Europe Credit Rating Srl (**Dagong Europe**).

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

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

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

In the process of building and managing the IT infrastructure, the Group is guided by international practices and standards (i.e., *ITIL 3.0, ISO/IEC 27001:2005, ISO/IEC 27002:2005, ISO/IEC 27005:2011*). Several measures aiming to reduce the operational risks associated with (i) the "human factor" (i.e., enforcement of internal normative documents, organizational measures and automated control tools and change management), (ii) the failure of equipment (i.e., clustering of critical systems, including communication channels, complete back up of all data and settings to a remote server site in Bratislava and entering contracts with extended warranty and technical support from the manufacturers) and (iii) occurrence of incidents of information security breaches (for example, organizational and technical access control mechanisms using 2-step authentication and the use of specialized information leakage monitoring - DLP (Data Loss Prevention System), are in place.

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

The legal infrastructure and the law enforcement systems in the Member States are less developed compared to Western Europe

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

In addition, in Hungary, the courts of which shall have jurisdiction over the disputes in connection with the Bonds, there may be fewer judges specialised and experienced in complex matters involving investments in securities when compared to judges in western European countries. The risk may be more significant in cases which need to be brought before courts of certain other Member States, *e.g.* in connection with enforcement proceedings in the local jurisdiction of a Member State. Investors should therefore be aware that matters brought before the Hungarian courts or the courts of other Member States may be subject to delays and may not be conducted in a manner similar to more developed legal systems and may, as a result, lead to delays in proceedings or losses on the Bonds.

The enforcement of judgments against the Issuer and its assets is subject to limitations and procedural rules

The Bonds are governed by the Hungarian law and any disputes arising out of or in connection with this Offering Circular are subject to jurisdiction of the Hungarian courts. Hungary is a member state of the EU and judgments rendered by Hungarian courts are generally enforceable in other member states of the EU. Claims brought by investors in a different EU Member State will be subject, *inter alia*, to the European Union conflict of laws rules included in the Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters and shall be enforceable in accordance with it.

Assets of the Issuer are, however, located in several of its Member States, mainly the Russian Federation and other non-EU Member States. Presence of the financial and other assets outside of the EU may limit an investor's legal recourse against the Issuer. Enforcement of Hungarian and other EU Member States' civil judgments in the territory of non-EU Member States may be subject to existence of relevant international treaties and international law and, mainly, their respective observance by the relevant state authorities and local procedural rules.

In addition, although the Issuer has waived its immunity against legal proceedings in the terms and conditions of the Bonds, any legal actions against the Issuer may be limited by the relevant international treaties on diplomatic and intergovernmental protection as well as principles of public international law. Several of the Issuer's assets, such as its headquarters which enjoys diplomatic privileges of an embassy may therefore be considered outside of the reach of civil courts' jurisdiction.

Furthermore, Hungarian courts are not familiar with the concept of insolvency of institutions of public international law, and consequently the procedure for, and enforcement of payment under, the Bonds in such circumstances is uncertain.

Risk factors related to the Bonds and market in general

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, particularly where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

(v) 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 investment and its ability to bear the applicable risks.

There may not be an active trading market for the Bonds

The Bonds are new securities which may not be widely distributed and for which there may not be an active trading market. If the Bonds 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. Although application was made for the Bonds to be listed on the Regulated Market of the Budapest Stock Exchange, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development, maintenance or liquidity of any trading market for the Bonds. Illiquidity may have a severely adverse effect on the market value of the Bonds.

As a result of the above factors, investors may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

Inability to list the Bonds on the Budapest Stock Exchange

The listing of the Bonds on the Regulated Market of the Budapest Stock Exchange requires the approval of the Budapest Stock Exchange for such purpose. The listing of the Bonds on the Regulated Market of the Budapest Stock Exchange is subject to certain requirements. The Issuer intends to take all necessary steps to ensure that the Bonds will be listed on the Regulated Market of the Budapest Stock Exchange as soon as possible after the closing of the Offering. There is no guarantee that, should the requirements for the approval by the Budapest Stock Exchange change, all such trading conditions will be met. Consequently there is no assurance that the Bonds will be listed on the Regulated Market of the Budapest Stock Exchange on the estimated date or at all.

The Bonds do not limit incurrence of additional indebtedness

The Terms and Conditions of the Bonds do not restrict the ability of the Issuer to incur additional indebtedness or require the Issuer to maintain financial ratios or specified levels of net worth or liquidity. In fact, the Issuer intends to raise funds and thus incur addition indebtedness including by way of issuing other debt instruments. If the Issuer incurs additional indebtedness in the future, these higher levels of indebtedness may adversely affect the Issuer's creditworthiness generally and its ability to pay principal of and interest on the Bonds.

Taxation

Potential investors should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Bonds are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for innovative financial instruments such as the Bonds.

Potential investors are advised not to rely upon the tax summary contained in this Offering Circular but to ask their own tax adviser's for an advice on their individual taxation with respect to the acquisition, holding, sale and redemption of the Bonds. Only these advisors are in a position to duly consider the specific situation of the potential investor. The aforementioned individual tax treatment of the Bonds with regard to any potential investor may have an adverse impact on the return which any such potential investor may receive under the Bonds.

Change of law

The Terms and Conditions of the Bonds are governed by the laws of Hungary in effect as at the date of issue of the Bonds. No assurance can be given as to the impact of any possible judicial decision or change to the laws of Hungary, or administrative practice after the date of this Offering Circular.

Exchange rate risks

The Issuer will pay principal and interest on the Bonds in HUF. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in other currency. These include the risk that exchange rates may change significantly (including changes due to devaluation of HUF or revaluation of the investor’s currency) and the risk that authorities with jurisdiction over the investor’s currency may impose or modify exchange controls. An appreciation in the value of the investor’s currency relative to HUF would decrease (i) the investor's currency-equivalent yield on the Bonds, (ii) the investor’s currency-equivalent value of the principal payable on the Bonds and (iii) the investor’s currency-equivalent market value of the Bonds.

Government and monetary authorities may impose exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Risks related to interest rate

The Bonds will bear a fixed interest rate. Investment in fixed rate Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

Credit ratings may not reflect all risks

As of the date of this Offering Circular, the Issuer is rated A3 with stable outlook by Moody's, BBB+ with positive outlook by Fitch, A- with a stable outlook by S&P and A with positive outlook by Dagong and A- with stable outlook by Dagong Europe Credit Rating Srl (**Dagong Europe**).

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

Transferability of the Bonds may be limited under applicable securities laws

The Bonds have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other jurisdiction (other than Hungary). The Bonds may be subject to restrictions on transfer in certain jurisdictions. Each purchaser of Bonds will be deemed, by its acceptance of such Bonds, to have made certain representations and agreements intended by the Issuer to restrict transfers of Bonds as described under "*Subscription and sale*". It is the obligation of each purchaser of Bonds to ensure that its offers and sales of Bonds comply with all applicable securities laws.

Legal investment considerations may restrict certain investments

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

Reliance on Budapest Stock Exchange and the Central Depository

A holder of a Bond must rely on the procedures of the Budapest Stock Exchange and the relevant clearing system to effect transfers of Bonds and receive payments under the Bonds.

The Issuer has no responsibility or liability for the implementation or defaults in the implementation of own procedures by the Budapest Stock Exchange or the Central Depository.

Automatic exchange of information in the field of taxation

Automatic exchange of information regime was implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation, as amended by Council Directive 2014/107/EU, pursuant to which Member States are required to apply various measures on mandatory automatic exchange of information from 1 January 2016, except for Austria that was allowed to start applying these measures up to one year later, starting 1 January 2017. The foregoing Directives extended the previously existing automatic exchange of information on residents of EU Member States to a full range of income (interest, dividends, and other income as well as account balances and sales proceeds from financial assets) as well as information on qualifying Account Holders in accordance with the Global Standard released by the OECD Council in July 2014 and ensured a coherent, consistent and comprehensive Union-wide approach to the automatic exchange of financial account information in the Internal Market. On 25 June 2018, Directive 2018/822 amending Directive 2011/16/EU with respect to mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements entered into force. Directive 2018/822 brings extensive reporting obligations for both intermediaries and taxpayers for cross-border arrangements that contains at least one of the hallmarks listed (namely characteristics or features of a cross-border arrangement that presents an indication of a potential risk of tax avoidance). Each Member State shall take the necessary measures to require intermediaries and relevant taxpayers to file information on reportable cross-border arrangements the first step of which was implemented between the date of entry into force and the date of application of Directive 2018/822 (1 July 2020). Intermediaries and relevant taxpayers, as appropriate, shall file information on those reportable cross-border arrangements by 31 August 2020.

Investors who are in any doubt as to their position should consult their professional advisers.

USE OF PROCEEDS

The Bonds will be issued, and the net proceeds of the Offering shall be used by the Issuer, to finance its existing loan portfolio and new lending to its EU Member States and for debt refinancing (see "*Description of the Issuer – Mission*" and "*Description of the Issuer – Strategy*").

DESCRIPTION OF THE ISSUER

INTRODUCTION AND HISTORY

The Issuer is a multilateral development institution (a public international body within the meaning of Regulation 2017/1129/EU, as amended (the "**Prospectus Regulation**")), operating on the basis of the intergovernmental Agreement on the Establishment of the International Investment Bank of 10 July 1970 and the Statutes of the International Investment Bank forming an integral part of the Establishment Agreement. The Statutory Documents came into force provisionally on 1 January 1971, when the Issuer commenced operations, and definitively on 5 February 1971, and were registered with the Secretariat of the United Nations on 1 December 1971 under number 11417.

In May 2014 the Member States adopted the Protocol amending the Agreement Establishing the International Investment Bank and its Charter, which after ratification by all Member States entered into force on 18 August 2018.

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

Due to objective reasons, starting from 1991, the Issuer temporarily reduced its activity. As of 2012, the Issuer has undergone a complex reformation and major modernization process, re-launching its activity under a new management structure and on the basis of renewed development strategy and lending policy. The Issuer has reviewed and reinforced its development strategy, aiming at doubling its assets and loan portfolio within a five-year horizon, while transforming into an advanced, rapidly expanding and financially sustainable multilateral development bank, as well as a recognised player on markets in target geographical areas with a significant role to play for its shareholders and key partners (see "*Strategy*").

Following the entry into force of the Protocol, the Issuer's authorized capital amounts to EUR 2 billion. As at 11 September 2019, after Hungary increased its share to 14.72% and Romania - to 7.69%, the Issuer's paid-in capital amounted to EUR 339.6 million (on 30 June 2019, the Issuer's paid-in capital amounted to EUR 329.6 million) whereas the combined share of the Czech Republic, Slovakia, Hungary, Romania and Bulgaria – the Issuer's member countries within the European Union – to the Issuer's capital reached 52.16%. As of the same reference date, Cuba's share in the Issuer's paid-in capital is at 1.58% and the share of Asian members of the Issuer (Vietnam and Mongolia) is at 2.08%. Russia's share in the Issuer's paid-in capital is 44.18%.

The Issuer's headquarters is located at Hungary, Budapest, 1138, Váci út., 188.

Until 29 April 2019 the Issuer's headquarter was located at 7 Mashi Poryvaevoy str., Moscow, 107078, Russian Federation. The Board of Governors of the Issuer resolved on the relocation of its headquarters from Moscow to Budapest on December 4, 2018. Based on this decision, on 05 February 2019, the Government of Hungary and the Issuer executed the Agreement regarding the headquarters of the Issuer in Hungary (the "**Host Country Agreement**"). This Agreement was ratified by the Hungarian Parliament on 5 March 2019 and came into force on 28 April 2019.

Simultaneously with the relocation of its headquarters to Budapest, the Issuer established a full-fledged branch in Moscow. Certain matters related to the residence of the International Investment Bank in the Russian Federation are set forth in the agreement dated 23 December 1977 concluded between the Issuer and the former USSR. Among others, this Agreement provides for the inviolability of the Issuer's premises in the USSR (and, consequently, the Russian Federation as a successor state after the USSR dissolution) and the exemption of the Issuer's operations from the supervision of central or local authorities of the Russian Federation. Presently new draft of the Agreement related to the Issuer's accommodation in Russia goes through the final stage of approval by the authorized official bodies of Russian Federation.

Being an international organization acting on the basis of the international treaty, the Issuer is exempt from the sector specific sanctions against certain state-owned Russian financial and credit institutions, imposed by the Council Regulation (EU) No 833/2014 of 31 July 2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine. As per paragraph 5 of the Regulation's preamble, Russian-based institutions with international status established by intergovernmental agreements with Russia as one of the members, such as the Issuer, are not subject to the sanctions thereunder.

The Issuer's general telephone number is +36 1 727 8888. The Issuer's general telephone number in Moscow branch is +7 (495) 604-73-00. For investors inquiries, please use +36 1 727 8888, +7 (495) 604-76-00, +7 (495) 604-75-99 and/or ir@iibbank.com.

RELOCATION OF THE ISSUER'S HEADQUARTERS

The Board of Governors of the Issuer resolved on the relocation of its headquarters from Moscow to Budapest on December 4, 2018. Based on this decision, on 05 February 2019, the Government of Hungary and the Issuer have signed the Agreement regarding the seat of the Issuer's headquarters and which was ratified by the Hungarian Parliament on 5 March 2019. The Agreement on the Issuer`s headquarters in Budapest came into effect on April 28th and the Issuer has become the first and only multilateral development bank with headquarters in the CEE region.

All legal conditions concerning the headquarters relocation were realized in a timely manner. On April 30, Issuer registered new headquarters` address in Budapest (Váci út, 188, H-1138 Budapest, Hungary). On May 06, 2019 the Issuer was registered on "DT-lista" – Official Diplomatic Directory – Diplomatic and Other Representations in Hungary of the Ministry of Foreign Affairs and Trade of Hungary.

Simultaneously with the relocation of its headquarters to Budapest, the Issuer established a full-fledged branch in Moscow. In this regard, the Issuer is in process of final consideration with the authorized official bodies of the Russian Federation the text of the new agreement on the terms of placement of the Issuer on the territory of the Russian Federation.

The Issuer's headquarters contacts: Budapest, Váci út, 188, H-1138, Hungary, phone: +36 1 727 8888 E-mail: mail@iibbank.com

Moscow branch: Moscow, 7 Mashi Poryvaevoy street, 107078, Russia, phone: +7 495 604 7300 E-mail: mail@iibbank.com

THE NEW EDITION OF THE STATUTORY DOCUMENTS

As of 25 June 2018, all Issuer's Member States have completed the ratification of the Protocol amending the Agreement Establishing the International Investment Bank and its Charter that entered into force on 18 August 2018.

Based on the experience of international financial institutions, the Issuer has a three-tier governance system (i.e., Board of Governors, Board of Directors and Management Board). Three-tier governance structure provides transparency and clear delegation of authority with well-defined roles and responsibilities. The Issuer applies a double majority voting system. According to the voting system, voting powers to Member States in the Board of Governors and the Board of Directors are granted pro rata to their share in the Issuer's paid-in capital. Save for certain strategic decisions which shall require the unanimous approval of all Member States represented at the meetings of the Board of Governors (e.g., decisions on the amendment of the Establishment Agreement and the Statutes, changes in the capital of the Issuer and admission of new members, decision on the date and procedure for the termination of the Issuer's operations), under the Protocol, the resolutions of the Board of Governors and the Board of Directors are adopted based on a double majority rule, with the favourable vote of: (i) a qualified majority of at least three quarters of the total votes vested with the representatives of the Member States; and (ii) a simple majority of the representatives of the Issuer's Member States who actually voted on the relevant resolution. The Board of Governors and Board of Directors have the authority to adopt resolutions only if representatives of at least ¾ of the total number of the Issuer's Member States attend the corresponding meeting.

The Issuer's reform of the corporate governance system won in February 2019 the annual award of the Association of Development Financial Institutions of Asia and the Pacific (ADFIAP) in the "Corporate Governance" nomination.

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

The new edition of the Statutory Documents sets up the authorized capital of the Issuer in the amount EUR 2 billion.

The new edition of the Statutory Documents set forth, among others, the rules regarding the admission of new Members and the withdrawal of Member States, its governance structure as well as the scope of operations which may be undertaken by the Issuer.

In connection with the adoption of the new edition of constituent documents, the Issuer continues updating and improving internal regulatory documents.

MISSION

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

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

The Issuer is determined to extend its activity within Member States through diversified and in-depth cooperation with export credit agencies, national organisations for development, multilateral development banks and other international finance institutions with a high rate of credibility. A first step towards achieving this aim has been made in April 2014, when the Issuer executed a Multilateral Memorandum on Cooperation (the "**Memorandum**") with a number of export credit agencies ("**ECAs**") in Member States, including EXIAR, EXIMBANKA SR, EGAP, BAEZ and EximBank Romania. Pursuant to the Memorandum, the Issuer will act as a bridging financing institution, while the ECAs will provide insurance coverage in relation to projects carried out in cooperation by Member States. The Memorandum was subsequently joined by other ECAs. Also, in October 2016, the Issuer signed a memorandum of understanding with the European Investment Fund ("**EIF**"), which formalized the partnership between the two financial institutions in relation to the anticipated establishment of the Central Europe Fund of Funds ("**CEFoF**") managed by the EIF. In 2017 the CEFoF was launched and approved its first operations. Moreover, aiming to promote its activities among leading development financial institutions, on 14 October 2018 the Issuer became a member of in the International Development Finance Club ("**IDFC**"), an esteemed union of national and regional development institutions, whose main focus lies in areas of sustainability, including urban development, green finance, promotion of partnerships between development institutions, export finance, etc.

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

SUBSIDIARY AND MOSCOW BRANCH

The Group currently consists of the Issuer and one subsidiary, JSC "IIB Capital" (the "**Subsidiary**"). The Subsidiary is established in the form of a joint stock company, being 100% owned by the Issuer. The Subsidiary's principal office is located at 107078 Moscow, Basmanny lane 7, office 14.

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

The share capital of the Subsidiary is RUB 44,5 thousand (approximately EUR 1,100 at the exchange rate effective at the date of incorporation).

At the 1st Meeting of the Board of Governors in December 2018, the Issuer's Member States unanimously approved the relocation of the headquarters of the Issuer to Budapest. Simultaneously the Board of Governors took a decision to open a full-fledged branch in Moscow. In a press release made by Moody's on December 12, 2018 the rating agency mentioned that „*The relocation decision is credit positive since it is expected to lower the Issuer's cost of funding by reducing the perceived risks associated with having its headquarters in Russia. It will also increase the Issuer's investor diversity and its visibility and attractiveness to potential new shareholders*." Based on this decision, on 5 February 2019, the Government of Hungary and the Issuer have signed the Agreement regarding the seat of the Issuer's headquarters and the Agreement was ratified by the Hungarian Parliament on 5 March 2019 and entered into force on 28 April 2019.

STRATEGY

2018-2022 Strategy

The strategic vision for the Issuer's development within the next mid-term period is outlined in the 2018-2022 Strategy adopted in June 2017 at the Issuer's 107th Council meeting held in Bucharest, Romania on 26-27 June 2017. This strategy determines the global vector of the multilateral development institution's growth path not only for the next five years, but is also intended to layout the basis for a longer-term strategic guide (until end of 2032). At the end of 2017, the Issuer in close cooperation with the delegations of the Member States prepared country strategies that detail the Issuer's strategic priorities in each Member State for the 2018-2022 planning period.

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

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

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

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

- **Assisting the economic integration of Member States,** by acting as a platform capable of carrying out foreign economic activities between Member States and their partners in a wide range of areas. Also, in order to raise its status in the international financial community, the Issuer intends to strengthen its operations especially by conducting in-house public events aimed at assisting the economic development of the Member States and participants with special status, by sponsoring events, initiatives and programmes, and by releasing researches and information materials.

- **Raising long-term financial sustainability,** which is intended to be achieved by developing the financial control and expanding the resource base. The development of financial control is envisaged to be obtained by way of (i) monitoring the profitability of the Issuer's operations; (ii) providing sufficient returns with a reasonable risk level; (iii) forecasting the Issuer's short-term development horizon and taking corrective decisions based on the forecast data; and (iv) regularly identifying the key factors affecting the Issuer's financial standing. The Issuer plans to accrue liabilities while observing the following principles: (i) ensuring the diversification of its loan portfolio; (ii) raising funds for longer periods while lowering the cost; (iii) expanding the financing activities through bond issues on Member States' national markets; (iv) increasing the number of partners; (v) broadening the range of fundraising tools; (vi) consolidating the Issuer's reputation as a trustworthy and transparent partner; and (vii) launching a debut Eurobond issue.

- **Having the Issuer's international credit rating upgraded to A- or higher**. The Issuer aims to be assigned at least an A- rating from an international rating agency, primarily by executing the following tasks: growth and diversification of its loan portfolio; monitoring and management of the level of troubled assets; diversification and enhancement of the quality of its treasury portfolio; control over capital adequacy, financial leverage and risk profile. At the current moment in time, the Issuer is rated A3 with stable outlook by Moody's Investors Service, Inc. ("**Moody's**"), BBB+ with a positive outlook by Fitch Ratings CIS Ltd ("**Fitch**"), A- with stable outlook by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), A with positive outlook by Dagong Global Credit Rating Co., Ltd ("**Dagong**") and A- with stable outlook by Dagong Europe Credit Rating Srl (Dagong Europe).

- **Reaching beyond the Issuer's "historical space".** A strategic vector for the Issuer's development is to expand the Issuer's historical footprint by drawing in new participants. The principal objectives for admitting new members are (i) gaining access to new markets and clients; (ii) obtaining new financial resources and other forms of support; (iii) growth of assets and the loan portfolio; (iv) gaining professional skills and expertise; (v) improving the Issuer's credit ratings; and (vi) ensuring complementarity of new and existing members.

Main achievements of the implementation of the 2018-2022 Strategy

The Issuer continues to expand its operations in accordance with its mandate and strategic objectives established in its Development Strategy 2018-2022 and Country Strategies. For the first half of 2019, a significant progress has been made in the field of expansion of the loan and trade finance portfolio, quality improvements in treasury assets as well as diversification of borrowings in terms of type, maturity, geography and currencies, as follows:

- On April 30, the Issuer officially started its activity from its new headquarters in Budapest, thus the Issuer became the first and only multilateral development bank with headquarters in the CEE region. The relocation of the Issuer's headquarters to Budapest meets the interests of the Issuer and its shareholders and will provide reaching not only medium term goals stated by the Strategy 18-22 but even longer-term ones which are envisaged until 2032.

- According to the consolidated financial statements of the Issuer as of June 30 2019, the Issuer's assets reached EUR 1,276 million (+7% vs 2018). Over the reported period, net loan portfolio increased by 3% or EUR 22.7 million and reached EUR 775.5 million (60.7% of total assets). The IIB European member states' share in the loan and documentary portfolio amounted to almost 53%. NPL ratio decreased to 1.8% as compared with 1.9% in 2018.
- In March 2019, the Issuer placed its 3-year debut HUF bond issue (in the amount of HUF 24.7 billion) listed on the Budapest Stock Exchange. This issue was the first HUF bond issue by an international financial organization in Hungary;
- In April 2019, the Issuer made an additional bond placement on the Prague and Vienna Stock Exchanges amounting to CZK 750 million (about EUR 29 million);
- Since the beginning of 2019, Treasury significantly increased the share of the investments in the "Green bonds" portfolio, mainly in the primary market, the share of green bonds amounted to 45% of the total bonds portfolio (three times higher vs Y2018). The Issuer participated in the first sovereign AAA rated green bond placement in the world issued by the Dutch State Treasury Agency;
- Continue the policy aimed at the assets quality improvement and diversification. The share of assets of the highest credit quality (AAA - A- rating groups) was 63% (+6% vs Y2018).
- On June 5, 2019 within the framework of SPIEF 2019 the Chairperson of the Issuer's Management Board N. Kosov received an award for significant contribution to foreign affairs and international activity, promotion of effective international partnerships and results demonstrated in this sphere. Organization for Economic Cooperation and Development (OECD) has included the Issuer in the list of international institutions eligible for acceptance of the Official Development Assistance (ODA).
- In line with its Trade Finance Support Program (TFSP), the Issuer continued to diversify and gradually increase the volume of trade finance transactions for the benefit of all Member States. During January-June 2019, 20 trade finance deals were issued in the total amount of EUR 84.0 million;
- On December 20, 2018, the Czech Republic, on March 28, 2019, Romania and on September 10, 2019, Hungary made the contributions to the Issuer's paid-in capital in the amount of EUR 7 million, EUR 3.65 million and EUR 10 million respectively. As a result, on September 10, 2019 the paid-in capital of the International Investment Bank amounted to EUR 339.61 million (on June 30, 2019, the Issuer's paid-in capital amounted to EUR 329.6 million).
- Following upgrades from Moody's to A3 and Standard & Poors to A-, the Issuer achieved an average long-term credit rating of A- under Basel rules as such achieving one of the main goals of the Issuer's 2018-2022 strategy. This precisely occurred in March 2019, when Standard & Poors upgraded the Issuer to A- stable outlook. Currently, the Issuer is rated A3 with stable outlook by Moody's Investors Service, Inc. ("**Moody's**"), BBB+ with a positive outlook by Fitch Ratings CIS Ltd ("**Fitch**"), A- with stable outlook by Standard & Poor's Credit Market Services Europe Limited ("**S&P**"), A with positive outlook by Dagong Global Credit Rating Co., Ltd ("**Dagong**") and A- with stable outlook by Dagong Europe Credit Rating Srl (Dagong Europe).
- In 2018 the Issuer also received "The European" Global Banking Award as "Best Trade and Investment Bank –CEE".

ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

United Nations Global Compact

The Issuer intends to operate as a socially and environmentally responsible development institution. For this purpose, it has joined the United Nations Global Compact – the largest international initiative in the field of sustainable development, having voluntarily submitted to observe the fundamental principles of the United Nations Global Compact on human rights protection, labour relations, environment and corruption fight in its activities.

The Issuer has been gradually incorporating such principles into its activities, including by adopting its Corporate Social Responsibility Policy and, more recently, its Environmental and Social Impact Assessment Guidelines for the investments it makes, in line with best practices across multilateral development institutions. Following this trend, the Issuer has been actively working on assessment of the development impact of the financed project taking Sustainable Development Goals outlined by the United Nations as a benchmark. Recent analysis shows that over 64% of the Issuer's current loan portfolio contributes to the achievement of Sustainable Development Goals.

SR-IIB Technical Assistance Fund

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

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

As of August, 2019, the TAF has successfully completed the following projects:

- A project in Mongolia aimed at assisting the Financial Regulatory Commission of Mongolia (Mongolia's financial market supervisory body) in bringing its AML/CFT regulations in line with the Financial Action Task Force (FATF) recommendations and global best practices.
- A project in Cuba providing technical expertise for Proxenta Cuban Investments related to a possibility of a confectionery plant modernisation.
- A project in Vietnam related to testing of two innovative Aquaholder products of PeWaS s.r.o. in Vietnamese conditions. The project has a significant developmental effect and greatly contributes to the agriculture sector.

Currently ongoing projects include a large energy-efficiency street lighting PPP project in Hanoi, Vietnam, as well as a project of technical assistance for installation of biomass power plants in the Thừa Thiên-Huế province of Vietnam.

Trade Finance Support Programme

In 2019, as part of the Trade Finance Support Programme (TFSP), the Issuer actively supported the delivery of hydroturbine equipment for small hydropower plants from Bulgaria and Czech Republic to Armenia. The Issuer supported the finance of such exports in the amount of EUR 10.5 million.

Grant support

In 2015, the Issuer started supporting environmental initiatives directly, having provided financial grants for programmes aimed at protecting and preserving rare or endangered species of animals in Mongolia and Vietnam. The commitment to environmental initiatives was reinforced in 2016, with a recent grant having been awarded by the Issuer to WWF Hungary for assessing and mapping water resource risks. As part of its environmental support practice, in 2017 the Issuer provided a EUR 30,000 grant to supporting the project of Milvus Group Association "Environmental education and awareness raising in protected areas" in central Transylvania, Romania. The project was aimed at raising awareness of local population towards natural values and the environment, and, in particular, towards Romanian territories protected as EU Natura 2000 sites. Among others, the programme facilitates 200 hours of environmental education activities in the elementary schools in Transylvania, over a period of 10 months.

In June 2018, as part of extending its environmental responsibility practice and contributing to the implementation of sustainable development principles in Member States, the Issuer provided a EUR 40,000 grant for execution of a project on restoring peatlands in Russia. This important protection initiative is being implemented by Wetlands International, an international non-governmental organisation.

In November 2018, the Issuer also provided a grant in the amount of approximately EUR 34,000 for the restoration of wetlands of the upper creek of the Tuula Gol river in central Mongolia. The aim of the project is to study the current state of wetlands in the area, biosystems and ecosystems, identify main causes for degradation of wetlands and to assess the risks of deepening processes, which negatively influence the ecosystem.

Miscellaneous

The Issuer is acting as an integrator of pharmaceutical industry's development in Russia and Hungary. Thus, the Issuer signed an agreement for the issuance of counter-guarantees for up to RUB 1.5 billion for a key medicine distributor, one of Russia's market leaders in the sector – Pharmaceutical Company PULSE LLC.

The Issuer is working on the introduction of the "green office" standards in its activities in accordance with the principles of responsible and sustainable development. This objective is part of the 2018-2022 Strategy and is also part of the Issuer's initiative of responsible attitude towards the environment, which was approved in 2016. The Issuer managed to optimize its printing expenses, as well as implement specific measures to support efficient use of paper, electricity and water in its activity.

KEY BUSINESS STRENGTHS

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

Status, privileges and immunities

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

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

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

Based and in compliance with Statutory Documents, the Issuer also enjoys privileges which are similar to those granted to diplomatic representations in the Member States with respect to priorities, tariffs and rates applicable to postal, telegraphic, and telephone communication.

The Issuer is not subject to the specific sectoral sanctions against certain state-owned Russian financial and credit institutions, imposed by the Council Regulation (EU) No 833/2014 of 31 July 2014. Based on a special reservation in the fifth recital of the Council Regulation (EU) No 833/2014 of 31 July 2014, Russian-based institutions with international status established by intergovernmental agreements with Russia as one of the members (such as the Issuer) are not subject to the sanctions set forth thereunder.[1]

[1] Recital 5 of the Council Regulation (EU) No 833/2014 of 31 July 2014 reads: *In this context, it is appropriate to prohibit transactions in or the provision of financing or investment services or dealing in new bonds or equity or similar financial instruments with a maturity*

Strong capital base

Following the entry into force of the Protocol, the authorised capital of the Issuer is of EUR 2 billion, out of which EUR 339.61 million represents the paid-in capital of the Issuer (following the contributions by the Czech Republic of 20 December 2018, Romania of 28 March 2019 and Hungary of 10 September 2019), EUR 784.9 million - callable capital, EUR 875.5 million – unsubscribed quota. On 30 June 2019, the Issuer's paid-in capital amounted to EUR 329.6 million, the Issuer's callable capital amounted to EUR 794.9 million and the Issuer's unsubscribed quota amounted to EUR 875.5 million. The increase of the Issuer's authorized capital from EUR 1.3 billion to 2 billion is intended to provide room for potential contributions by new members of the Issuer or for increasing quotas of current Member States in authorized capital.

The total equity of the Issuer (including retained profits and other equity funds) amounted to EUR 376.0 million as of 31 December 2018 and to EUR 392.6 million as of 30 June 2019.

Strong support from Member States

On December 20, 2018, within the Capitalization Program 2013-2017 the Czech Republic made an additional contribution to the Issuer's paid-in capital in the amount of EUR 7 million (out of EUR 12.6 million planned).

On March 28, 2019, Romania made an additional contribution to the Issuer's paid-in capital in the amount of EUR 3,65 million, thereby completing its obligations under the Capitalization Program 2013-2017.

On September 10, 2019, Hungary made an additional contribution to the Issuer's paid-in capital in the amount of EUR 10 million.

The new Capitalization Program 2018-2022 was approved at the first Board of Governors Meeting on December 4, 2018. The Program implies the increase of paid-in capital from current shareholders in the amount of EUR 200 million (distributed over the years 2020-2022).

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

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

The Issuer implemented bond placements in various currencies (EUR, CZK, RON, RUB, HUF) contributing to the development of its Member States' capital market. The success of these placements was due to the strong support provided by the respective Member State. As recognition for the Issuer's contribution to the development of Romania's capital market, the Issuer was awarded several times by the Association of Romanian Business Brokers (in 2015, 2016 and 2017) and by Bucharest Stock Exchange (in 2018 and 2019).

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exceeding 90 days issued by state-owned Russian financial institutions, ***excluding Russia-based institutions with international status*** *established by intergovernmental agreements with Russia as one of the shareholders.*

The Issuer registered two Bond Programs on Russian market, one with the Central Bank of Russian federation (classical one) and one with the Moscow Stock Exchange (exchange traded bonds). During 2014-2018, the Issuer successfully placed five bond issues on Russian market in the total amount of RUB 24 billion. Due the changes in legislation, the Issuer was added to the list of international financial institutions whose securities can be invested into with pension savings of the state management companies, with the payment reserve resources of the state management companies, and with temporary surplus funds of state corporations and state companies as well as, private pension funds. Other Member States who have also acted towards the facilitation of the Issuer's access to their national capital markets include the Slovak Republic, in which the Issuer has already successfully closed its debut issue of EUR 30,000,000 bonds in October 2014, the Czech Republic, in which the Issuer had successfully placed CZK 1.5 billion in April and May 2018 and in April 2019, listed on both Vienna and Prague Stock Exchanges, and Romania, in which the Issuer placed bonds, every year since 2015, first two years 2015-2016 only in RON and in the last two years 2017-2018 both in EUR and RON. On 22 March the Issuer issued its inaugural HUF bond transaction with a 3-year maturity and a fixed coupon on the Budapest Stock Exchange. The amount of HUF 24.7 billion (approx. EUR 79 million) was placed.

During 2017-2018, the Issuer continued to strengthen its relationships with its Member States and their institutions, including by attending various meetings of inter-governmental commissions, delivering presentations to investors and companies in the Member States, with support from state administrative authorities of the Member States, and hosting a series of events and liaison groups among institutions of the Member States and other countries. The Issuer has also signed and is implementing Memorandum on Cooperation with ministries of foreign affairs and/or economy of Hungary, the Slovak Republic, Mongolia and the Russian Federation. In order to enhance the contacts with its shareholders, the Issuer has also set-up a new platform of cooperation between Member States' representatives, namely the Club of International Investment Bank Ambassadors, under which Ambassadors of the Issuer's Member States meet regularly to discuss issues of interest on the Issuer's agenda. On May 20, 2019 in Moscow, International Investment Bank held a regular meeting of the IIB Ambassadors' Club. In view of the Issuer's headquarters' relocation this was the last meeting under the auspices of the Issuer, which was held in Moscow. It is planned that the first meeting of the IIB Ambassadors' Club in Budapest (Hungary) will be held in the fall 2019.

A Multilateral Memorandum on Cooperation among the Issuer and Chambers of Commerce and Industry of its Member States was signed on 27 June 2017, during the Issuer's Council 107th meeting held in Bucharest, Romania. A number of cooperation agreements and memoranda with various developments institutions, including the Trade and Development Bank, the Central American Bank for Economic Integration and the International Bank for Economic Cooperation Saigon-Hanoi Commercial Joint Stock Bank, Central American Bank for Economic Integration (CABEI), International Bank for Economic Cooperation (IBEC), Viglacera Corporation (Vietnam) were signed in 2018-2019.

The Issuer is in constant contact with the top public officials of Member States, including Deputy Prime-ministers, Ministers of Finance/Economy/Foreign Affairs, and Presidents of Central Banks in order to discuss the main strategic issues of the Issuer's development.

Not only does the Issuer promote its activities through participation in various international events, in certain cases the Issuer takes lead and organises gatherings of development institutions aimed at exchanging views and experiences of partner banks on topics of high importance. Examples of such an initiative are an international conference "IFRS 9 Implementation in Development Banks: challenges, risks and opportunities" that was held in Moscow in September 2017 and united senior level professionals in accounting, risk management and other fields from more than 14 institutions, , as well as the annual ALM and Risk Management Conference hosted by the Issuer in Moscow in September 2018, which gathered top risk and liquidity management experts from leading global international financial institutions. This practice also continued in 2019, when the Issuer hosted an Annual Meeting of Global Emerging Markets Risk Database Consortium.

On October 17, in Budapest, the Issuer, with the support of a long-term partner of the Issuer — the Banking Association of Central and Eastern Europe (BACEE), held an international conference on "Features of Compliance Risk Management in Development Banks: Practice of Multilateral and National Financial Institutions" dedicated to improving compliance practices in development institutions, increasing the effectiveness of the combating money laundering, corruption, and approaches to the identification and assessment of compliance risks. In July 2019 the Issuer hosted the annual meeting of Global Emerging Markets Risk Database Consortium (GEMs) dedicated to the best risk management practices. The event brought together more than 40 high-rank risk officers from major international development banks, such as the World Bank, International Finance Corporation, European Investment Bank, Council of Europe Development Bank, European Bank for Reconstruction and Development, Asian Development Bank, Asian Infrastructure Development Bank, FMO (Entrepreneurial Development bank), ADF (Agence Francaise de Development), etc.

In December 2018, the Issuer's Board of Governors (its new top decision-making body that replaced the former Council) has approved the relocation of the Issuer's headquarters to Budapest, Hungary, and based on this decision a HCA has been signed by the Government of Hungary and the Issuer on 5 February 2019 and the HCA was ratified by the Hungarian Parliament on 5 March 2019.

The Agreement on the Issuer's headquarters in Budapest has been signed and came into effect on April 28th. In this regard the Issuer has become the first and only multilateral development bank with headquarters in the CEE region. All legal conditions concerning the headquarters relocation were realized in a timely manner. On April 30, the Issuer registered new legal address in Budapest (H-1138 Budapest, Váci út, 188). On May 6, the Issuer was granted the status of a diplomatic organization in Hungary. The new Bank Seal came into effect. Also the new BIC code and new Hungarian tax number were acquired. On June 21, the Chairperson of the IIB Management Board Nikolay Kosov has taken up his duties from Budapest, where he already held the first IIB Management Board meeting. Announcing the headquarters relocation to Budapest the Issuer organized a business breakfast for the leading Hungarian and international mass-media. The main purpose of the event had been to present the Issuer, its mission, main strategic goals and priorities with focus on Hungary and CEE.

On September 16-17, 2019 the Issuer's new headquarters hosted the meetings of its supreme governing bodies for the first time. On the sidelines of the Board of Governors` Meeting the International Business Forum "Partnerships for Greater Development Impact" was held and brought together leading financial market players, representatives of government bodies and the business community.

Robust capital adequacy and potential for attraction of funding

The Issuer's capital adequacy ratio established by the Council stands high at minimum 25%, 21 percentage points above the Basel II 4% requirement applicable to tier I capital and 17 percentage points above the Basel II 8% requirement applicable when accounting tier II capital also. As of 30 June 2019, the Issuer's capital adequacy ratio, calculated in accordance with the Basel II methodology stood at 35.08% (for tier I capital) and 33.60% (for total capital *i.e.*, including tier II capital).

As of 30 June 2019, the Issuer attracted short-term funds from financial institutions in the form of deposits amounting to EUR 74.2 million representing 8.4% of the Issuer's total liabilities as of the same date.

During the past four years, the Issuer has successfully completed a 30 million issue of EUR-denominated bonds on the Slovak market and five issues of RUB-denominated bonds in the aggregate amount of RUB 24 billion on the Russian market under two bond issuance programmes, one established in 2014 and the second in 2016. As of 31 December 2018, the outstanding debt for RUB-denominated bonds amounted to approx. EUR 230 million. In October 2015, the Issuer placed RON 111 million (approx. EUR 25 million) of 3-year maturity bonds on the Bucharest Stock Exchange. The issue was the largest concluded in Romania by any international financial institution in the past six years, including the most recent issues by the EBRD, the EIB and the BSTDB of RON 100 million, RON 88 million and RON 22 million respectively. In September 2016, the Issuer placed another RON 300 million (more than EUR 65 million) of 3-year maturity bonds on the Bucharest Stock Exchange, which became one of the largest among IFIs on the Romanian market in the past 10 years (second largest to the placement by the European Investment Bank in 2007). In September 2017, the Issuer placed two tranches of bonds, as follows: a RON 300,000,000 tranche and a EUR 60,000,000 tranche (the first EUR bonds issued on the Romanian market). In October 2018, the Issuer placed its second dual tranche bond, denominated in both RON and EUR. The size of RON tranche is 300,000,000 and the size of EUR tranche is 80,000,000. In April 2018, the Issuer had also placed its first CZK denominated bond in total amount of CZK 750 million listed on both Vienna and Prague Stock Exchanges. Other Member States have expressed their openness for potential issues of bonds by the Issuer on their domestic capital markets.

From mid-2014 and until the date of this Offering Circular, the Issuer had also concluded more than 120 different agreements, including bilateral loan agreements, ISDA Master Agreements, long-term REPO, GMRA and trade finance agreements with financial institutions such as Bulgarian Development Bank, Credit Suisse International, Eximbanka SR, Eximbank Hungary, OTP Bank, JP Morgan Securities, Raiffeisen Bank International, Tatra Banka, VTB Capital London, VTB Europe, Česká exportní banka, Industrial and Commercial Bank of China, Eurasian Development Bank, ING Bank, Rosbank, Banca Transilvania, Sberbank Europe, Sberbank CZ, Erste Group Bank, UniCredit Russia, UniCredit Bank (Hungary), International Bank for Economic Cooperationetc., and more than 30 such agreements are currently pending negotiation between the Issuer and other current or potential financial partners, including New Development Bank, Goldman Sachs KBC, Bank NVNatixis and ICBC Standard Bank, BRD – Groupe Societe Generale.

Solid investment grade ratings from rating agencies

At the beginning of 2016, the Issuer had a Baa1 rating with a stable outlook from Moody's, a BBB- with a stable outlook rating from Fitch and an A rating with a stable outlook from Dagong Global.

In June 2016, S&P assigned the Issuer a BBB rating with a stable outlook on the basis of the Issuer's strong capitalization.

In December 2016, Fitch upgraded the Issuer to BBB with a stable outlook, citing the continuing diversification of the Issuer's operations in Central and Eastern Europe, the strengthening of risk management policies and the reduction of risks related to business environment.

In May 2017, Moody's changed the rating outlook on the Issuer to positive from stable and affirmed the Issuer's Baa1 rating. According to Moody's, such change was due to the following main drivers: (i) the increased diversification of the Issuer's loan portfolio and the maintenance of relatively strong asset quality; (ii) the improved credit quality of the Issuer's treasury portfolio; and (iii) the increased diversification of the Issuer's funding sources.

In December 2017, Fitch changed the rating outlook on the Issuer to positive from stable and affirmed the Issuer's BBB rating citing the continuing diversification of the Issuer's operations in central and eastern Europe (CEE), the further strengthening of the Issuer's risk management policies and the improvement of the Issuer's business environment.

In February 2018, Dagong changed the rating outlook on the Issuer to positive from stable and affirmed the Issuer's A rating due to the economic recovery in Member States, the favourable credit environment leading to lowered funding costs of the Issuer, and the increased diversification of the Issuer's funding sources.

In April 2018, S&P upgraded the Issuer to BBB+ with a stable outlook after raising the assessment of the Issuer's financial profile to 'very strong'. S&P stated that the Issuer 'has demonstrated low credit costs and low levels of nonperforming loans since its relaunch in 2012 and has meaningfully increased the quality of its liquid assets.'

In April 2018, Moody's upgraded the Issuer to A3 with a stable outlook stating According to Moody's, the main drivers for the rating upgrade are the Issuer's improvement in asset quality, more robust risk management systems, an increasingly diversified loan book and funding strategy and the strengthened credit quality of its treasury portfolio. Moody's believes that the Issuer's new medium-term strategy will likely maintain these improved credit features.

In November 2018, Fitch upgraded the Issuer to BBB+ with a stable outlook reflecting the improvement in Fitch's assessment of the Issuer's solvency to 'a' from 'a-'. This in turn results from strengthening in the Issuer's overall risk profile measured by Fitch following its re-assessment of the Issuer's exposure to credit risk, increased geographic diversification of its loan portfolio and the strengthening of its risk management framework.

As such at the end of 2018, the Issuer has been rated A3 with stable outlook by Moody's, BBB+ with stable outlook by Fitch, BBB+ with stable outlook by S&P and A with positive outlook by Dagong. In March 2019, S&P upgraded the Issuer to A- stable from BBB+ stable owing to the "strengthened governance and management structure, diversifying its shareholders, and clearly articulating an expansion strategy, which includes relocating its head office."

In September 2019 the Issuer was assigned rating of A- with stable outlook by Dagong Europe Credit Rating Srl (Dagong Europe). This rating became the Issuer's fourth rating to be recognized under European Securities and Markets Authority (ESMA) regulations given that Dagong Europe Credit Rating Srl is a recognised entity along with Fitch, Moody's and S&P. At the same time, the Issuer and Dagong Global bilaterally terminated their rating agreement in order for the Issuer to work solely with Dagong Europe. Despite this, and to the best of the Issuer's knowledge, Dagong Global has yet to withdraw the A rating with a positive outlook on the Issuer.

In September 2019, Fitch changed the rating outlook on the Issuer to positive from stable and affirmed the Issuer's rating at BBB+.

As such, as of September 2019, the Issuer has been rated A3 with stable outlook by Moody's, BBB+ with positive outlook by Fitch, A- with stable outlook by S&P,A with positive outlook by Dagong Global and A- with stable outlook by Dagong Europe Credit Rating Srl (Dagong Europe).

Conservative risk management policy

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

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

In accordance with the new 2018-2022 Strategy, the Issuer's priority objectives of evolving the risk management include:

- implementing an economic capital system according to Basel III recommendations in order to determine the amount of equity needed to cover unforeseen losses;
- developing more advanced risk-sensitive methodology of capital calculation;
- creating and developing a procedure for ensuring the continuity of operations in case of an sudden abrupt change in market conditions in order to maintain the ability to fulfil obligations and to retain control that enables making sound and optimal management decisions amid a potential liquidity crisis; and
- integrating automated risk management systems into the Issuer's IT architecture.

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

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

To enhance effectiveness of non-performing loans management, the Issuer have strengthened the way it deals with NPLs, through creation of a dedicated unit in charge with monitoring and managing such loans.

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

BUSINESS

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

The following table presents revenues from each segment in EUR million for each year ended 31 December 2016, 31 December 2017, 31 December 2018, as well as for the six-month period ended 30 June 2017, 30 June 2018 and 30 June 2019:

(EUR million)	**31 December 2016**	**30 June 2017**	**31 December 2017**	**30 June 2018**	**31 December 2018**	**30 June 2019**
	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)
Credit investment activity[1]	1.52	0.50	(2.16)	7.81	15.33	8.09
Treasury	16.66	9.13	18.67	4.81	6.50	2.80
Other operations	1.55	1.71	3.37	1.37	4.24	0.53
Profit for the period[2]	0.80	2.28	1.01	5.09	5.62	2.87

Source: The Financial Statements

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

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

Operating income from the credit investment activity increased by EUR 17.49 million in 2018, year-on-year, from EUR (2.16) million as of 31 December 2017 to EUR 15.33 million as of 31 December 2018 (mainly due to lower provisions and growth in interest income from credit investment activity in 2018). As of 30 June 2019, operating income from the credit investment activity on a six-month basis amounted to EUR 8.09 million, an increase by EUR 0.28 million compared to the EUR 7.81 million as of June 2018.

Treasury operating income amounted to EUR 6.50 million as of 31 December 2018, a decrease by EUR (12.17) million year-on-year, compared to EUR 18.67 million as of 31 December 2017. The decrease of income in the treasury segment was mostly due to dealing in foreign currencies and operations with derivatives. As of 30 June 2019, Treasury operating income on a six-month basis amounted to EUR 2.80 million, a decrease by EUR (2.01) million or (42)% compared to the EUR 4.81 million as of 30 June 2018. Other operating income (such as income from lease of investment property), amounted to EUR 3.37 million as of 31 December 2017 increased to EUR 0.87 million as of 31 December 2018. In six-month operating income from other operations amounted to EUR 0.53 million as of 30 June 2019, decreasing by EUR (0.84) million or (61)% as of 30 June 2018.

At year-end 2018 the Group's net profit amounted to EUR 5.62 million, an increase of 456% compared to a net profit of EUR 1.01 million as of year-end 2017. The increase in the net profit in 2018 is mainly due to the fact that no allowance for loans impairment was created in 2018 (in 2017 the allowance for loans impairment amounted of EUR 12.1 million). In six-month period profit amounted to EUR 2.87 million as of 30 June 2019, decreasing by EUR (2.22) million or (44)% as of 30 June 2018. In terms of the Group's assets, the net value of the assets of each segment in EUR million was as follows for each year ended 31 December 2016, 31 December 2017 and, respectively, 31 December 2018, as well as for the six-month period ended 30 June 2017, and respectively 30 June 2018:

(EUR million)	**31 December 2016**	**30 June 2017**	**31 December 2017**	**30 June 2018**	**31 December 2018**	**30 June 2019**
	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)
Credit investment activity	363.4	500.81	664.4	711.28	754.24	777.12
Treasury	421.58	406.04	334.84	327.48	345.97	400.08
Other operations	96.42	95.80	96.80	94.4	94.15	98.88
Total assets	881.44	1,002.7	1096.04	1,133.16	1,194.36	1,276.08

Source: The Financial Statements.

Assets allocated for credit investment activity increased by EUR 89.84 million or 13.5% from EUR 666.4 million as of 31 December 2017 to EUR 754.24 million as of 31 December 2018, year-on-year and to EUR 777.12 million as of 30 June 2019 by EUR 22.88 million or 3%.

Assets allocated for treasury activity amounted to EUR 334.84 million as of 31 December 2017, increasing to EUR 345.97 million as of 31 December 2018 by 11.13 million and increasing to EUR 400.08 million as of 30 June 2019 by EUR 54.11 million.

In 2018, the value of other assets of the Group (such as investment property and other assets) decreased by EUR (2.65) million or 2.74% year-on-year, from EUR 96.80 million as of 31 December 2017 to EUR 94.15 million. As of 30 June 2019, the total value of other assets increased by EUR 4.73 million to EUR 98.88 million.

Credit investment activity

Lending business in general

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

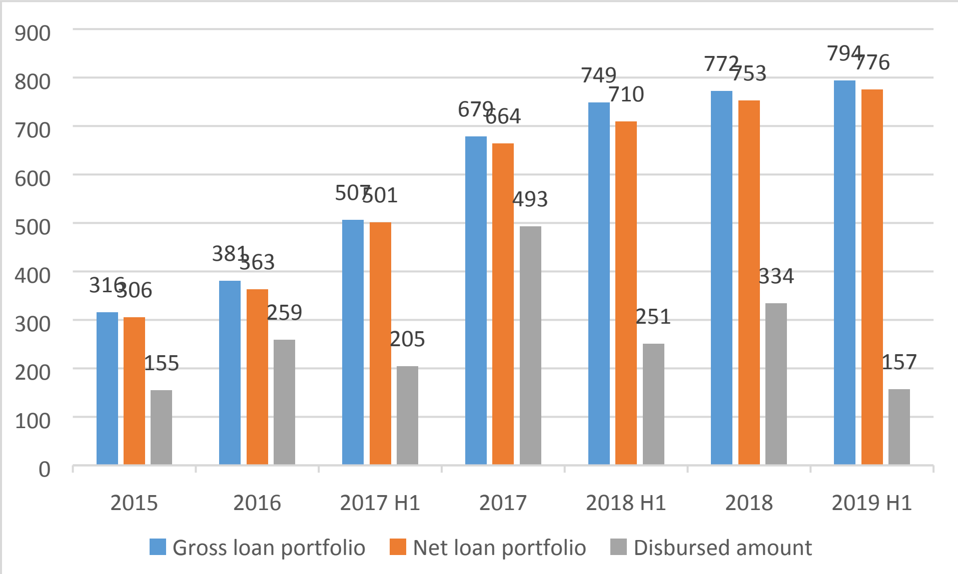
The main financial instruments developed and currently offered by the Issuer are the following:

- *for corporate and other borrowers (national development banks and other financial institutions)*: project finance, modernisation, export-import support, PPP through direct financing, syndicated loans and club deals with maturity from 1 to 15 years;
- *for all client types: trade related loans and documentary transactions* with average maturity of up to 1 year;
- *in the SME segment*: credit lines through selected financial institutions and syndicated loan facilities with maturity from one to seven years.

As of 30 June 2019, amounts of loans granted by the Issuer to clients range between EUR 0.9 and EUR 97.0 million.

In line with its key objectives under the 2018-2022 Strategy, in certain member-states the Issuer intends to further expand its investments in funds, as well as equity investments.

The following chart shows the development of the Issuer's loan portfolio in the years ended 31 December 2015, 2016, 2017, 2018 and the six-month periods ended 30 June 2017, 2018 and 2019 in EUR million:



Source: The Financial Statements

The Issuer's net loan portfolio is 62.8% denominated in EUR. As of 30 June 2019, approx. 20.0% of the Issuer's loan portfolio net of allowance consisted of loans extended in USD, 11.5% extended in RUB and 5.7% of the Issuer's loan portfolio - extended in RON and HUF. No part of the Issuer's loan portfolio is securitised.

In terms of maturity, as of 30 June 2019, 5.7% of the outstanding amounts net of allowance under loans to banks are to be repaid less than one month, 14.1% are to be repaid within one to three months, 29.2% are to be repaid within three months to one year, 47.7% are to be repaid within one year to five years and 3.3% over five years.

As of 30 June 2019, 1.8% of the outstanding amounts net of allowance under loans granted to corporate clients are to be repaid within less than one month, 0.6% to be repaid within one to three months, 6.5% to be repaid within three months to one year, 41.3% to be repaid within one year to five years and 49.8% over five years.

As of 30 June 2019, non-performing loans ("**NPLs**") coverage ratio was of 124.7%.

Approach to SME lending

As at 30 June 2019, 8% (approx. EUR 60 million) of the Issuer's net loan portfolio was provided to the SME segment through financial intermediaries. Funds are provided by the Issuer to its financial intermediaries who thereafter use such funds for the purposes of SME project financing. The Issuer supervises proper utilisation of the funds through monitoring a number of key parameters of the financing (*e.g.*, business activity, structure of shareholder/ participants, annual sales) to the ultimate SME borrowers.

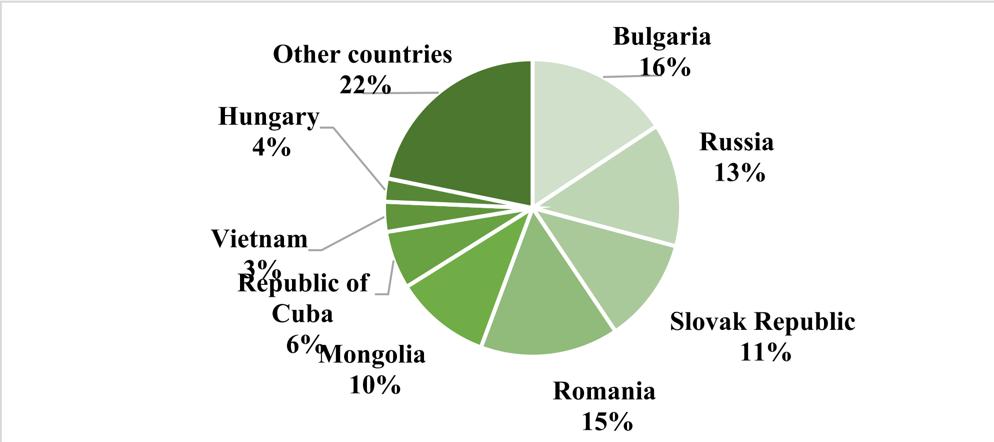
The following areas are considered as priorities for the Issuer's SME financing:

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

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

Industry sectors and geographic structure of the loan portfolio

In terms of geographic distribution, the structure of the gross loan portfolio (before allowance for loan impairment) as of 30 June 2019 was the following:



Source: The Financial Statements.

As at 30 June 2018, the aggregate amounts of the long-term loans and trade financing loans granted to the top five banks (in terms of the amount of the loans extended to them by the Issuer) amounted to EUR 132.50 million, representing 80.7% of the total amount of the loans granted to banks by the Issuer. By comparison, as at 31 December 2018, the total amount of such loans was EUR 176.63 million, from which EUR 148.61 million are major or top six loans and EUR 1.41 million related allowances, representing 84.13% of the total amount of the long-term loans granted to banks by the Issuer. As at 30 June 2019 the total amount of such loans was EUR 162.30 million, from which EUR 143.50 were issued to the top six banks with EUR 1,70 thousand related allowances, representing 88.41 of the total amount of loans granted to banks.

As at 30 June 2019, the Issuer's exposure to such major bank clients amounted to EUR 143.5 million out of the gross total EUR 164.2 million long-term loans extended by the Issuer to banks. As at 30 June 2019, 37% of the long-term loans provided to banks are banks based in Mongolia, 30% to banks based in Republic of Cuba, 4% to banks based in Vietnam and 29% in the other countries.

Also, as at 30 June 2019, the Issuer had corporate gross loan portfolio in the amount of EUR 629.44 million, out of which 17% was provided to corporate clients based in the Russian Federation, 20% to corporate clients based in the Republic of Bulgaria, 19% to corporate clients based in Romania, 3% to corporate clients based in Hungary and in Vietnam of each, 14% to corporate clients based in Slovak Republic, 4% to corporate clients based in Mongolia and 20% to corporate clients based in other countries.

In terms of sector concentration, as at 30 June 2019, 34% out of the Issuer's gross loan portfolio to corporate clients was provided to corporate clients active in the production and transmission of electricity and 21% to corporate clients active in the leasing industry, 20 was provided to clients active in communications, 6% to clients active in financial services, 4% to clients active in each of mining and manufacturing of refined oil products, 3%

to clients active in each of food and beverage and manufacturing of electrical equipment, 2% to clients active in production of pharmaceutical products industry, 1% to clients active in production of each of postal activities, real estate and retail industries.

Interest income and margin

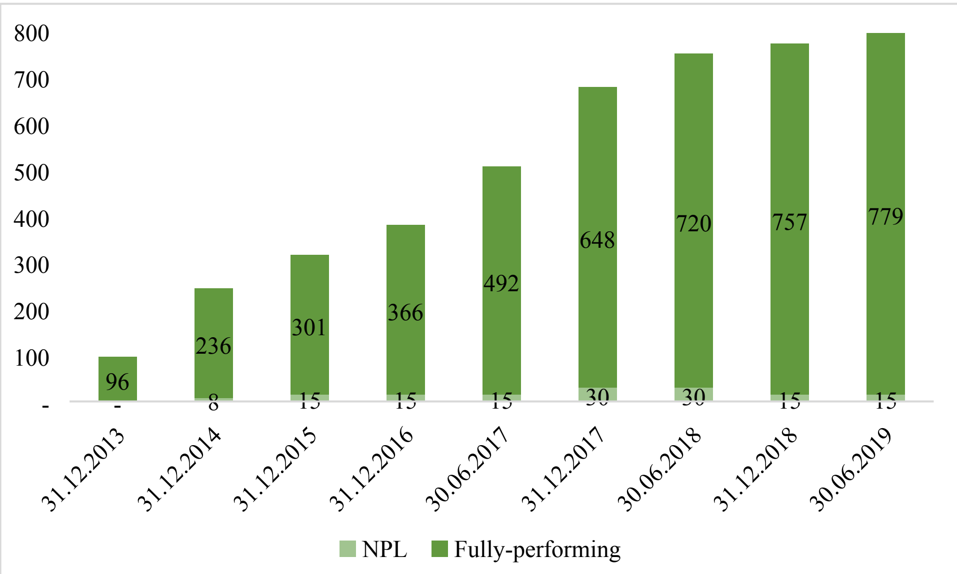
In 2018, the Issuer's interest income increased by EUR 10.0 million or 27.7% year-on-year, to EUR 45.9 million as at 31 December 2018 from EUR 36.0 million as at 31 December 2017. In six-months 2019 the Issuer's interest income increased by EUR 2.1 million or 9.8% year-on-year, to EUR 23.7 million as at 30 June 2019 from EUR 21.6 million as at 30 June 2018.

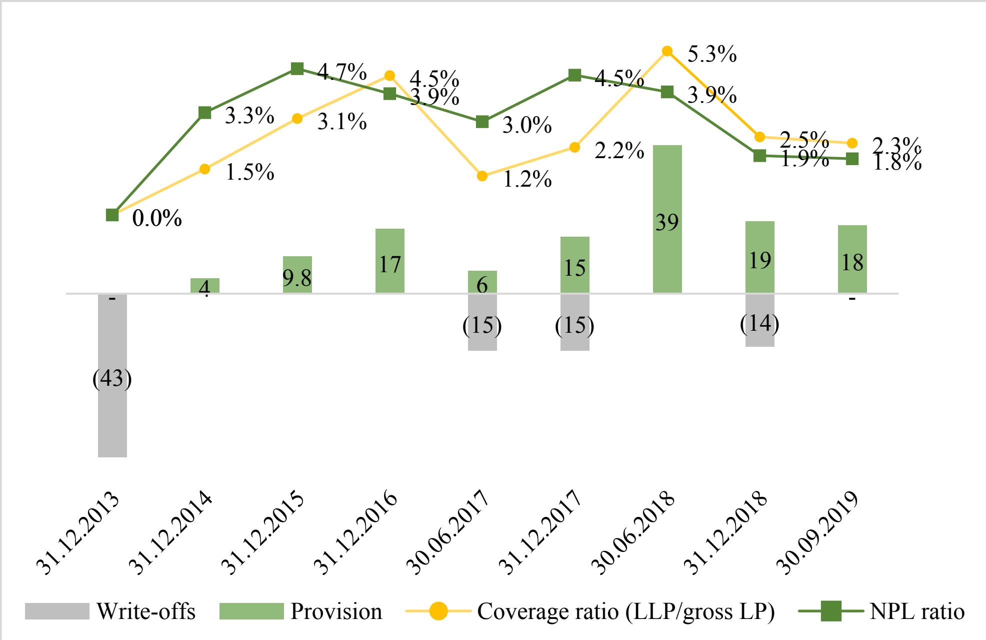
The Issuer's total net interest income before allowance for loan impairment was of EUR 23.6 million as of 31 December 2018, compared to EUR 21.8 million as at 31 December 2017, representing an increase of 8.4% or EUR 1.8 million in 2018. As at 30 June 2019 the Issuer's total net interest income before allowance for loan impairment was of EUR 11.2 million, similarly total net interest income before allowance for loan impairment as at 30 June 2018.

The Issuer's net interest margin as of 30 June 2019 was 2.0%, compared to 2.2% as of 30 June 2018, having decreased by 0.2 percentage points year-on-year.

Non-performing loans

Until 2013, the Issuer had a significant historic burden in terms of the NPLs, which it managed to settle by 31 December 2013. Total value of NPLs as of 31 December 2012 was EUR 96.6 million, whereas total number of NPLs was 11. Significant part of the NPLs portfolio, in the amount of approx. EUR 54.7 million was sold in 2013 and the Issuer's Council agreed to write off the remaining part of the NPLs by 31 December 2013. The following charts show the development of the NPLs within the Issuer's aggregate credit portfolio and loan loss provisions as at 31 December 2014, 2015, 2016, 2017, 2018 and 30 June 2017,2018 and 2019 respectively:





Source: The Financial Statements. The coverage ratio is calculated as ratio between the total amount of loan loss provisions and the core oustanding amounts under the loans extended by the Issuer.

Provisions for NPLs represented 1.8% (EUR 14.5 million) of the total outstanding amount under the loans granted by the Issuer as of 30 June 2019, compared to 1.9% as of 31 December 2018 decreasing by EUR 14.7 million.

The total amount of provisions made according to internal provisioning instructions of the Issuer represented 2.3% (EUR 18.1 million) of total outstanding amount under the loans granted by the Issuer as of 30 June 2019, compared to 2.5% (EUR 18.9 million) as of 31 December 2018 and 2.2% (EUR 14.7 million) as of 31 December 2017.

The Issuer's NPLs coverage ratio was 124.7% as of 30 June 2019, while the NPL ratio was, at the same date, of 1.8%, remaining below 5% since 2012.

Adjustment of the former sovereign debt of the Republic of Cuba

As part of the restructuring of the Cuban debt, the Issuer's Council 100th meeting of 5-6 December 2013 held in Moscow approved the conversion in EUR of the historic debt of the Republic of Cuba towards the Issuer, as well as a partial write-off of the Issuer's receivables against borrowers in the Republic of Cuba. The Issuer and the Republic of Cuba also agreed upon the principles and terms of the settlement of the remaining debt. The debt was restructured and agreed in the amount of the EUR 35 million to be repaid in 25 years.

Trade finance

As part of its re-launch strategy commenced in 2012 (see "*Strategy – Re-launch Programme and 2013-2017 Strategy. Main achievements.*"), the Issuer commenced to broaden its portfolio of trade finance products to provide its customers with the full range services, including irrevocable reimbursement undertakings, banking guarantees, counter-guarantees, standby letters of credit, trade related loans, financing under letters of credit and confirmation of letters of credit covering trade finance operations of counterparty banks, advising letters of credit and guarantees, and ECA-covered finance, covering export and import transactions of the Member States. According to its mission, the Issuer's activities are focused on the promotion of trade and economic cooperation between the Member States and the support for the SMEs, which includes export-import supplies of hi-tech equipment, medical supplies, foodstuffs, consumer goods and services.

In April 2014, the Issuer executed a Multilateral Memorandum on Cooperation with a number of ECAs from Member States, including EXIAR, EXIMBANKA SR, EGAP, BAEZ and EximBank Romania. Pursuant to the Memorandum, the Issuer will act as a bridging financing institution, while the ECAs will provide insurance coverage in relation to projects carried out in cooperation by Member States. The Memorandum has been subsequently joined by other ECAs. Thanks to its relationships with ECAs, the Issuer was also recently included in the exclusive list of currently only 10 multilateral financial institutions rated under the OECD Export Credits Arrangements.

Since March 2015, the Issuer has participated in 158 trade finance deals supporting export from Czech & Slovak Republic, Hungary, Bulgaria, Russia and Vietnam as well as import to Russian Federation, Romania, Slovak Republic and Mongolia from Australia, Belgium, Poland, Germany, France, China, Italy, the Netherlands, Spain, Switzerland, Singapore, Oman, Turkey and Japan for total amount of EUR 331million.

In 2015, the Issuer introduced its Trade Finance Support Programme (the "**TFSP**") and launched its new trade finance products, particularly aimed at increasing exports of goods from Member States to other countries, having successfully completed multiple trade finance deals, by issuing irrevocable reimbursement undertakings by the order of Russian, Belorussian, Armenian and Mongolian issuing banks in favour of, among others, Československá obchodní banka a.s. (Czech Republic and Slovak Republic), K&H Bank ZRT (Hungary), Raiffeisen Bank International AG (Austria), Commerzbank AG (Germany), Sberbank CZ a.s. (Czech Republic), Česká spořitelna s.a. (Czech Republic), OTP BANKA SLOVENSKO, A.S.(Slovak Republic), Aktif Yatirim Bankasi A.S. (Turkey), UniCredit Bulbank AD etc. in deals supporting export of different kinds of high-technology equipment from the Czech Republic, the Slovak Republic, Hungary to Belarus, Russia, Armenia and Mongolia as well as support of export from People Republic of China, Turkey, Australia, Germany, USA and Japan to Russia and Mongolia.

In 2016 and 2017, in line with its mandate, the Issuer continued to grow its trade finance portfolio and expand the geography of supported trade finance transactions. Still in 2016, for the first time, the Issuer has covered the risk of Mongolia's Golomt Bank towards Československá obchodní banka a.s. (ČSOB, Czech Republic), supporting delivery of automatic flour packaging line from the Czech Republic to Mongolia. This transaction is important, among other reasons, from the perspective of expanding geography with ČSOB, one of the main partners of the Issuer when it comes to trade finance.

In November 2016, the Council approved a new trade finance product – short term trade related loans ("**TRL**"). For the purposes of conducting trade finance operations, the Issuer has also concluded a number of master agreements with financial institutions both from its Member States and from non-member countries to provide trade-related loans for such transactions.

Under the TFSP, in December 2016, the Issuer concluded its first framework agreement with Russian CB LOCKO-Bank on provision of TRL to finance foreign trade operations and carried out its first transaction in favour of the borrower in the amount of USD 1 million. The funds were used to finance supplies of products from Vietnam to the Russian Federation. In February 2017, the Issuer provided a short-term targeted trade related loan to Russian CB LOCKO-Bank for the amount of USD 3 million to finance the purchase of building and finishing materials made in Poland to be imported to the Russian Federation. From December 2016 until December2018, the Issuer issued 35 TRLs for a total amount of approximately EUR 159 million.

On 23 March 2017, the Issuer issued the first direct guarantee as part of the TFSP, on behalf of the CJSC VTB Bank (Belarus) to secure payment obligations of the Atlant-M Fahrzeughandel JLLC, Volkswagen's general importer in the Republic of Belarus, to Russian Volkswagen Group Rus for the amount of RUB 260 million. The term period is one year.

In May 2017, the Issuer's TFSP was named best product at the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) Awards 2017, held in Macao, China.

In June 2017, the Issuer issued its first standby letters of credit by the order of Trade & Development Bank of Mongolia for total amount of EUR 0.5 million in favour of UniCredit bank (Russia) and securing Trade & Development Bank of Mongolia's payment obligations under its guarantees, while also signing a framework agreement on trade financing with Armenian ZAO ARMBUSINESSBANK. In August 2017, the first joint transaction was carried out under the Issuer's Trade Finance Support Programme (TFSP), consisting of an irrevocable reimbursement undertaking by the Issuer by the order of ZAO ARMBUSINESSBANK for EUR 2.2 million in favour of the Czech counterparty Československa Obchodni Banka A.S. (Prague). The first deal with ZAO ARMBUSINESSBANK expanded the geography of the Issuer's trade financing operations, guaranteed the supply of automated equipment for SHPP from the Czech producer and provided additional support to environmental initiatives in Armenia, in line with the Issuer’s Development Strategy for the period 2018-2022 - under which the Issuer as a “green” development institution actively supports a number of priority sectors, including small and renewable energy.

Also, in December 2017, for the first time in its recent history, the Issuer supported an exporter from Bulgaria within its TFSP. This deal helped the Issuer to further diversify its portfolio of irrevocable off-balance sheet commitments related to trade finance.

The Issuer also consistently increases lending and investment activities in Mongolia. Since 2012, the total volume of the Issuer's investments in the Mongolian economy has amounted to over USD 650 million. Trade finance transactions are also growing at a rapid pace with the participation of Mongolian counterparts. Thus, starting from November 2016, the Issuer has executed 38 trade finance deals to support the supply of products from the Czech Republic, Japan, Oman, Switzerland, Russia, Belgium, Spain, USA and Germany to Mongolia for a total amount of EUR 51.6 million. USD 12.4 million loan to Golomt Bank LLC in December 2018 supporting the import of oil products was the first trade-related financing provided by the Issuer to the Mongolian bank under Trade Finance Support Programme. In June 2019 the Issuer provided its SBLC for USD20 million covering credit risks of Mongolian Trade & Development Bank of Mongolia to support the supply of low sulphur iron ore lumps and fines from Mongolia to China.

In March 2018, the Issuer entered into a framework agreement on the implementation of trade finance transactions with Armenian Ardshinbank Closed Joint-Stock Company, which joined the Issuer's Trade Finance Support Programme (TFSP). As part of these arrangements, the Issuer executed the pilot transaction, issued irrevocable reimbursement undertakings by the order of Ardshinbank in favor of leading Bulgarian producer of technologies for small and medium-sized hydropower plants with the participation of UniCredit Bulbank AD (Bulgaria) as confirming bank for amount EUR 1.45 million. In April and August 2018 the Issuer provided its first trade-related loans (TRLs) to Belagroprombank, Belarus for the total amount of EUR 31.87 million in order to facilitate import of oil products from the Russian Federation to the Republic of Belarus. In October and November 2018 the first IRUs with the tenor of two years were issued on behalf JSC “Savings Bank “Belarusbank” to support the export of cotton fibre from the Czech Republic. In November-December 2018 the Issuer expanded its support of the Russian import form Belarus granting short-term target loans of EUR 30 million to OJSC “Development Bank of the Republic of Belarus” to finance deliveries of elevator equipment and automotive components. For 2019 the Issuer issued 10 trade finance deals for total amount EUR 52 million by the order of Armenian and Belorussian borrowers.

Treasury - investment and trading activities

In 2018, the value of the Group’s treasury assets increased by EUR 11.3 million or 3.3% year-on-year from EUR 334.8 million as of 31 December 2017 to EUR 346.0 million as of 31 December 2018. As of 30 June 2019, the value of the Group’s treasury assets increased by EUR 54.1 million or 15.6%, to EUR 400.1 million. The Group’s income generated by its investment and trading activities, has decreased by EUR (12.2) million or 65% year-on-year in 2018 from EUR 18.7 million as of 31 December 2017 to EUR 6.5 million as of 31 December 2018, and, respectively decreased by EUR (2.0) million or 42% six-months from EUR 4.8 million as of 30 June 2018 to EUR 2.8 million as of 30June 2019.

As of 31 December 2018, the value of the Group’s portfolio of securities at fair value through other comprehensive income decreased by EUR (11.1) million or 5.2% from EUR 215.4 million as at 31 December 2017 to EUR 204.3 million. As of 30 June 2019, the Issuer’s securities at fair value portfolio increased by EUR 16.3 million or 8.0% to EUR 220.6 million and consisted of (i) government bonds of the Member States *i.e.,* EUR-denominated and USD-denominated securities issued or guaranteed by the Ministries of Finance of these countries, maturing in 2023-2027, while the annual coupon rate for these bonds varied from 2.0% to 7.6%; (ii) corporate bonds issued by large companies and banks of Member States, as well as corporate international companies and development banks that have similar goals and missions as the Group, maturing in 2020-2028, with annual coupon rate for these bonds varying from 0.0% to 7.8% and (iii) equity securities, represented by shares issued by a major international company and units of the fund.

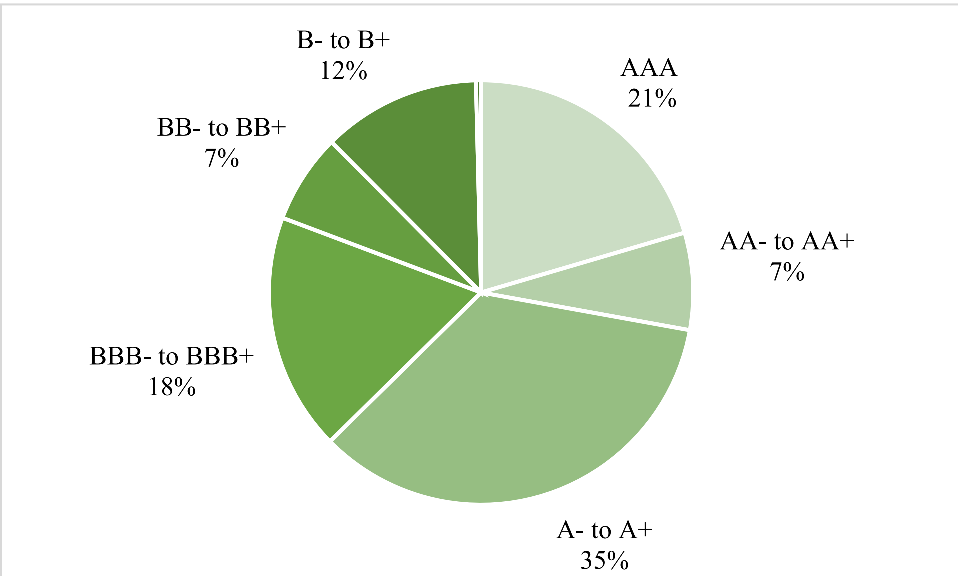
As at 1 January 2018, the Group reclassified a part of its securities previously classified as “available for sale” to “debt instruments measured at amortized cost”. These instruments satisfy the SPPI criterion and are held to collect related cash flows rather than for sale. As of 30 June 2019, the Issuer's securities at amortized cost increased by EUR 14.0 million or 33.8% to EUR 55.5 million and consisted of (i) government bonds of the Member States *i.e.,* EUR-denominated issued or guaranteed by the Ministries of Finance of these countries, maturing in 2040, while the annual coupon rate for these bonds 0.5%; (ii) Corporate bonds comprise investment grade bonds issued by large companies and banks of the member countries of the Issuer, as well as international companies and development banks with goals and missions similar to those of the Group. The bonds mature in 2021-2029 and the coupon rate varies from 0.6% to 2.2%.

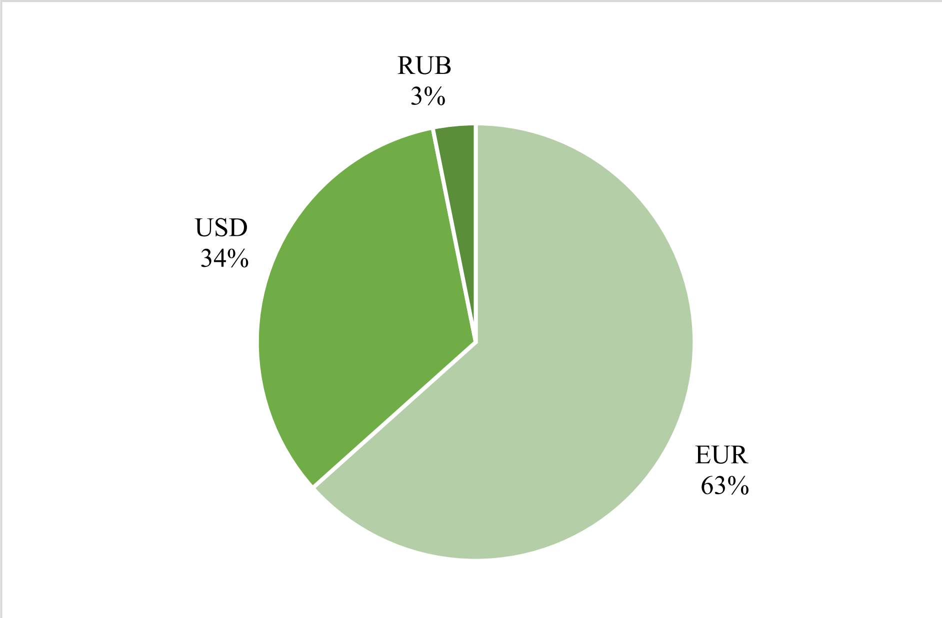
The treasury division of the Issuer conducts its operations within a comprehensive framework set forth by regulations adopted by the competent governing bodies of the Issuer and the guidelines established by the Issuer's Financial Committee. The treasury operations of the Issuer include short-term money market operations, including REPO operations with the Issuer's portfolio of high-quality marketable securities The Issuer's treasury division is guided by the principles of transparency, accountability and profitability within conservative risk and limitations parameters.

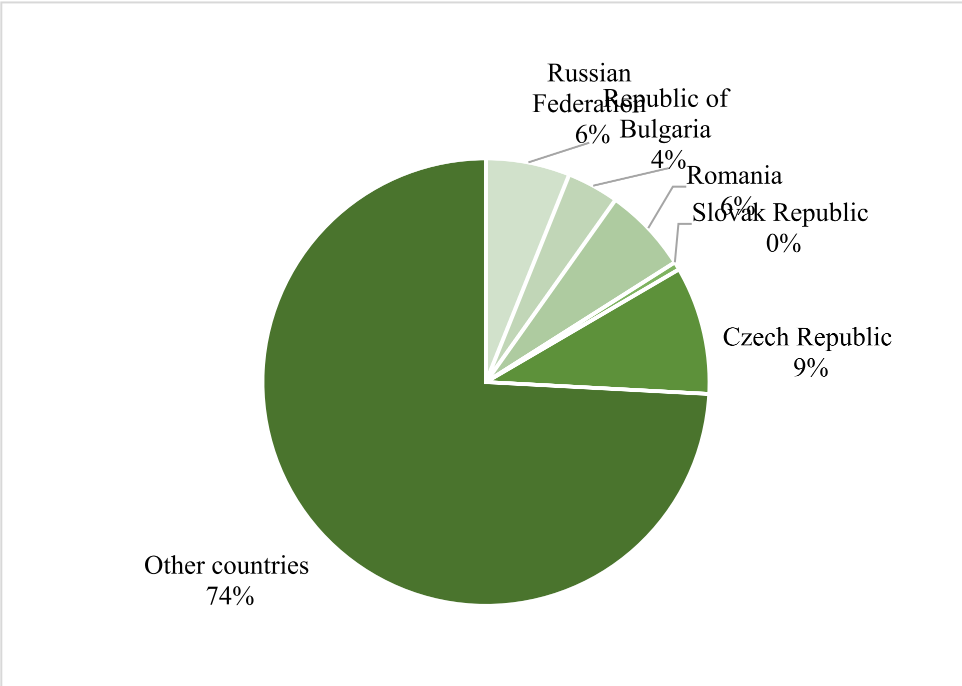
The Issuer's treasury policy is outlined in the 2018-2022 Strategy and the Issuer's investment policy statement adopted on a yearly basis by the Issuer's Management Board. In line with these documents, the main objective of Issuer's treasury operations is to effectively manage the Issuer's liquid assets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

Treasury activities are regarded by the Issuer as ancillary to its main lending activities, generating return which may be further used to support the Issuer's financing operations within the Member States.

As of 30 June 2019, the diversification of assets under Treasury management by ratings, currencies and countries was as follows:





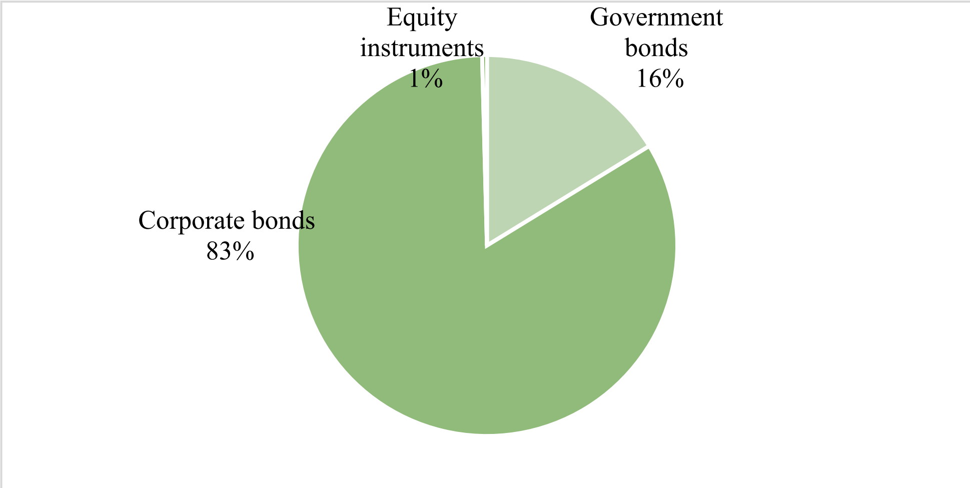


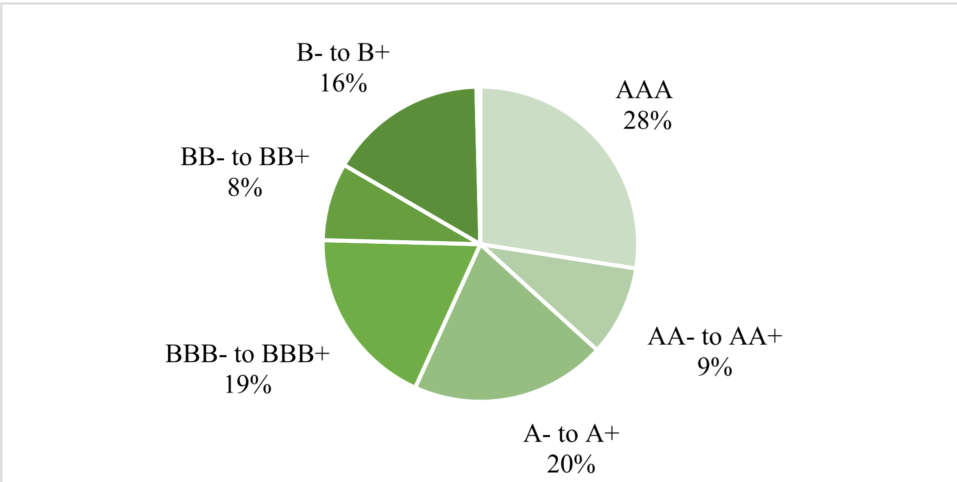
Source: The Financial Statements.

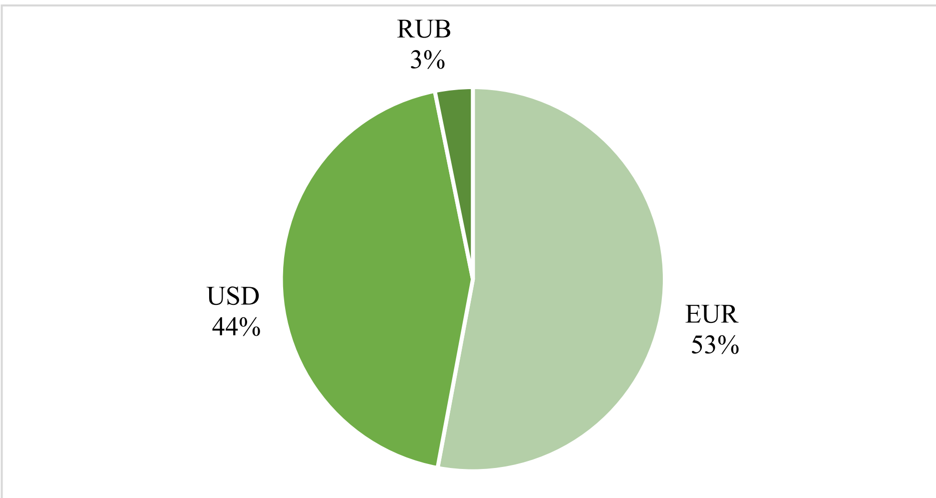
Primarily, the Issuer's investment securities portfolio is composed of high-quality marketable sovereign and corporate debt securities with the fixed income issued by Member States and entities from Member States.

As of 30 June 2019, the Issuer's government bonds comprise EUR- and USD-denominated securities issued and guaranteed by the Ministries of Finance of these countries. The bonds mature in 2023-2040. The coupon rate for these bonds varies from 0.5% to 7.6%, as well as corporate bonds comprise bonds issued by large companies and banks of the member countries of the Issuer, as well as international companies and development banks with goals and missions similar to those of the Group. The bonds mature in 2020-2029. The coupon rate for these bonds varies from 0.0% to 7.8%. As at 30 June 2019, bonds issued by Member States and other governments in the region represented 16% of the total value of the Issuer's securities portfolio. Other investments bonds were made in respect in corporate of fixed income securities. As of 30 June 2019, bonds rated AAA to B- represented 100% of the total value of the Issuer's corporate bonds portfolio.

As of 30 June 2019, the diversification of the securities portfolio (securities at fair value through other comprehensive income and securities at amortized cost) by types of instruments, currencies and ratings, was as follows:







Source: The Financial Statements.

The table below shows the break-down of the Issuer's the securities portfolio, based on currency, amount and duration to maturity, as of 30 June 2019:

Securities at fair value through other comprehensive income	*Currency*	*Amount (EUR million)*	*Average Duration to Maturity*
	EUR	108,331	5.7Y
	USD	102,921	3.7Y
	RUB	9,389	5.6Y
	Total equivalent in EUR million:	220,641	
Securities at amortized cost	*Currency*	*Amount (EUR million)*	*Average Duration to Maturity*
	EUR	47,978	10.9Y
	USD	26,615	5.0Y
	Total equivalent in EUR million:	74,593	

Source: Information in column "Average Duration to Maturity" is extracted from the Group's management report.

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

In 2014, the Issuer adhered to ISDA 2013 EMIR NFC Representation Protocol and ISDA 2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol.

Other operations

The Group also carries out several non-core activities, mainly through the Subsidiary, primarily consisting of lease operations with respect to its building. The Group rents out part of its building under operating lease agreements. As of 31 December 2018, the Group's revenues from lease of property decreased by EUR (0.78) million or 2.0% to EUR 3.96 million, as compared to EUR 4.03 million as of 31 December 2017. As of 30 June 2019, the Group's revenues from lease of property decreased by EUR (0.84) million or 22.1% to EUR 1.58 million, as compared to EUR 2.03 million as of 30 June 2018.

COMPETITION

The Issuer operates in a relatively competitive market for the provision of financing for development projects. At first glance, the Issuer's principal competitors are national, regional and other international development banks as well as large local commercial banks operating within the region. As the Issuer's mission is to support economic growth and development in Member States, the Issuer attempts to avoid direct competition with commercial banks to the extent possible.

The Issuer does not, however, believe that it faces significant competition from small- or medium-sized commercial banks active in the region, which generally target different industries than the Issuer and offer shorter-term financing products, at less competitive interest rates. The Issuer also believes that its clearly defined mission and lending criteria, combined with the unique part of its mandate to foster economic cooperation between its Member States, spread on three continents, and to support relevant projects, do not generally overlap with those of other development banks active in the same region as the Issuer. On the contrary, the Issuer seeks to partner with other development banks in accomplishing its objectives, having already co-financed projects with leading development institutions such as the International Finance Corporation (IFC), the Black Sea Trade and Development Bank (BSTDB), the Eurasian Development Bank (EDB), the European Bank for Reconstruction and Development (EBRD) and the Netherlands Development Finance Company (FMO), as well as having concluded cooperation agreements with other such institutions.

RELEVANT GEOGRAPHIC MARKETS

For the reasons of achieving the Issuer's mission, which is to facilitate sustainable and inclusive growth and competitiveness of national economies of the Member States, the Issuer's loan and trading portfolio includes, and, most likely, will continue to include, concentrations in particular Member States. Accordingly, the economic situation in the Member States affects the financial conditions and prospects of the Issuer. The Issuer has specified its value proposition for each Member State, which is included in its recently adopted 2018-2022 Strategy, and is currently working to detail such strategic priorities in country strategies with, focus on the specificities of the development of the Issuer's operations within each Member State including potential partners and counterparties of the Issuer within the respective Member State.

According to its strategic vision, the Issuer's growth is associated mainly with increase of its loan portfolio in each Member State, focusing on syndications as well as integrational and flagship projects, with further diversification of its instruments, including the use of new funding sources, as well as with access to promising markets outside the Issuer's current geography. In this respect, the Regulation on the Special Status of Participation in the Activities of the International Investment Bank, approved at the Issuer's Council 106th Meeting held on 9 December 2016 in Moscow, Russia, provides for new types of cooperation between the Issuer and states, international financial institutions, or other banking, economic, or financial organizations and funds, such as those in the form of associated members (available to states and IFIs) or associated partners (available to other organizations and funds) or observer. These new identified forms of cooperation with potential partners is expected to enable the Issuer to launch dedicated work on analysing options for expanding its operating territory in the interest of its Member States.

This section of the Offering Circular sets out certain high-level information about the macroeconomic situation in the main current relevant geographic markets of the Issuer, as well as about the Issuer's main completed, pending or prospective operations in such markets.

Czech Republic

The Czech Republic has an open economy with strong links in supply chains and direct investments with Western Europe, in particular Germany. Car manufacturing is especially important; by itself it makes up 5-6% of GDP, and its weight could reach 8% when including suppliers. The economic policy framework is solid, stability-focused and counter-cyclical, which guarantees low output volatility. The Czech Republic has an independent monetary policy, based on its own currency, low amount of FX debt and an inflation target of 2%. Its fiscal policy also targets debt sustainability. These are the reasons why the World Bank ranks the Czech Republic 35th among the world's most attractive countries for doing business (source: The World Bank 2019 Doing Business Report). The Czech Republic is rated AA- with stable outlook by S&P, A1 with a positive outlook by Moody's and AA- with stable outlook by Fitch.

GDP growth slowed to around 3% in 2018 from 4.3% in 2017. Domestic demand looks set to be the main driver of GDP growth, with labour shortages and dependence on the external sector seen as potential downside risks for the economy. In 2019 and 2020 GDP growth could be 2.6% and 2.5% according to the European Commission (EC) 2019 summer forecast. The slowdown in growth can be attributed to the weak growth in the Eurozone and the decreasing manufacturing activity which is shown by the PMI data. Labour shortages are high, therefore unit labour costs have risen significantly in the last couple of years, while productivity growth remained somewhat muted eroding the competitiveness of the country in the long term, which can be a source of risk in the future according to the EC.

HICP inflation was at 2.1% in 2018, down from 2.4% in 2017. Price dynamics will accelerate at the turn of 2018-2019, influenced by base effects and higher energy prices. The EC forecasts 2.4% annual HICP inflation in 2019 and 2.1% in 2020. However, the ongoing normalization of the Czech National Bank's (CNB) monetary policy rates – there have been eight rate hikes since August 2017 – should temper inflationary pressures. The CNB held the interest rates unchanged in the last two meetings as past rate hikes started to take effect. Additionally, the expected monetary easing of the European Central Bank (ECB) and the weaker than expected manufacturing data also had a role in keeping the policy rate unchanged.

In 2018, the general government budget had 0.9% (of GDP) budget surplus (down from 1.6% in 2017) driven by almost equal increases of around 7% in both revenues and expenditures. In 2019, the headline budget surplus is expected to fall to 0.3% of GDP due to higher public wage growth and discretionary pension measures. Public wage hikes and adopted pension increases are expected to raise expenditures by around 0.5% of GDP. The debt-to-GDP ratio is set to decrease steadily from 32.7% of GDP in 2018 to 30.3% of GDP in 2020 according to the Focus Economics analysts' polls forecast.

Trade finance products, launched by the Issuer in 2015 - 2019, have been especially popular in the Czech Republic – since from March 2015 until 30 June 2019, the Issuer participated in 38 trade finance deals having an aggregate amount of approximately EUR 39.21 million, including IRUs in favour of CESKOSLOVENSKA OBCHODNI BANKA, A.S., Commerzbank AG, Sberbank CZ A.S., CESKA SPORITELNA A.S. supporting export operations of Czech Republic. In January 2016, the Issuer also disbursed the first tranche of a EUR 35 million credit facility signed in December 2015 with a Czech manufacturer of high-quality forgings, castings and ingots from steel and cast iron – the first loan granted by the Issuer to a Czech borrower in over 20 years.

In 2017 and 2018 Československá obchodní banka, a.s. was awarded as the most active confirming bank in Czech Republic under the TFSP.

The Issuer expanded its Czech-based partnerships by concluding a Global Master Repurchase Agreement with Česká exportní banka in September 2015 and by concluding an ISDA Master Agreement with Sberbank CZ in July 2016.

On 18 September 2018, the Issuer closed its new trade finance deal with Ardshinbank CJSC (Armenia) for EUR 1.4 million where the Issuer provided its irrevocable reimbursement undertaking to confirming bank - Československá obchodní banka, a.s. (Czech Republic) – under a letter of credit. In this particular deal the Issuer supported the leading Czech producer of technologies for small and medium-sized hydropower plants. This is the fourth deal closed by the Issuer with this exporter.

In April 2018, the Issuer successfully placed its inaugural CZK denominated private placement transaction with 3-year floating rate notes amounting to CZK 501 million on the Czech market. In June 2018, the Issuer decided to go another step forward in the capital market funding strategy and tap the outstanding April 2021 CZK Floater with an amount of 249 million, totaling to CZK 750 million.

Hungary

Hungary is middle-income, small, and very open CEE country with diversified export end economic structure. Hungary is highly integrated into the EU, as around 80% of total exports go into the EU. The PPP GDP per capita is roughly 33,000 USD. On the expenditure side, households' consumption expenditure is around 50% of GDP, fixed capital formation is around 27%, while exports and imports are around the 90% and 80% of GDP, respectively. Government consumption is around 20% of GDP.

Hungary is rated BBB with a stable outlook by S&P and Fitch (both of whom upgraded Hungary over the course of 2019), Baa3 with a stable outlook by Moody's. Hungary had a C/A surplus in the last couple of years, but it declined to 0% in 2018 due to the rapid growth in domestic demand. Budget deficit could be around 1.6% of GDP in 2019 however, the government plans the fiscal deficit to be around 1% of the GDP in 2020. Although public debt is around 15% points higher than the CEE average, it has significantly declined in the past few years from 77% in 2014 to below 70% in 2019 Q2. Furthermore, government debt owned by non-residents fell from 60% of GDP to below 30%, while the share of FX debt fell from 50% to 20%. External debt came down from around 115% of GDP to the CEE average level. The indebtedness of the private sector is low; households' loan-to-GDP ratio is around 15% of GDP, the lowest in the CEE region. Non-financial corporation' loan-stock-to-GDP ratio is also around 18% of GDP.

Hungary's GDP growth could be in the 4.5%-5% range in 2019, after 4.9% in 2018, but due to the slowdown in global growth and base effects it could slow to 3.3% in 2019. The main drivers of the economic growth are households' consumption and fixed capital formation. Households' consumption growth is supported by the very favourable labour market situation, as the unemployment rate remained at historical low levels and it boosts wage growth. Activity rate on the labour market is much closer to CEE peers than before the crisis.

From March 2015 until 30 June 2019 the Issuer has issued 9 trade finance deals, including IRUs, in favour of Commerzbank AG, K&H Bank Zrt, UniCredit Bank Hungary ZRT and SBERBANK Magyarorszag Zrt. for total amount EUR 2,53 million. Supporting export operations of Hungary and has successfully covered payment under 8 expired trade finance deals.

In October 2015, the Issuer also concluded an ISDA Master Agreement with OTP Bank, followed by a Strategic Cooperation Agreement with the same party in June 2016. In June 2016, the Issuer has concluded an ISDA Master Agreement with Eximbank Hungary. Also, in June 2016, the Issuer and the Ministry of Foreign Affairs and Trade of Hungary signed a Memorandum of Understanding providing a basis for coordination of activities between the Issuer and the Hungarian authority in such areas as credit support for SMEs, implementation of export-import operations, investments and sustainable development financing.

Until August 2018 the Issuer had HUF account in KBC Bank, NV for operations in Hungarian forints. However, subsequent to increase of operations in HUF and for cost-cutting reasons, the Issuer opened HUF account in August 2018 and GBP and EUR accounts in June 2019 and July 2019 in OTP Bank Nyrt.

The Board of Governors of the Issuer resolved on the relocation of its headquarters from Moscow to Budapest on December 4, 2018. Based on this decision, on 05 February 2019, the Government of Hungary and the Issuer have signed the Agreement regarding the seat of the Issuer's headquarters and the Agreement was ratified by the Hungarian Parliament on 5 March 2019.

On September 10, 2019 the Hungary increased its share in paid-in capital of International Investment Bank to 14.72% (additional contribution of EUR 10 million; total contribution of Hungary as at 10 September, 2019 – EUR 40 million).

Mongolia

Mongolia is a country with a vast territory but small population. It is a relatively underdeveloped commodity-exporting country. Within GDP the share of mining is 25%, the share of agriculture reaches 13%, while manufacturing is underdeveloped (only 7%), just like the service sector (40%). On the expenditure side, consumption has a share of 50%, investments accounts for 20% of gross domestic growth. GDP per capita is roughly 14,000 USD on PPP basis, which ranks Mongolia in the lower third of the countries in the world.

The main export goods are metals. Its most important export partners are China (85%) and Switzerland (10%, mainly rare earth materials). Imports are coming from China (40%), Russia (30%), Japan (10%) and South Korea (10%).

Mongolia is rated B with stable outlook by S&P, B3 with stable outlook by Moody's and B with stable outlook by Fitch. The average growth in the past 30 years was just above 4%, but around 7% over the past 10 years.

Being a commodity exporter country, Mongolia is susceptible to commodity price shocks, which was highlighted during the financial crisis and again in 2014. After 2011 the Mongolian economy became overheated due to rising commodity prices, pro-cyclical fiscal policy and strong lending. This resulted in a high current account deficit, so after the fall in commodity prices, a crisis hit the country. The central bank had to spend the majority of its FX reserves on intervention, but the MNT depreciated almost 100% against the USD between 2011 and 2016. From 2016 depreciation went on, albeit at a more moderate pace. In 2017, in order to mitigate macroeconomic vulnerabilities, Mongolia requested a three-year arrangement under the IMF's Extended Fund Facility (EFF), with access to the equivalent of USD 434.3 million. Finally, with the help of Russia, China, Japan and South Korea, the country received USD 5.5 bn worth of package. Since the start of the programme, the country has managed to introduce reforms aiming at macroeconomic stability and debt sustainability. However, as commodity prices rose again, the key structural reforms stalled.

In 2019 so far, the country grew by more than 7% and the IMF expects 5-6% annual GDP growth for the next 5 years. However, according to the IMF, risks concerning growth are pointing to the downside as shocks to mineral demand can lead to sharp fall in export, weakening the growth outlook and the fiscal position. Additionally capital adequacy may still be inadequate at some banks, while household indebtedness is high which could lead to financial instability. Finally, the implemented reforms are pointing to the right direction, however, since implementation not enough time has passed to build up the necessary buffers (government debt above 60% of the GDP, external debt around 90% of the GDP) to withhold the negative effects of an external economic shock.

In 2015, the Issuer has also concluded ISDA Master Agreements and Global Master Repurchase Agreements with Trade&Development Bank of Mongolia, Khan Bank and XacBank. As of 30 June 2018, loans extended by the Issuer to clients in Mongolia amounted to more than EUR 75 million.

For 2016-2019, the Issuer has issued 39 trade finance deals for EUR 51.89 million including IRUs and standby letters of credit in favour of Československá obchodná banka, Commerzbank AG (Germany and Japan offices), UniCredit bank (Russia) and KBC Bank N.V. and a USD 12.4 million trade-related loan supporting export operations from Czech Republic, Japan, Switzerland, Belgium, Germany, Oman, Singapore, Spain, the Netherlands, and Russia to Mongolia.

Also, at the 21st meeting of the Russian-Mongolian Intergovernmental Commission (IGC) on Trade, Economic, Scientific and Technical Cooperation held in Moscow on February 28, 2018, the Issuer concluded an agreement with the Development Bank of Mongolia (DBM) on provision of the additional funding to the Mongolian party. The agreement calls for raising the Issuer's lending limit for DBM to EUR 50 million for a period of up to seven years to implement socially and economically significant projects in Mongolia.

Republic of Bulgaria

Bulgaria is a small economy with low level of diversification, dominated by cycle-sensitive industries, with tourism being one of the most important sectors. The country has a currency board system – the tightest form of a fixed exchange rate mechanism – therefore monetary policy is not available to counteract business cycle fluctuations. This role would fall solely on fiscal policy, which – despite the considerable fiscal space available – limits the flexibility of economic policymaking. Consequently the Bulgarian economy is prone to overheating, and recessions tend to be longer and deeper, accompanied with persistently high unemployment.

After a prolonged period of economic weakness, robust growth returned in 2015-2017 with an annual average GDP expansion of 3.7%. Exports and household consumption were the main drivers of growth. The current account swung to an over 5% surplus, which allowed external debt to fall from 55% to 36%, significantly reducing vulnerability. Government debt increased as a result of the financial crisis and because of higher budget deficits around 2015, but fiscal discipline returned from 2016 on, setting the debt-to-GDP ratio on a downward path.

The economy slowed down in 2018 – growing only by 3.1% – due to a mix of domestic and external factors. Unemployment rate has fallen to an all-time low, and combined with unfavourable demographic trends, employment stagnated. The external economic environment has also deteriorated (signs of slowdown from the eurozone and worries about trade war), and exports to key markets (Turkey and Russia) shrank considerable this year.

In the first half of 2019 GDP data was surprisingly strong, although the underlying structure of growth exposes some weakness. The economy expanded by 4.8% YoY in Q1 – the strongest quarterly growth rate since the crisis – and by 3.7% in Q2. Net exports were the main drivers of growth as exports rebounded in Q1 and imports unexpectedly fell in Q2. The economic expansion was also supported by government consumption. On the other hand, household consumption and investment which were the main drivers of growth in the previous year have slowed down to near stagnation. These tendencies, coupled with relatively weak monthly data point towards a slowdown in 2019H2, but annual growth rate could still be higher than in 2018. The market consensus for Bulgarian GDP growth in 2019 is 3.4%.

Bulgaria is rated BBB- with a positive outlook by S&P, Baa2 with a positive outlook by Moody's and BBB with a positive outlook by Fitch.

The main operations of the Issuer in Bulgaria consist of the extension of loans to corporate clients, mainly active in the field of manufacturing, construction of buildings and transport and warehousing.

In June 2015, the Issuer has also concluded a Global Master Repurchase Agreement with Bulgarian Development Bank.

For 2017-2019, the Issuer has issued 6 trade finance deals for EUR 4.87 million including IRUs and guarantees in favour of Commerzbank AG and UniCredit Bulbank AD supporting export of technological equipment and small hydropower plants from Bulgaria to Armenia and Republic Belarus

Republic of Cuba

Cuba is a centralised economy, which started to loosen government control in some parts of the economy in 2011. Economic data from the country is very sparse and sometimes unreliable, but the estimated average annual economic growth may have been around 2% between 2008 and 2018.

In 2019 GDP growth may have slowed to 0.5-1% due to the new round of US sanctions, lower sugar harvest and weaker than expected tourism revenue. In 2019, the Cuban government reaffirmed its economic strategy which is to diversify exports, substitute import and promoting development. The country also faces headwinds from the reduction in Venezuelan oil production as the country give the majority of Cuba oil imports. Although economic data is sparse and unreliable which makes the macroeconomic analysis cumbersome, but based on various sources the country could experience food shortages, which points toward an increasing probability of sliding into recession in 2019 or 2020.

In terms of trade, the country is a closed economy; its trade per GDP ratio is very low. The main hard currency revenue of the economy comes from the tourism sector, while its main consumers are the agriculture and energy sectors. Investment per GDP is 10% in Cuba, the half of its peers in South America and the Caribbean. The low level of investment cannot cover even the amortization costs. The economy is in dire need of economic reforms and foreign capital. Since 2015, the country's growth prospects have somewhat reinvigorated as diplomatic ties between the US and Cuba were restored. Moody’s credit rating on Cuba is currently Caa2 with stable outlook.

After writing-off the historic debt of the Republic of Cuba in 2013, the Issuer re-affirmed its support and intention to contribute to the country’s economic and social development once with the execution, on 24 June 2016, of the Agreement on Cooperation in Organising Financing between the Issuer and the Central Bank of Cuba (CBC). Under the terms of the Agreement, the parties also express their intention to improve the efficiency and the level of participation in projects and sectors that are of particular interest for the Republic of Cuba.

For 2015-2019, the Issuer has completed seven trade finance deals in the amount of EUR 21.7 million, including IRUs, in favour of KBC Bank N.V. supporting export of Cuban cane raw sugar to Republic of Belarus.

Romania

Romania is an above-average-sized, diversified, but less developed CEE country, with growth potential above the regional average. Despite moderate public and private indebtedness, volatility in growth also tends to be high in regional comparison, as debt-euroization limits the monetary policy's room for manoeuvre, while the low amount of domestic savings and the strong tendency for pro-cyclical fiscal policy make the country overheated from time to time and vulnerable to external shocks.

Growth has been really strong since 2015, as the recovery from the crisis has been supported by very favourable external environment and by pro-cyclical & aggressive fiscal loosening. Public wage and pension hikes, combined with tax cuts, resulted in double-digit wage growth and fast consumption growth of 5-10%. Romania's GDP growth reached 6.9% in 2017, before decelerating to around 4% in 2018 as the impact of earlier stimulus measures faded. Unemployment fell to all-time low levels while wages have been growing at double-digit pace for years.

Recent policy measures increased macro-risks further in Romania, making the country vulnerable again to negative external demand and risk premium shocks. The sector levies announced in December could be a drag on FDI inflows and non-residential investments. The parliament accepted a new pension law in June, which would increase pensions by 70% until September 2021. Therefore the budget deficit, which already reached 3% of GDP could widen further at the peak of the business cycle and could reach 5% of GDP until 2020/21. As strong consumer demand fuels imports, the current account deficit rose to 5% of GDP, which is high in regional comparison. In addition in case of further widening it would not be covered any more by non-debt generating inflows (FDI and EU transfers) and the further widening is very likely, taking into account the strong growth in consumption and residential investments and the moderate non-residential investments which could be a drag on domestic capacities.

After a long period of loose monetary policy, the National Bank of Romania started monetary tightening in Q4 2017, as the RON faced depreciation pressure and inflation exceeded the 2.5% target in 2017 and 2018, because of strong demand and higher oil prices. A number of hikes sent the effective money market rates to around 3% by now, from close to zero in 2017. Recently the central bank adopted a wait-and-see approach as inflation started to moderate toward the target, after reaching the peak above 5% in the first half of 2018. However, underlying inflation pressures are still strong on overheated consumer demand and cost side inflation pressures from high wage inflation, which is reflected in core inflation numbers, which have exceeded the inflation target band since the beginning of 2019.

In 2019 GDP growth could remain close to 4%, however, from 2020 it could moderate to around 3%. Consumption growth is expected to remain robust, with 1-1.5 percentage points above GDP growth in the coming years. Investment activity has got traction recently, mainly due to a revival of residential investments, while non-residential investment growth remained lacklustre and a strong revival is less likely, taking into account the sector levies announced in December 2018.

Romania benefits of a limited negative impact stemming from the Ukraine-Russia conflict and Western sanctions (due to low trade and financial links and the natural gas consumption being mainly covered by domestic production). International rating agencies recognize the country's quite stable financial position, thus Romania is rated BBB- with a stable outlook by S&P, Baa3 with a stable outlook by Moody's and BBB- with a stable outlook by Fitch.

Romania is one of the Member States in which the Issuer's activity has continually increased as of its re-launch at the end of 2012 – beginning of 2013. In 2015, the Romanian direction of the Issuer's activities gained a new momentum. The Issuer has been consistently increasing the volume of investments in Romania and regularly presents its financial products and services to local businesses. Since its relaunch in 2012, and as of the date of this Offering Circular, the Issuer signed loan agreements with Romanian companies amount to more than EUR 50 million. In October 2015, the Issuer successfully placed its debut bond issue on the Bucharest Stock Exchange in the amount of RON 111 million. In relation to this placement, the Romanian Stockbrokers' Association awarded the Issuer for contribution to the development of the country's corporate bonds market. The debut issue was followed by a second successful RON 300 million bond issue in September 2016 and by two dual tranches bond issues in September 2017, *i.e.* a RON 300 million tranche and, respectively, a EUR 60 million tranche and in October 2018, a RON 300 million tranche and, respectively, a EUR 80 million tranche. Romanian market is currently the main market for the Issuer's funding surpassing for the first time Russia at the end of 2018.

In 2018 the Issuer participated in the subordinated bond issue of Banca Transilvania, the Issuer took in a position EUR 10 million share of the issue through its brokerage agent BRD-Groupe Societe Generale S.A.

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

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

Other recent activities in Romania include the execution of an ISDA Master Agreement with Banca Transilvania, in October 2015.

In 2017, the Issuer implemented a pilot deal with the B&N Bank (PJSC) by providing a short-term targeted trade related loan (TRL) for the supply of chemical additives from the Russian Federation to Romania. The volume of loan is of EUR 2.25 million, with a one-year repayment term.

In 2017 the Issuer advised its first banking guarantees issued by Banca Transilvania. Total amount of advised Romanian guarantees for 2017-2019 is EUR 0,257 million (3 guarantees).

Russian Federation

The Russian economy has witnessed a dramatic boom with an average growth rate of 7.1% in the 2000-2007 period due to surging commodity prices. As a result, it became the sixth largest economy in the world by purchasing power parity. However, the sharp drop in GDP by 7.8% during the financial crisis of 2008/2009 showed the high vulnerability of the Russian economy to external shocks and its overly high dependency on volatile commodity prices. Resurging oil prices have been a major factor of the recovery since 2010, while low investment/weak business climate, low spare labour force and lack of free capacities have hampered growth rates to return to pre-crisis levels. Even before the current geopolitical turbulences between the West and Russia, the Russian economy has substantially cooled down, as growth rates in 2012 fell to 3.7%, in 2013 to 1.8%.

In 2014-2015, the dual external shock from falling oil prices and sanctions from the international community triggered first a substantial slowdown, and afterwards recession (growth rate in 2015 stood at -2.5%). Eventually a moderate recovery re-emerged from 2016 and continued in 2017-2018 (growth turned out at -0.2%, 1.6% and 2.3% respectively), driven by increasing oil prices, re-emerging lending flows, improving labour market conditions as well as some large infrastructural projects. The macro-policy set-up become very solid. The introduction of a medium term fiscal rule, inflation targeting in monetary policy as well as banking sector restructuring culminated in a tight policy mix, which enabled building significant policy buffers. By the end of 2018, the central bank's international reserves exceeded gross external debt, the budget ended in a 2.6% of GDP surplus, and the RUB stabilized against the USD despite repeated waves of US sanctions. Additionally, the rainy-day fund (national wealth fund) returned to around 7% of GDP (by July 2019). However this came at the cost of slow growth and declining real disposable income of households. The essential structure of the economy has not changed, and the dominance of the energy sector prevails. Additionally, geopolitical risks hinder foreign direct investment inflows and technology import. Russia plans to revive the economy by 12 national projects adding substantial fiscal stimulus to the economy. From the point of view of economic growth, the most important plan is to raise the investment rate by 5% of GDP, primarily through investments in road infrastructure. Other largest pieces of spending envelope concern environmental protection and demography.

Real GDP growth is expected around 1-1.5% in 2019, based on projections of the authorities and market analysts, as national projects are slow to start and the January VAT hike hinders consumption growth. However later on growth could recover to 2-3% as infrastructural spending picks-up significantly. Nevertheless reflecting a gloomy global outlook risks are rather to the downside. Furthermore, lingering further international sanctions pose additional risks.

Reflecting positive economic developments, all of the credit rating agencies S&P, Fitch and Moody's upgraded the rating for the country throughout 2018-2019. Russia is currently rated at BBB- with a stable outlook by S&P, Baa3 with a stable outlook by Moody's and BBB with a stable outlook by Fitch.

Russian Federation is a member of the Eurasian Economic Union, which is set to achieve free movement of goods, services, capital and labour inside the economic region. The block is expanding by setting up new trade agreements and dialogue with different country blocks, like the ASEAN and MERCOSUR regions.

On the other side, the Russian Federation is part of the consistently expanding free trade zone within the Eurasian Economic Union. After Vietnam acceded to the free trade zone in May 2015, trade activities between Russia and Vietnam gained a new impetus and are expected to increase significantly.

The Issuer's most recent activities in the Russian Federation include loans to customers active in wholesale and retail trade; repair of motor vehicles, manufacturing, transport and warehousing. During 2014 and 2015, the Issuer also successfully completed four issues of 10-year bonds (subject however, to the Issuer's put option, exercisable in accordance with the programme documentation and the relevant terms and conditions of each placement), in the aggregate amount of RUB 14 billion, admitted to trading on the Moscow Exchange. In March 2016, the Issuer registered a RUB 100 billion programme of exchange-traded bonds with the Moscow Exchange – the first of its kind by an international financial institution in the Russian Federation. In June 2017 the Issuer successfully placed a bond issue in the amount of RUB 10 billion (approx. EUR 156 million), issued under the earlier registered programme of exchange-traded bonds on Moscow Exchange.

In 2015, the Issuer has also concluded various treasury agreements and correspondent banking agreements with banks in Russian Federation, including: ING BANK (EURASIA), Gazprombank, Credit Bank of Moscow, Transcapitalbank, Expobank, Industrial and Commercial Bank of China (Moscow), Sberbank, Bank Zenit, UniCredit Bank, IBEC (IFI based in Russian Federation), Alfa-Bank and Rosbank.

In August 2019, the Issuer opened EUR and USD accounts with AO Alfa-Bank.

For 2015-2019 the Issuer has participated in 57 Russia related trade finance deals for EUR 214.59 million including IRUs, banking guarantees and TRLs.

Slovak Republic

Slovakia's economy, which has been growing by more than 3% each year since 2015, is clearly one of the best performers in the CEE region. The available data confirm the view that growth has reached its maturity phase; its structure is balanced. Unexpectedly sharp slowdown has started in 2019 Q2: GDP growth decelerated to 1.9% YoY in Q2 from 3.7% YoY in Q1, owing to rather weak household consumption and investment growth, as well as slower expansion in industry. Domestic demand (household consumption, and the resuming investment) clearly became the engine of growth, which will be firmly supported by the rising employment, the robust wage growth, and the revival of the loan market. No meaningful risks seem to surround sustainability – the budget deficit is small, government debt is on a declining trajectory, and external debt is sustainable. Slovakia's public deficit stood near 1% of GDP (ESA concept) and the government debt was around 50% of GDP in 2018. On average, harmonized consumer prices grew by 2.5% year/year in 2018.

The slowdown in the economic growth rate of core EU countries poses downward risk to growth, which may leave its mark on the performance of Slovakia's export sector, but the new car factory's positive effect on Slovakia's export capacities and trade performance will be strong. The shrinking of 'spare' capacity on the labour market may soon hinder production. The problem of labour shortage can become a more serious issue in the near future.

The high credit ratings from major agencies rank the Slovak Republic at the top of the rating ladder, compared with other countries in the CEE region. Slovakia's sovereign rating stands high, at A+ with stable outlook (S&P), A2 with positive outlook (Moody's), and A+ with stable outlook (Fitch).

The Slovak Republic is the first EU member state in which the Issuer completed the placement of bonds on the capital markets, with the first issue in the amount of EUR 30,000,000 having been successfully finalized in October 2014. Also, the first regional office opened by the Issuer, aiming to increase the quality of the Issuer's services in EU member states, is based in the Slovak Republic.

For 2015-2019 the Issuer has issued 8 trade finance deals supporting export and import with Slovak Republic for EUR 4.34 million including IRUs and TRLs. Also, the Issuer's portfolio of loans to customers in the Slovak Republic, amounts to EUR 89 million.

Vietnam

The country has enjoyed around 7% annual economic growth over the past 30 years. This is mainly because Vietnam is an underdeveloped country. In the past couple of decades its growth has been fuelled by the reallocation between sectors and its export-oriented growth strategy, which partly stemmed from low wages.

According to Bloomberg analyst polls, economic growth could be below 7% in the coming year. On the one hand Vietnam is profiting from the US-China trade war as it helped to accelerate the shifting of production from China to Vietnam due to the country's cheap labour. However due to Vietnam's trade surplus with US, the USA puts increasing pressure on the country to curb its surplus against the US. If the latter risk materialises it could impose a downward pressure on the country's growth prospects.

Currently 17-19% of GDP is produced in the agricultural sector, which employs 45% of the labour force. This means that a large part of employment will flow to other sectors as the country becomes more developed. These sectors' (manufacturing and services) value added is usually higher, and this could create a growth opportunity for Vietnam.

The main destinations of Vietnam's exports are China, Japan, USA, and South Korea. The export structure is considered well-diversified. Around a quarter of exports come from low-value-added agricultural products, while machinery, equipment, and vehicles make up 32% of exports.

The country improved its trade relations and signed trade deals with various countries, but the business environment only improved slightly, as reflected in the World Bank's Doing Business report.

Overall, Vietnam is already a very open economy (with exports and import amounting to 160% of GDP). In the second half of 2019, its free trade deal with the EU will come into force, potentially boosting its growth potential. However, there are signs that economic growth may slow in the future. First of all, the 6% GDP growth rate was sustained only with the increase in private debt. The debt of the private sector exceeds 100%, and the leverage of non-financial companies is high. Furthermore, local companies' productivity is only one-fifth of the international companies operating in Vietnam. Finally, government debt has increased from 42% to 60% since 2012 – this is considered high, compared to the country's development stage. The decrease of the current 5% government deficit could dampen short-term growth prospects.

Vietnam is rated BB with a stable outlook by S&P, Ba3 with a stable outlook by Moody's and BB with a positive outlook by Fitch.

As of 31 December 2018, 13.82% of the loans (in terms of amount thereof) extended to banks by the Issuer were granted to Vietnam-based banks. Also, the Issuer's portfolio of loans to customers in Vietnam, amounts to EUR 22 million. In the end of 2016 the Issuer provided trade related loan to LOCKO-Bank (Russia) for USD1 million under Trade Finance Support Programme as support of export from Vietnam to Russian Federation of food products.

In 2018 the Issuer advised its first letter of credit issued by VietinBank for USD 1.15 mln.

MEMBERS

The Issuer currently has nine Member States, namely: Czech Republic, Hungary, Mongolia, Republic of Bulgaria, Republic of Cuba, Romania, Russian Federation, Slovak Republic and Socialist Republic of Vietnam. The Issuer benefits from the high geographical diversification of its Member States. Their territories and, therefore, the Issuer's relevant geographic market, cumulates approx. 19.6 million square km and a total population of more than 300 million people.

Hungary re-joined the Issuer in 2015, after having previously decided to terminate its membership in the Issuer in 2000. The Issuer's Council approved Hungary's request to re-join the Issuer in November 2014 and Hungary finalized all necessary procedures and ratified its membership in the Issuer in May 2015.

The Government of Mongolia made an additional contribution of EUR 1,909 thousand to the Issuer's equity on 27 December 2017.

On 12 July 2018, the Government of Romania made a contribution of EUR 4.0 million to the Issuer's paid-in capital.

On December 20, 2018, the Czech Republic made an additional contribution to the Issuer's paid-in capital in the amount of EUR 7 million (out of EUR 12.6 million planned).

On March 28, 2019, Romania made an additional contribution to the Issuer's paid-in capital in the amount of EUR 3,65 million, thereby completing its obligations under the Capitalization Program 2013-2017.

The Government of Romania made an additional contribution of EUR 3,650 thousand to the Issuer's equity on 28 March 2019.

As a result, the paid-in capital of the International Investment Bank amounted to EUR 329,61 million.

As of 10 September 2019, the structure of the Issuer's paid-in capital is the following: the combined share of EU Member States (the Czech Republic, Slovakia, Hungary, Romania and Bulgaria) in the Issuer's paid-in capital reached 52.16%, Cuba's share is at 1.58% and the share of Asian Members of the Issuer (Vietnam and Mongolia) is at 2.08%. Russia's share in the Issuer's paid-in capital is 44.18%.

As part of the Capitalization Program for 2013-2017, the Czech Republic plans to make the remainder of its contribution (EUR 5.6 million) in the near future, thereby completing the Program.

After the entry into force of the Protocol, the quotas of Member States in the authorised capital of the Issuer are as follows:

Member States	*Quotas in the authorised charter capital (EUR)*	*Shares in the paid-in charter capital (EUR)*
Republic of Bulgaria	123,000,000.00	42,203,226.32
Hungary	121,400,000.00	50,000,000.00
Socialist Republic of Vietnam	4,700,000.00	3,669,274.56
Republic of Cuba	23,400,000.00	5,360,773.37
Mongolia	6,200,000.00	3,393,184.85
Russian Federation	580,700,000.00	150,025,792.59
Romania	76,700,000.00	26,103,958.51
Slovak Republic	62,800,000.00	21,481,113.06
Czech Republic	125,600,000.00	37,374,957.01
Total	**1,124,500,000.00**	**339,612,280.27**

The unallocated portion of the Issuer's authorised charter capital is EUR 875,500,000.00.

The table below shows the paid-in capital structure of the Issuer as of 10 September 2019 and as of 30 June 2019, respectively:

Member States	***Share in the Issuer´s paid-in capital as of 10 September 2019***		***Share in the Issuer´s paid-in capital as of 30 June 2019***	
	(EUR million)	*%*	*(EUR million)*	*%*
EU Member States				
Czech Republic	37.38	11.00	37.38	11.34
Hungary	50.00	14.72	40.00	12.14
Republic of Bulgaria	42.20	12.43	42.20	12.80
Romania	26.10	7.69	26.10	7.92
Slovak Republic	21.48	6.32	21.48	6.52
Total contribution by EU Member States	177.16	52.16	167.16	50.72
Non-EU Member States				
Mongolia	3.39	1.00	3.39	1.03
Republic of Cuba	5.36	1.58	5.36	1.62

Russian Federation	150.03	44.18	150.03	45.52
Socialist Republic of Vietnam	3.67	1.08	3.67	1.11
Total contribution by non-EU Member States	162.45	47.84	162.45	49.28
Total contribution of Member States	**339.61**	**100.0**	**329,61**	**100.00**

Source: The Group's management report.

MANAGEMENT AND GOVERNANCE

General

The new edition of the Statutory Documents that entered into force on 18 August 2018 introduced a new governance structure. In this regard, two new governing bodies, i.e., the Board of Governors and the Board of Directors, are being formed.

The Issuer's governing bodies are the following:

- the Board of Governors, which is the supreme collective governing body of the Issuer;

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

- the Management Board, which is the Issuer's executive body, reporting to the Board of Directors and the Board of Governors.

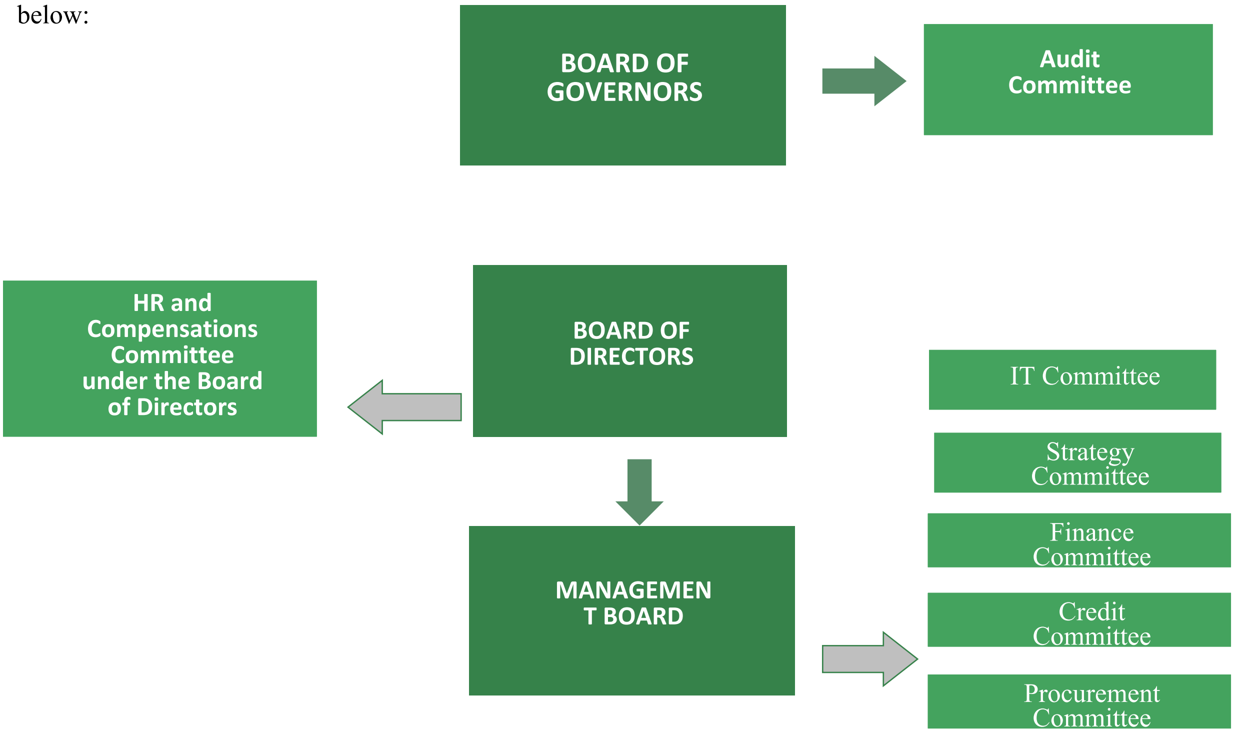
The new governance structure of the Issuer is based on the principles of transparency, accountability, responsibility and openness.

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

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

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

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



The Board of Governors

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

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

In this connection, all nine IIB Member States carried out the necessary internal procedures related to the appointment of their Governors to the Board of Governors.

Governors from the Member States and their deputies on the IIB Board of Governors

Member States	Governors	Deputy governors
Republic of Bulgaria	Petrova Marinela, Deputy Minister of Finance of the Republic of Bulgaria	
Republic of Cuba	Irma Margarita Martínez Castrillón, Minister-President Central Bank of Cuba	Arnaldo Alayon Bazo, Vice President, Central Bank of Cuba
Czech Republic	Schillerova Alena, Deputy Prime Minister, Minister of Finance of the Czech Republic	Dupakova Lenka, Deputy Minister of Finance of the Czech Republic
Hungary	Varga Mihály, Deputy Prime Minister and Minister of Finance of Hungary	Gion Gábor, State Secretary - Ministry of Finance of Hungary
Mongolia	Khurelbaatar Chimed, Minister of Finance of Mongolia	Bayartsaikhan Nadmid, Governor of the Bank of Mongolia
Romania	Teodorovici Eugen Orlando, Minister of Public Finance of Romania	
Russian Federation	Sergey Anatolyevich Storchak, Deputy Minister of Finance of the Russian Federation	Stanislavov Evgeny Arnoldovich, Director of the Department of Economic Cooperation of the Ministry of Foreign Affairs of the Russian Federation
Slovak Republic	Ladislav Kamenicky, Minister of Finance	Meager Dana, State Secretary of the Ministry of Finance of the Slovak Republic
Socialist Republic of Vietnam	Le Minh Hung, Governor of the State Bank of Viet Nam	Nguyen Thi Hong, Deputy Governor of the State Bank of Viet Nam

The Board of Directors

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

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

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

In this regard, all nine IIB Member States appointed their Directors to the Board of Directors.

Directors from the Member States and their deputies on the IIB Board of Directors

Member States	Directors	Deputy directors
Republic of Bulgaria	Beremska Gergana, Director of International Financial Institutions Directorate, Ministry of Finance of the Republic of Bulgaria	Zaharieva Yoana, Head of Department, International Financial Institutions and Cooperation Directorate, Ministry of Finance of the Republic of Bulgaria
Republic of Cuba	Katerine Alino Carballo, Vice President, Central Bank of Cuba	Isaac Hernandez Perez, Head of Department, Central Bank of Cuba
Czech Republic	Zuzana Matyasova, Director, International Relations department of the Ministry of Finance of the Czech Republic	
Hungary	Imre Boros, Director from Hungary on the Board of Directors	Patric György Pólai, Senior Advisor, Ministry of Finance of Hungary
Mongolia	Zorigtbat Tseveenjav, Director-General of the Financial Policy Department of Ministry of Finance of Mongolia	
Romania	Cucu Boni Florinela, General Director in the Ministry of Public Finance of Romania	lacobescu Oana Beatrice, Head of Division in the Ministry of Public Finance of Romania
Russian Federation	Bokarev Andrey Andreevich, Head of the Department for International Financial Relations of the Ministry of Finance of the Russian Federation	

Slovak Republic	Kovacova Katarina, General State Counsellor of the Ministry of Finance of the Slovak Republic	Kalinakova Martina, Senior State Counsellor of the Ministry of Finance of the Slovak Republic
Socialist Republic of Vietnam	To Huy Vu, Director General of the Department of International Cooperation of the State Bank of Viet Nam	Bui Quang Trung, Head of Division of the Department of International Cooperation of the State Bank of Viet Nam

The Management Board

The Management Board is the executive body of the Issuer reporting to the Board of Directors and the Board of Governors. The Management Board's main task is to supervise the Issuer's operations in accordance with the new edition of the Statutory Documents, resolutions of the Board of Governors and Board of Directors. The Management Board also implements the Issuer's credit, financial, accounting, asset and liability management, and risk management policies, makes decisions on credit and investment operations in the scope of its authorities, organizes work aimed at raising and allocating available funds, adopts decisions to issue bonds, prepares necessary materials and proposals to be considered by the Board of Governors and the Board of Directors, builds and uses the Issuer's business connections and correspondent banking relationships with other banks and organizations.

At the 1/110th meeting of the Board of Governors, the Key Principles of Management Board Composition (Key Principles) were adopted, ensuring the transition to modern international corporate governance standards.
The Management Board consists of the Chairperson of the Management Board and his/her deputies appointed by the Board of Governors for a five-year term, generally from among citizens of the Member States. Following the last Board of Governors' meeting in Varadero, the members of the Management Board are appointed on a competitive basis through an independent assessment of their qualifications and conformity with the Issuer's requirements.

Before the Key Principles came into force, the practice of appointing Board members was based on a quota system and rotation principle. The Board members were appointed by the Council of the Issuer from among citizens of member states presenting their candidates.
Adopted Key Principles provide a merit-based approach. The Management Board is formed on a competitive basis in line with the generally accepted standards of corporate governance, as the efficiency of the Issuer's operations hinges on the work of this body. The HR and Compensations Committee under the Board of Directors has the key role in selection of candidates for vacant positions of the members of the Management Board. It performs an independent assessment of the candidates' level of qualification and formulates recommendations for the Board of Governors concerning the candidates.
To ensure a balanced and transparent system of decision-making at the level of the Management Board Principles establish the fair country representation according to which the Management Board shall include citizens of at least four Members of the Issuer. At the same time all the members of the Management Board have the right to vote.

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

Nikolay Kosov, Russia

Function:	Chairperson of the Management Board as of September 2012
Education, practice, other relevant information:	Mr. Kosov graduated from the Moscow State Institute of International Relations majoring in Foreign Affairs. In 2000, he graduated from the Finance Academy affiliated to the Government of the Russian Federation majoring in World Economy. He holds a PhD in Economics.

	1977-1992 – Assistant, Senior Assistant, Attaché, the Third, Second and then the First Secretary, Counsellor of the USSR Embassy, counsellor at the Ministry of Foreign Affairs of the USSR. 1992-1993 – Assistant to the Vice President of the Russian Federation in the Administration of the President of the Russian Federation. 1993-1998 – First Deputy, then CEO of Automobile Russian Alliance plc., member of the Board of Directors of AutoVaz OJSC. 1998-2007 – First Deputy of the Chairman, state bank for development and external economic activity (Vnesheconombank). 2007–2012 – Member of the Board of Vnesheconombank); First Deputy of the Chairman of Vnesheconombank. Since September 2012 – Chairman of the Board, International Investment Bank. For his contribution to the development of the financial banking system of the Russian Federation and for his longstanding conscientious work, Mr. Kosov was awarded with the 4th class of the Order “For Merit to the Fatherland”, Order of Merit, medals of Order of “For Merit to the Fatherland” (1st and 2nd class) and the Order of Friendship. He has also been honoured with the Acknowledgment of the President of the Russian Federation numerous times and with the Acknowledgment of the Minister of economic development of the Russian Federation and awarded the badge of honour of the Leader of the Russian Economy. Mr. Kosov also has the following awards of Member States:«Samara Cross», a memorable medal of Bulgaria, Mongolian order of the Polar Star - the highest state honour of Mongolia bestowed on foreign citizens, and Order of Friendship, a high state honour of Republic of Cuba.

Jozef Kollár, Slovak Republic

Function:	First Deputy Chairperson of the Management Board as of March 2016; coordinates the Treasury and Investment Attraction Section.
Education, practice, other relevant information:	Mr. Kollár studied in University of Economics (Bratislava, Slovakia) in 1979 – 1983 where he gained master of economics and graduated with honours. From 1983 – 1990 studied in the Slovak Academy of Sciences from where he graduated with a Ph.D. degree in economics. In summer 1993 studied in University of Wisconsin, U.S.A. (Graduate School of Banking), in summer 1994 and 1995 in Oklahoma City University, U.S.A. (Jack T. Conn Graduate School of Community Banking) and in summer 1996 in AOTS Association for Overseas Technical Scholarship, Yokohama, Japan. 1983–1990 – Macroeconomics and Strategy Planning Analyst at the Slovak Academy of Sciences (Bratislava, Slovakia). 1990–1991 – Head of Department of Economics and Foreign Exchange Analysis at the State Bank of Czechoslovakia (Bratislava, Slovakia). 1991–2006 – Member of the Board (1993–1997), Deputy Chairman of the Board (1997–2000), Chairman of the Board and CEO (2000–2006) at Volksbank AG, (Bratislava, Slovakia). 2008–June 2010 – Owner of JK Advisory s.r.o (financial consulting in real estate development and transport infrastructure in Slovakia).

July 2010–February 2016 – Member of the Parliament at the National Council of the Slovak Republic.

Since March 2016 — Deputy Chairman of the Board, since December 2018 – First Deputy Chairperson of the Management Board, International Investment Bank.

Alexandru Florescu, Romania

Function:	Deputy Chairperson of the Management Board, as of January 2016; coordinates the Finance section.
Education, practice, other relevant information:	Mr. Florescu graduated with merits the International Economic Relations and Finance, Insurance, Banking and Capital Markets faculties within the Academy of Economic Studies (Romania) in September 2003. 2004 – Post-University degree in Economics of European Integration from the Academy of Economic Studies. 2006–2010 and 2012–2013 – Senior Expert at the Ministry of Public Finance, DG Treasury and Public Debt (Romania), covering mainly Romania's participation in several IFIs and financial markets issues. Member of EFC sub-committee for IMF and related issues and EFC/EPC Joint Working Group on financial aspects related to international financing in the climate change area. 2010–2011 – Adviser to the State Secretary responsible with the coordination of Treasury and Public Debt, PPP and Management of European Funds. September 2013–December 2015 – Head of Strategic Development and Analysis Department, International Investment Bank. Since January 2016 – Deputy Chairman of the Board at the International Investment Bank, representative of Romania.

Rumyana Laleva Kyuchukova, Republic of Bulgaria

Function:	Deputy Chairperson of the Management Board, as of February 2016; coordinates the Risk section.
Education, practice, other relevant information:	Mrs. Kyuchukova finished University for National and World Economy – International Economic Relations. Studied in City University of Seattle (2000-2002), where she gained an MBA degree in Executive Management. 1998–2000 – Adviser to CEO and Head of internal audit, Mobiltel AD (Bulgaria). 2001-2002 CEO of MTEL Trading, Mobitel AD, 2000-2002 CEO of Mobitel AED 2003–2004 – General manager and owner of Telecom Consulting Ltd. (Bulgaria) 2005–2011 – Senior Adviser to the ED and member of the Board of the World Bank 2012–2015 – Consultant in finance and investments. Since February 2016 — Deputy Chairman of the Board, International Investment Bank.

Georgy Potapov, Russia

Function:	Deputy Chairperson of the Management Board, since July 2018; coordinates the Strategy section.
Education, practice, other relevant information:	1997 - Moscow State Institute of International Relations (University), Specialist in international relations with knowledge of foreign languages 2008 - Financial University under the Government of the Russian Federation, Banking and Finance, Diploma in Economics 1997-2005 - Desk officer, Attaché, Third Secretary, Second Secretary, Ministry of Foreign Affairs of Russia (including Russian Embassy in the Kingdom of Thailand). 2005-2006 - Assistant to Director General, Techsnabexport, OJSC (ROSATOM, OJSC). 2007-2008 - Head of Protocol, Bazovyi Element Company, LLC. 2006-2009 - Adviser to Director General, Universal Service System 'Executive Service', CJSC. 2009-2013 - Head of Administration, Head of Document Control Department, 'AB 'Russia', OJSC. 2012 – 2018 - Adviser to the Chairman of the Board, Director of International Financial Integration and Multilateral Cooperation Department, Head of Strategy Section, Policy Director, International Investment Bank. Since July 2018 - Deputy Chairman of the Board, International Investment Bank.

Audit Committee

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

HR and Compensations Committee under the Board of Directors

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

REGULATORY CAPITAL

The approval of capital adequacy ratios applicable to the Issuer is one of the prerogatives of the Board of Directors. As of September 2013, the Council established a 25% minimum capital adequacy ratio, representing the percentage of the Issuer's capital to its risks-weighted assets. Starting with 2013, the Issuer's capital adequacy ratio is computed in accordance with the methodology set forth under the Revised Framework for International Convergence of Capital Measurement and Capital Standards ("**Basel II**").

The 25% minimum capital adequacy ratio approved by the Council is 21 percentage points above the Basel II 4% requirement applicable to tier I capital and 17 percentage points above the Basel II 8% requirement applicable when accounting tier II capital also.

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

The following table shows the composition of the Issuer's capital position as of 31 December 2016, 31 December 2017, 31 December 2018 and, respectively, 30 June 2017, 30 June 2018 and 30 June 2019*:*

(EUR million)	**31 December 2016**	**31 December 2017**	**30 June 2017**	**30 June 2018**	**31 December 2018**	**30 June 2019**
	(audited)	(audited)	(unaudited)	(unaudited)	(audited)	(unaudited)
Tier 1 capital	378.0	380.75	378.8	351.2	368.75	371.88
Tier 2 capital	11.4	13.99	11.7	9.26	6.38	16.45
Total regulatory capital	389.15	394.73	390.5	360.46	375.13	388.33
Total risk-weighted assets	727.28	1,042.87	925.6	1,086.06	1,093.23	1,106.89
Total capital expressed as a percentage of risk-weighted assets, %	53.55%	37.85%	42.2%	33.19%	34.39%	35.08%
Total tier 1 capital expressed as a percentage of risk-weighted assets, %	51.98%	36.51%	40.9%	32.34%	33.73%	33.60%

Source: The Financial Statements.

The Issuer's believes that its capital adequacy target of 25% allows it to position above most requirements under the third Basel accord (Basel III) and, therefore does not intend to implement the proposals thereunder.

RISK MANAGEMENT

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

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

Main principles

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

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

- adoption of BASEL II standardized approach with elements of Basel III (liquidity coverage ratio, net stable funding ratio, leverage ratio).

Description of the risk management system

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

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

- *Risk taking*: The risks are identified, assessed and controlled across all Issuer's products, activities, processes and systems;
- *Risk management*: The independent Risk Management Department is responsible for the overall risk identification, measurement, control and monitoring of risks. Another key point of its mission is to calculate capital adequacy and regular allocation of capital for different types of risk;
- *Risk assurance*: The Internal Control Department and the Audit Committee provide independent assessment and review of the risk management system.

Risk organization and governance

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

Body	***Main responsibilities***
Board of Governors	Determining the general directions of the Issuer's operations and approve the Issuer's development strategy
Board of Directors	• Approval of risk management policies • Determining the Issuer's risk appetite for each year • Overall organization of the Issuer's risk management system (including related responsibilities and tasks)
Chairperson of the Management Board	• approving the Issuer's rules and regulations regarding the process for conducting credit and banking operations in accordance with the principles determined by the Board of Governors and the Board of Directors
Management Board	• implementing the Issuer's credit, financial, accounting, asset and liability management, and risk management policies, which have been approved by the Board of Directors • preparing necessary materials and proposals to be considered by the Board of Governors and the Board of Directors (including risk management related materials and proposals)
Finance Committee	• Providing methodological guidance • Review of limits for specific risk categories (i.e., country, market, liquidity)

	• Management of assets and liabilities • Liquidity management
Credit Committee	• Management of loan portfolio • Review of credit risks limits • Approval of new credit operations
Risk Management Department	• Identification, assessment, measurement, reporting and monitoring of credit, market, operational and • Liquidity risks • Management of risks limits • Development of risks policies • Assessment of counterparties • Provisioning creation
Internal Audit Department and Audit Committee	• Review of the efficiency of the risk management framework • Review of the risk management process, tools and organization
Other Departments	• Monitoring and controlling risk limits • Active management of operational risks

Risk management process

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

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

Risk profile

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

- The Issuer main goal is to develop into a modern multilateral development bank, its mission being particularly focused on the promotion of social and economic development, growth of well-being of the population, and economic cooperation, of the Member States;
- The Issuer's core activities are financed through its equity capital base and the funds raised from the Member States' or international capital markets;
- The Issuer focuses on acting as a lender in interbank and syndicated interbank loans aiming to support SMEs, as well as project investment loans; and
- The Issuer's operations with new partners and clients are preceded by due diligence investigations carried out by the Issuer in order to assess its partners'/ clients' legal status.

Risk appetite

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

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

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

Risks monitoring, control and reporting

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

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

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

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

<table>
<tr><td rowspan="2">Board of Directors</td><td colspan="2">Strategic yearly limits</td><td>Risk appetite indicators for one year</td></tr>
<tr><td colspan="2">• Capital adequacy ratio (at least 25%)
• Limit of exposure to one counterparty or group of related counterparties (up to 25% of the Issuer's equity)
• Liquidity coverage ratio (at least 100%)
• Net stable funding ratio (at least 100%)
•</td><td>• Risk appetite levels (capital allocation to credit, market and operational risks)
• Risk appetite indicators (e.g., liquidity, portfolio, quality, rating, leverage)</td></tr>
<tr><td rowspan="2">Management Board</td><td>Individual treasury limits</td><td>Individual loan limits</td><td>Systemic limits</td></tr>
<tr><td>Permitted operations:
• NOSTRO
• Interbank lending
• Forex
• Equity/Bonds
• Other</td><td>• Corporate clients
• Financial institutions</td><td>• Credit risk limits
• Market risk limits
• Operational risk limits
• Country limits
• Sector limits
• Other limits</td></tr>
</table>

The following table shows key risk parameters of the Issuer and applicable limits, as of 31 December 2016, 31 December 2017 31 December 2018 and, respectively, as of 30 June 2017 and 30 June 2018:

Indicator	**31 December 2016**	**31 December 2017**	**30 June 2018**	**31 December 2018**	**30 June 2019**	**Limit**
Capital adequacy ratio (*Basel II methodology*)	53.55%	37.85%	33.19%	34.39%	35.08%	not less than 25%
Liquidity coverage ratio (LCR) (*Basel II methodology*)	476.0%	381.5%	145.2%	172.5%	216.9%	not less than 100%
Net Stable Funding Ratio (NSFR) (*Basel II methodology*)	112.1%	112.7%	113.3%	116.7%	116.9%	not less than 100%
Financial leverage[2]	126.1%	177.4%	212.5%	221.49%		up to 250%
Basel 3 leverage				28.2%	27.5%	not less than 25%

Source: The Group.

[2] Starting from 2019 has been replaced by Basel 3 Leverage set at 25%

BORROWINGS

The Issuer's borrowings in the form of long-term loans from banks, long-term REPO and debt securities amounted to EUR 758.7 million as of 30 June 2019 compared to EUR 681.1 million as of 31 December 2018 and EUR 666.8 million as of 31 December 2017.

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

Bond placements

Russian Federation

In spring 2014, the Issuer has registered its first RUB 14 billion (EUR 219.4 million) bond programme with the Central Bank of Russia, after having been recognised as an international financial organisation whose securities are admitted for public placement and circulation in the Russian Federation by the Russian Federation Government Decree No. 732-r of 2 May 2013. The programme documentation provides semi-annual coupon payments and the possibility for the Issuer to benefit from put options with respect to the drawings. As a part of the bond programme with the Central bank of Russia, the Issuer issued four bond series:

- series 01: In April 2014, the Issuer placed an inaugural series 01 RUB denominated bonds in the amount of RUB 2 billion (EUR 31.3 million). The current rate of this bond was set at 0.01% p.a. The bond was fully repurchased under investor put option in October 2017.

- series 02: In April 2015, the Issuer placed series 02 RUB denominated bonds in the amount of RUB 3 billion (EUR 47.0 million). The current rate was set at 9.50% p.a. On 29th April, 2019, the Issuer repurchased the series under investor put option the amount of RUB 2,99 bn (approx. EUR 42 m)

- series 03: In December 2014, the Issuer placed series 03 RUB denominated bonds in the amount of RUB 4 billion (EUR 62.7 million). The bond was fully repurchased in June 2017 under investor put option after setting 0.01% p.a. interest rate with the purpose of liquidity management. In November 2018 the Issuer fully repurchased the bond under investor put option.

- series 04: In November 2015, the Issuer placed series 04 RUB denominated bonds in the amount of RUB 5 billion (EUR 78.4 million). In November 2017 the Issuer reviewed the interest rate and the current rate was set at 8.15% p.a. As of March 2016 MOEX, registered a RUB 100 billion (or equivalent in another currency) programme of exchange-traded bonds by the Issuer. The maximum maturity period of the Issuer's bonds within the open-ended programme will be 30 years. Placement will be carried out by public subscription. The Issuer will determine the currency of each issue. Earlier, according to the Russian legislation, only resident issuers of the Russian Federation had the right to issue such bond programmes. However, due to extensive negotiations during 2015 between the Issuer and the representatives of the Bank of Russia, the Moscow Exchange and the National Settlement Depository, a common approach was agreed on in relation to IFIs' access to such bond programmes, the programme registered by the Issuer being the first of its kind in the Russian Federation.

In June 2017, the Issuer successfully placed a new bond issue in the amount of RUB 10 billion (approx. EUR 156 million), issued under the earlier registered programme of exchange-traded bonds on Moscow Exchange. The coupon rate was fixed at 8.75% p.a. The interest will be paid twice a year, with a put option exercisable in two years and nine months.

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

Romania

The Issuer placed RON 111 million (approx. EUR 25 million) of 3-year bonds on the Bucharest Stock Exchange in October 2015, with annual interest payments. The interest rate of the issue, managed by BT Capital Partners S.A. (formerly, BT Securities S.A.), was set at 4.1%. The fully domestic issue attracted demand from Romanian pension and investment funds, as well as investment and insurance companies. The issue was fully repaid in October 2018.

The Issuer returned on the Romanian capital market in September 2016, with a 300 million RON bond issue, successfully placed and admitted to trading on the Bucharest Stock Exchange. The fixed interest rate of the bonds was set at 3.4%, payable in annual arrears.

In September 2017, the Issuer successfully placed additional issue of 300 million RON with a floating coupon rate ROBOR 3M+1.5% and coupon payments made quarterly. At the same time, due to high demand from investors, the Issuer successfully placed 60 million EUR bond with a fixed rate 1.593% paid annually. Both tranches are admitted to trading on the Bucharest Stock Exchange and have 3-year maturity.

In October 2018, the issuer successfully placed another 3-year issue in two tranches of 300 million RON with a floating coupon rate ROBOR 3M+ 1.40% and quarterly coupon payments and 80 million EUR bond with a fixed coupon rate of 1.5026% paid annually.

Slovakia

On 21 October 2014, the Issuer successfully placed EUR 30 million bonds maturing on 21 October 2019 on the Slovak regulated securities market. The coupon rate was set at 3.5% p.a. and is payable once a year.

Czech Republic

As a part of a diversification of its long-term funding in April 2018 the Issuer executed its debut CZK denominated private placement transaction amounting to CZK 750 million. Listing took place on both Prague and Vienna Stock Exchanges. The 3-year bond issue has a floating rate of PRIBOR 3M + 0,55%. In April 2019, the Issuer successfully tapped existing CZK 750 m Floating Rate Notes due on April 2021. The tap amounted to CZK 750 m (approx. EUR 29 m) with the pricing set at a discounted margin of 3M Pribor + 35 bps.

Hungary

With Hungary becoming a core market of the Issuer's operations, in March 2019, the Issuer had placed its 3-year debut HUF bond issue listed on Budapest Stock Exchange. Based on a very strong demand the Issuer allocated the amount of HUF 24.7 billion (approx. EUR 79 million). Following a first-time auction process, the Issuer obtained the lowest nominal yield ever paid by the Issuer for a local currency fixed bond issue – 1.98 %. Also, on an euro after-swap basis the Issuer recorded the historical minimum level of 3 million Euribor + 90.5 bps for a 3 y tenor.

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

Other instruments

In May 2015, the Issuer concluded a sell-buy back transaction for the amount of EUR 7.5 million with the EXIM Bank SR with a maturity of three years. The transaction was fully repaid.

In September 2015, the Issuer signed two total return swap transactions with Credit Suisse London - one denominated in USD, for the amount of 35 million and a maturity of 2.5 years, and the other denominated in EUR for the amount of 25 million and a maturity of three years. Both transactions were fully repaid in due course.

In May 2016, the Issuer concluded its first syndicated term loan facility, in the amount of EUR 60 million. The facility is unsecured, carries a margin of 175 basis points over EURIBOR and has a 2-year tenor with bullet repayment. The facility was repaid in May 2018.

In April 2017 the Issuer completed its inaugural Schuldscheindarlehen (SSD) – a type of traditional privately-placed German debt similar to a bond. The offer was made in multiple tranches with tenor ranging from 3 to 10 years and attracted amongst others German retail banks as well as international institutional investors. The overall volume of the transaction amounted to EUR 13 million. . Later that year, in December, the Issuer attracted another

EUR 10 million of SSD with maturity of 7 years. Thus, total volume of the raised under both SSD transactions funds comprised EUR 23 million.

In August 2017 the Issuer signed off on its debut credit facility in Hungary. The aim of this facility is to support the expansion of the Issuer's portfolio of lending in Hungarian Forint (HUF). The Bank of Hungarian Savings Cooperatives Ltd. (TakarékBank) executed a credit facility up to 4 billion HUF (approx. EUR 13 million) with a tenor of 3 years. Based on the strong HUF liquidity position and taking into account better HUF borrowing terms via the debt HUF bond issue the outstanding balance of the loan contracted from Takarék (HUF 4 billion) has been prepaid in March 2019.

On 15 August 2017, NDB, Eurasian Development Bank and the Issuer signed loan agreements for total amount of up to USD 100 million. Maturity of the facility is 12 years. In March 2018 was attracted the first tranche in the volume of USD 12.5 million under the term loan facility executed with New Development Bank. Second tranche also in the amount of USD 12.5 million was disbursed in July 2018. The third tranche was disbursed in August 2019 in the amount of USD 12.5 million.

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

COMPLIANCE

The Issuer endeavours to comply with commonly accepted compliance rules and standards. As of 2018, the Issuer developed and currently has in place a clearly defined policy which includes rules regarding compliance control standards, compliance organization, responsibilities, functions and independence of compliance control, reporting, access to information, training and interaction with departments with relevant areas of responsibility (the "**Compliance Policy**").

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

- development of recommendations for the Issuer's management regarding compliance, and of standards and practices based on the models used by other international financial institutions with respect to the organization and implementation of compliance control;
- development and maintenance of the reporting system regarding compliance risks and disclosure of information to governing bodies of the Issuer with respect to compliance risks;
- presentation of conclusions and recommendations to the Issuer's management with respect to the mitigation or elimination of identified compliance risks;
- preparation of recommendations and comments on developed and existing policies, regulations, rules and procedures, and monitoring observance thereof in order to mitigate compliance risks;
- developing and implementing activities to counter prohibited practices (including corruption, coercion, collusion, financing of terrorism, fraud and money laundering); organizing activities aimed at monitoring the use of insider and confidential information, and the identification, evaluation and control of conflicts of interest;
- management of complaints and reports regarding prohibited practices, misconduct (meaning failure by a staff member to observe the rules of conduct and the standards of behavior prescribed by the by-laws and policies of the Issuer) especially about fraudulent and corrupt actions on the part of Issuer`s staff and other relevant third parties;
- investigating facts or suspicions regarding prohibited practices and misconduct;
- developing and implementing procurement rules, and measures to detect, assess and control the ecological risks of the Issuer`s projects, and the Issuer's own activities; and

- reviewing the Issuer's projects in order to detect breaches in performance and maintain compliance rules.

The Issuer does not tolerate any actions related to prohibited practices neither as regards its own operations nor on the part of its employees or partners. Therefore, the Issuer supports international efforts to tackle the aforementioned practices while actively applying international standards for anti-money laundering and combating terrorism financing, corruption and fraud ("**AML/CFT/F/C**") to its activities. The Issuer is a member of main IFI's associations and working groups in the area of integrity, ethics and general compliance and regularly exchanges its experience and knowledge with the peers in order to update its internal approaches, documents and made them in line with the international requirements. The main compliance policy (Anti-money laundering, and combating the financing of terrorism, fraud and corruption policy) have been amended in 2019 to reflect the recent changes in international regulation of these types of risks and approved by the Board of Directors.

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

The Issuer understands that its mission to promote economic growth and increase competitiveness of Member States' economies is more efficiently carried out if its corporate culture is aligned with generally accepted norms of corporate ethics and business conduct. Therefore, a Code of Conduct applicable to all employees has been prepared and implemented at the level of the Issuer. The Code of Conduct identifies key corporate values and rules of conduct in atypical situations. The Compliance Department collects information, educates and works with employees to prevent potential conflicts of interest. In 2019 the Code was reconsidered and amended following the introduction of new corporate structure of the Issuer, changing environment and appearance in the bank practice new cases not previously clearly described in the document. Attaching great importance to and promoting the formation of an efficient, transparent and competitive financial market, the Issuer has implemented certain internal control measures aimed at preventing, identifying, and stopping abuse in the form of unlawful use and dissemination of insider information, manipulation of prices for the Issuer's financial instruments, as well as financial instruments of third parties.

In 2019, the Issuer's Board approved a new policy on country compliance risks and high-risk jurisdictions. This document sets criteria for assessment of country compliance risks, for identifying high risks jurisdictions and requirements to the decision-making process that reflected risk-oriented approach implemented in the Issuer. Under this procedure, before entering each country the Issuer should identify the main compliance risks of the jurisdiction inherent to money laundering regulation, tax controls, requirements to disclose of information, corporate structures, etc., and take a decision what level of risks should be assigned and what recommendations to carry out operations in these jurisdiction should be followed by the Issuer. If the country is identified as high-risk jurisdiction the decision of the issuer's Board is required.

The Issuer attaches importance to the proper disclosure of its activities according to the practices of the leading IFIs and following the recommendations of international agencies. In the area of compliance, the main activities and achievements the Issuer introduces in the annual compliance report publically placed on its website.

LEGAL AND ARBITRATION PROCEEDINGS

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had, during the 12 (twelve) months prior to the date of this Offering Circular, a significant effect on the financial position or prospects of the Group.

MATERIAL CONTRACTS

There are no material contracts to which a member of the Group is a party, concluded outside of the ordinary course of the Group's business, which could result in any Group member being under an obligation or entitlement that is material to the Issuer's ability to meet its obligation to the bondholders in respect of the Bonds.

RELATED PARTIES TRANSACTIONS

The Group had no transactions with related parties, except in relation to maintaining current accounts for and payments of employee benefits and compensations to the key management personnel. The expenses in respect of such related parties transactions amounted to EUR 0.73 million as of 30 June 2019, of which most represented employee benefits to the key management personnel (in the amount of EUR 0.65 million).

TREND INFORMATION

There has been no material adverse change in the prospects of the Issuer since the date of its last published consolidated audited financial statements. Except as set out herein, the Issuer is not aware of any other trends, uncertainties, demands, commitments or events that should be reasonably likely to have a material effect on the Issuer's prospects within the current financial year.

STATUTORY AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2016, 31 December 2017 and, respectively, 31 December 2018 prepared in accordance with the IFRS have been audited, and the interim condensed consolidated financial statements of the Group for the six-month periods ended 30 June 2017 and, respectively, 30 June 2018 prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting have been reviewed, by Ernst & Young Vneshaudit LLC, with its registered office at Sadovnicheskaya Nab., 77, bld.1, Moscow, 115035, Russia.

The interim condensed consolidated financial statements of the Group for the six-month periods ended 30 June 2019 prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting have been reviewed, by Ernst & Young Könyvvizsgáló Kft., with its registered office at Váci út 20,1132 Budapest.

Ernst & Young Könyvvizsgáló Kft is registered in the Budapest Metropolitan Court on 28 June 1994 with registration number: 01-09-267553.

No qualifications have been included in the reports prepared by the Group's financial auditors with respect to the Group's consolidated financial statements for the years ended 31 December 2016, 31 December 2017 and, respectively, 31 December 2018 and the six-month periods ended 30 June 2017, 30 June 2018 and, respectively, 30 June 2019.

TERMS AND CONDITIONS OF THE BONDS

The following are the Terms and Conditions of the Bonds which will form part of each Document (as defined below).

1. DEFINITIONS AND INTERPRETATION

Capitalised term used in these Terms and Conditions shall have the following meaning:

Agency Agreement has the meaning given in Condition 17.1;

Bondholders has the meaning given in Condition 6;

Bonds means the HUF denominated, fixed interest rate, registered, dematerialised bonds due 2022 (name: IIB 2022/II HUF Bond; short name: IIB2022/II; ISIN Code: HU0000359245);

Business Day means a day which is both a day on which commercial banks settle payments and are open for general business in Budapest and a day on which the Central Depository effects payments and securities transfers;

Central Depository KELER Központi Értéktár Zrt.;

Document has the meaning given in Condition 4.2;

Event of Default has the meaning given in Condition 15.1;

Financial Indebtedness means an indebtedness for or in respect of (i) moneys borrowed and debit balances at banks; (ii) any acceptance credit (including any dematerialised equivalent); (iii) any bond, note, debenture, loan stock or other similar instrument; (iv) any finance lease; (v) receivables sold or discounted (other than any receivables to the extent they are sold or discounted on a non-recourse basis); (vi) any other transaction (including any forward sale or purchase agreement) which has the commercial effect of a borrowing and (vii) any counter-indemnity obligation in respect of any guarantee, indemnity, bond, letter of credit or any other instrument issued by a bank or financial institution;

Guarantee means in relation to any Financial Indebtedness of any person, any obligation to pay such Financial Indebtedness including (without limitation): (i) any obligation to purchase such Financial Indebtedness; (ii) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Financial Indebtedness; (iii) any indemnity against the consequences of a default in the payment of such Financial Indebtedness; and (iv) any other agreement to be responsible for such Financial Indebtedness;

Interest Payment Date has the meaning given in Condition 11.1;

Interest Rate has the meaning given in Condition 11.1;

Issue Date has the meaning given in Condition 4.3;

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

Maturity Date has the meaning given in Condition 4.6;

new Document has the meaning given in Condition 4.2;

Nominal Value has the meaning given in Condition 4.4;

Participant means any entity holding a securities accounts with the Central Depository;

Paying Agent has the meaning given in Condition 17.1;

Permitted Security Interest means (i) any Security Interest in respect of a Financial Indebtedness the secured amount of principal of which does not at any time exceed 20% of the total book value of all assets of the Issuer's group as reflected in the Issuer's most recent consolidated annual audited financial statements; (ii) any Security Interest arising in the ordinary course of banking transactions (including, without limitation, such as sale and repurchase transactions and share, loan and bond lending transactions and any netting or set-off arrangements entered into by the Issuer or any Material Subsidiary for the purpose of netting any debit and credit balances), provided that the Security Interest is limited to the assets which are the subject of the relevant transaction; (iii) Security Interests imposed or required by statute or operation of law (but not through any act or omission to act on the part of the Issuer or any of its Material Subsidiaries); and (iv) any extension, renewal, refunding or replacement, as a whole or in part, of any Security Interest referred to in clauses (i) to (iii), inclusive, for amounts not exceeding the principal amount of indebtedness secured by such Security Interest so extended, renewed or replaced (plus improvements thereon or additions or accessions thereto;

Reference Date has the meaning given in Condition 13.1**;**

Relevant Indebtedness means (i) any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any bond, note, debenture, loan stock or other debt securities which with the consent of the Issuer are for the time being listed on any stock exchange and (ii) any guarantee or indemnity in respect of any such indebtedness;

Restricted Party means any person or entity which is (i) listed on a Sanctions List, or a person acting on behalf of such a person; or (ii) the subject of any Sanctions;

Sanctions means any country- or territory-wide trade, economic or financial sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by a Sanctions Authority;

Sanctions Authority	means each entity under (i) to (v) of the definition of the Sanction List;
Sanctions List	**means** the Specially Designated Nationals and Blocked Persons list maintained by Office of Foreign Assets Control of the US Department of the Treasury **(OFAC),** the Consolidated List of Financial Sanctions Targets and the Investment Ban List maintained by Her Majesty's Treasury, or any similar list maintained by, or public announcement of a Sanctions designation made by (i) the Security Council of the United Nations; (ii) the United States of America; (iii) the European Union; (iv) the member states of the European Union and (v) the governments and official institutions or agencies of any of paragraphs (i) to (iv) (including OFAC, the US Department of State and Her Majesty's Treasury), each as amended, supplemented or substituted from time to time; and
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.

2. THE ISSUER

The International Investment Bank, an international organisation under, and subject to, public international law, established and operating on the basis of the intergovernmental Agreement on the Establishment of the International Investment Bank dated 10 July 1970 and the Charter of the International Investment Bank attached to the Establishment Agreement, initially registered with the Secretariat of the United Nations on 1 December 1971 under number 11417, with its official seat at H-1138 Budapest, Váci út 188., Hungary (the "**Issuer**").

3. AUTHORISATION

The issue of the Bonds by the Issuer has been authorised pursuant to the resolution No. 30/2019 of the Issuer's Management Board on 12 September 2019.

4. THE BONDS

4.1 Type

The Bonds are issued in accordance with section 12/B of Act CXX of 2001 on the Capital Markets (the "**Capital Markets Act**"), 285/2001 (XII. 26.) Government Decree on bonds and Act V of 2013 on the Civil Code (the "**Civil Code**") as registered debt securities in one series.

4.2 Form

The Bonds are in dematerialised form. In accordance with section 7(2) of the Capital Markets Act, the Issuer issues and deposits with the Central Depository a document (the "**Document**"), which does not qualify as a security, with the particulars of the Bonds. The Document will remain to be deposited with the Central Depository, or (if applicable) the Central Depository's successor, until all claims of the Bondholders under the Bonds will be satisfied.

Should any Bonds be cancelled prior to their maturity by the Issuer in accordance with these Conditions, the Document will be cancelled and a new Document (the "**new Document**") with the particulars of the outstanding number of Bonds will be issued and deposited with the Central Depository in order to reflect the change in the number of outstanding Bonds which arises due to such cancellation. These Conditions form a part of the Bonds and, accordingly, also the Document or new Document, as the case may be.

4.3 Place and date of the private placement, issue and creation of the Bonds

The place of the private placement (in Hungarian *zártkörű forgalomba hozatal*), issue and creation (in Hungarian *kiállítás és keletkeztetés*) of the Bonds is in each case: Budapest, Hungary.

The issue and private placement of the Bonds will take place on 18 October 2019 (the "**Issue Date**").

4.4 Number of Bonds and denomination

The Bonds are issued in one series consisting of maximum 2,250,000 Bonds.

Each Bond is issued with a denomination of HUF 10,000 (the "**Nominal Value**").

4.5 Kind

The Bonds are fixed rate bonds.

4.6 Term of the Bonds

The term of the Bonds is a three years period commencing on 18 October 2019 and ending on 18 October 2022 (the "**Maturity Date**").

5. FURTHER ISSUES

5.1 The Issuer may from time to time, without the consent of the Bondholders, create and issue further bonds having the same terms and conditions as the Bonds or the same in all respects save for the amount and date of the first payment of interest which may be consolidated and form a single series with the outstanding Bonds.

5.2 Notwithstanding and without prejudice to clauses 5.1, the Issuer may at any time issue any further bonds under terms and conditions similar to or different from the Conditions, such bonds representing a different issue than the Bonds. The Issuer may sell any number of such bonds by any means, and at any such price, the Issuer may deem fit in its sole discretion.

6. BONDHOLDERS

In accordance with paragraph (6) of section 6:566 of the Civil Code and section 138(2) of the Capital Markets Act, any reference to a "**Bondholder**" or the "**Bondholders**" in relation to any Bonds shall mean the person or persons to whose securities account the Bonds are credited until the opposite is proven. A Bond will be transferred by debiting the transferor's securities account with the Bond and crediting the same to the transferee's securities account.

The holder of any Bond who acquired the Bonds in accordance with the paragraph above will (except as otherwise required by law) be deemed and treated as its absolute owner for all purposes (whether or not it is overdue) and no person will be liable for so treating the holder.

7. TRANSFERABILITY AND RIGHTS ATTACHED TO THE BONDS

7.1 The Issuer does not restrict the transfer of the Bonds.

7.2 The Central Depository's rules may specify limitations and closed periods in relation to the transfer of the Bonds between the respective securities accounts of the relevant Participants which shall apply to, and be binding on, the Bondholders.

7.3 No rights of exchange or pre-emption rights are attached to the Bonds.

8. STATUS OF THE ISSUER'S OBLIGATIONS

8.1 The obligations under the Bonds will constitute direct, unsecured, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and as to the order of their satisfaction and at least *pari passu* to all other current and future direct, unsecured, unconditional and unsubordinated obligations of the Issuer, except for those obligations of the Issuer so identified by the mandatory provisions of law and provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, the Issuer shall have no obligation to pay other obligations at the same time or as a condition of paying sums due on the Bonds and/or applicable interest and *vice versa*.

8.2 The Issuer undertakes to treat the holders of Bonds equally.

9. NEGATIVE PLEDGE

So long as any Bond remains outstanding, the Issuer shall not, and the Issuer shall procure that none of its Material Subsidiaries will, create or permit to subsist any Security Interest, except for any Permitted Security Interest, upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Relevant Indebtedness without at the same time or prior thereto securing the Bonds equally and rateably therewith.

10. UNDERTAKINGS IN RESPECT OF USE OF PROCEEDS

The Issuer undertakes that it will not contrary to the Sanctions use, lend, contribute, or otherwise make available any part of the proceeds of the Bonds directly or indirectly for the purpose of financing any trade, business or other activities involving, or for the benefit of, any person that is a Restricted Party.

11. INTEREST ON THE BONDS

11.1 Interest Rate and Interest Payment Dates

The Bonds bear interest from and including 18 October 2019 at the rate of 1.25 per cent. per annum, payable annually in arrear on 18 October (each an "**Interest Payment Date**"). The first payment (representing a full year's interest) shall be made on 18 October 2020.

11.2 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the rate of 1.25 per cent. per annum to the Nominal Value of the Bonds and on the basis of the actual number of days in the relevant period divided by 365 (or, if any portion of that interest period falls in a leap year, the sum of (I) the actual number of days in that portion of the interest period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the interest period falling in a non-leap year divided by 365).

11.3 End of interest accruing

The Bonds will cease to bear interest from and including the Maturity Date, unless at the moment of all conditions and requirements being satisfied, the repayment of the outstanding amount is refused or delayed by the Issuer without justification. In such case, interest will continue to accrue on the Bonds at the applicable interest rate and by reference to the Nominal Value until the Bondholders are paid all amounts payable as of that day in accordance with these Conditions.

12. MATURITY OF THE BONDS AND REPURCHASE

12.1 Final repayment

If the Bonds do not become early payable under these Conditions, the Nominal Value is payable as a bullet payment on the Maturity Date.

12.2 No redemption at the option of the Issuer

The Issuer shall have no right to early redeem any of the Bonds.

12.3 Purchase, resale and cancellation of the Bonds by the Issuer

The Issuer may at any time purchase any Bonds on the secondary market, under any conditions and for any market price. The Bonds thus purchased by the Issuer shall not cease to exist and may be kept, resold or cancelled by the Issuer, at its sole discretion. The rights and obligations under the Bonds purchased by the Issuer shall cease to exist due to their amalgamation in a single person at the earlier of: (i) cancellation by the Issuer and (ii) their respective Maturity Date.

13. PAYMENTS

13.1 Payments in respect of Bonds

Payments of principal and interest in respect of the Bonds will be made through the Paying Agent in accordance with the rules and regulations of the Central Depository as effective from time to time, and taking into consideration the relevant laws on taxation, through those Participants whose securities account at the Central Depository such Bonds are credited to at the close of business on the Reference Date for that payment, as designated in the regulations of the Central Depository effective from time to time (the "**Reference Date**"). Pursuant to current rules and regulations of the Central Depository, the Reference Date is the day falling two Business Days immediately prior to the relevant Interest Payment Date. Payments shall be due to that person who is deemed to be the Bondholder on the Reference Date.

13.2 Non-Business Days

If the date for payment of any amount in respect of any Bond is not a Business Day, the Bondholder thereof shall not be entitled to payment until the next following Business Day and shall not be entitled to further interest, default interest or other payment in respect of such delay.

14. TAXATION

All payments of principal and interest in respect of the Bonds by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Hungary or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In that event, the Issuer will not pay such additional amounts as may be necessary in order that the net amounts received by the Bondholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Bonds in the absence of the withholding or deduction.

15. EARLY REPAYMENT OF THE BONDS ON DEFAULT

15.1 Events of Default

If any of the following events occurs and is continuing (each of them an "**Event of Default**"):

(a) *Non-payment*: the Issuer does not pay an amount payable under the Bonds within 15 calendar days from its due date;

(b) *Breach of other obligations*: the Issuer breaches any other obligation under or in connection with the Bonds and does not remedy this breach within 30 calendar days from the day on which any Bondholder notified the Issuer of this fact by a written notice delivered to the Issuer;

(c) *Cross-Acceleration of Issuer or Material Subsidiary:* either of the following events occurs in respect of the Issuer or its Material Subsidiary:

(i) any Financial Indebtedness of the Issuer or any of its Material Subsidiaries is not paid when due or (as the case may be) within any applicable grace period;

(ii) any such Financial Indebtedness becomes due and payable prior to its stated maturity as a result of an event of default and otherwise than at the option of the Issuer or (as the case may be) the relevant Material Subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such Financial Indebtedness; or

(iii) the Issuer or any of its Material Subsidiaries fails to pay when due any amount payable by it under any Guarantee of any Financial Indebtedness of any other person;

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

(d) *Inability to pay debts*: either of the following events occurs in respect of the Issuer or its Material Subsidiary:

(i) the Issuer or any of its Material Subsidiaries becomes insolvent or is unable to pay its debts as they fall due;

(ii) an administrator or liquidator is appointed (or an application for any such appointment is made by or with the consent of the Issuer) in respect of the Issuer or any of its Material Subsidiaries;

(iii) the Issuer or any of its Material Subsidiaries takes any action for a readjustment or deferment of its material obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of its Financial Indebtedness or any Guarantee of any Financial Indebtedness given by it;

(iv) the Issuer or any of its Material Subsidiaries ceases or threatens to cease to carry on all or any substantial part of its business (otherwise than, in the case of a Material Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or

(v) an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of its Material Subsidiaries (otherwise than, in the case of a Material Subsidiary of the Issuer, for the purposes of or pursuant to an amalgamation, consolidation, reorganisation or restructuring whilst solvent);

(e) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds;

then each Bondholder will have the right to declare all Bonds (but not some only) held by that Bondholder immediately due and payable and require the Issuer to pay the Nominal Value of each Bond held by that Bondholder together with any accrued interest, by a written notification to the Issuer.

15.2 Duty to inform

The Issuer must without undue delay notify the Bondholders and the Paying Agent of the occurrence of any Event of Default. Any such notification must specify the nature of the Event of Default and the circumstances giving rise to it.

16. STATUTE OF LIMITATIONS

Claims against the Issuer for payment under the Bonds may not be prescribed unless otherwise permitted by Hungarian law.

17. PAYING AGENT

17.1 The Bonds are issued subject to and with the benefit of a Paying Agency Agreement (such agreement as amended and/or supplemented and/or restated from time to time, the **"Agency Agreement"**) made between the Issuer and UniCredit Bank Hungary Zrt., with its registered seat at Szabadság tér 5-6., 1054, Budapest, Hungary, as paying agent (the **"Paying Agent"**). Pursuant to the Agency Agreement, the Paying Agent agrees to provide interest and principal paying agency services set out therein.

17.2 The Issuer is entitled to vary or terminate the appointment of the Paying Agent and/or appoint additional or other Paying Agents, provided that there will at all times be a paying agent in relation to the Bonds in Hungary.

17.3 In acting under the Agency Agreement, the Paying Agent acts solely as agent of the Issuer and does not assume any obligation to, or relationship of agency or trust with, any Bondholders.

18. AMENDMENTS

18.1 **The** Conditions **may be amended without the consent of the Bondholders for the purposes of the rectification of manifest errors.**

18.2 **Any amendment to the Conditions hereunder** will be published in English language (unless Hungarian language is required under law) in accordance with Condition 19.

19. NOTICES

19.1 Notices to the Bondholders

All notices regarding the Bonds will be deemed to be validly given if published on the Issuer's website (www.iib.int/en) and/or the website of the Budapest Stock Exchange (www.bet.hu). The Issuer shall also ensure that notices are duly published in a manner which complies with the Capital Markets Act and the rules of any stock exchange or other relevant authority on which the Bonds are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one medium, on the date of the first publication in all required media.

19.2 Notices from the Bondholders

Notices to be given by any Bondholder shall be in writing and sent to the Issuer at the following address: H-1138 Budapest Váci út 188., Hungary, together with evidence satisfactory to the Issuer concerning the identity of the Bondholder and its title to the Bonds.

19.3 Any notice to the Paying Agent must be delivered in writing to its address set out in Condition 17.1.

19.4 Notices to the Issuer and the Paying Agent must be delivered by registered mail and shall be deemed delivered to the respective party on the date indicated in the delivery confirmation.

20. GOVERNING LAW, LANGUAGE AND DISPUTES

20.1 Any rights and obligations (including any non-contractual obligations) arising under or in connection with the Bonds will be governed and construed in accordance with the laws of Hungary.

20.2 The Issuer and the Bondholders agree to subject any disputes which may arise out of or in connection with the Bonds, the issue thereof or any document created in connection with such issue (including a dispute relating to any non-contractual obligations arising out of or in connection with the Bonds), to the exclusive jurisdiction of Hungarian courts.

20.3 These Conditions are prepared in the English language and shall be binding on the Issuer and the Bondholders. The English language version of these Conditions shall prevail over any translation thereof.

21. WAIVER OF IMMUNITIES

To the extent that the Issuer, at any time and in any jurisdiction, is entitled or may otherwise claim for itself or its assets or properties or revenues, whether of a commercial or a non-commercial nature, immunity from suit, execution, enforcement proceedings or attachment or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or its assets or properties or revenues, whether of a commercial or a non-commercial nature, the Issuer irrevocably and unconditionally waives, and agrees not to plead or claim, any such immunity. For the avoidance of doubt, the irrevocable waiver in this clause extends to any bank account of the Issuer and includes a waiver of any right of immunity in respect of pre-judgment interim relief and post-judgment execution of any judgment or arbitral award.

TAXATION

The following is a general discussion of certain Hungarian tax consequences of the acquisition, ownership and disposal of the Bonds. It does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Bonds, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser of the Bonds. This summary is based on the laws of Hungary currently in force and as applied on the date of this Offering Circular, which are subject to change, possibly with retroactive effect.

Prospective purchasers of the Bonds are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of the Bonds, including the effect of any state or local taxes, under the tax laws of Hungary and each country in which they are tax-resident. The acquisition of the Bonds by non-Hungarian tax-resident Bondholders or the payment of interest under the Bonds may trigger additional tax payments in the country of tax residence of the Bondholder. Such payments are not covered by this summary; it is, therefore, advisable to review the provisions of the applicable treaties on the avoidance of double taxation.

Taxation of non-Hungarian tax-resident Bondholders other than individuals

Non-Hungarian tax-resident Bondholders other than individuals are not subject to Hungarian withholding tax on interest received on the Bonds. Profits realised by non-Hungarian tax-resident Bondholders, other than individuals in the form of interest or as capital gains on the disposal of the Bonds, are not subject to corporate income tax in Hungary, provided that the acquisition, ownership and disposal of the Bonds are not attributable to any Hungarian permanent establishment of such Bondholders.

Taxation of individual non-Hungarian tax-resident Bondholders

Individual non-Hungarian tax-resident Bondholders are subject to tax in Hungary only with respect to their Hungarian source income or income that is otherwise taxable in Hungary if the applicable treaty on the avoidance of double taxation, reciprocity, or in the absence of a tax treaty/reciprocity, Act CXVII of 1995 on Personal Income Tax ("**Personal Income Tax Act**") so requires.

Payments received with respect to debt securities such as the Bonds are treated as income under Hungarian law. The tax withheld is personal income tax (at 15 per cent.). However, provided that Hungary has an applicable treaty on the avoidance of double taxation in place with the country of tax-residence of the Bondholder, such treaty may fully exempt the Bondholder from withholding (personal income) tax or may reduce the applicable withholding (personal income) tax rate, with the right to credit any Hungarian withholding tax against the income tax payable in the country of his or her tax residence.

The tax on interest income is to be withheld by the "Payor" (*kifizető*) (as defined below).

Pursuant to Act CL of 2017 on the Rules of Taxation ("**ART**") a "**Payor**" means a Hungarian resident legal person, other organisation, or private entrepreneur that provides taxable income, irrespective of whether such payment is made directly or through an intermediary (post office, credit institution). In respect of interest, Payor means the borrower of a loan or, the issuer of a note, including, the investment service provider or credit institution providing the interest instead of the borrower/issuer. In respect of revenues originating from a transaction concluded with the involvement of a licensed stockbroker, Payor means such stockbroker. The Hungarian permanent establishment of a foreign resident entity is also considered as a Payor.

Capital gains may only be taxed in the state of residence of the private individual Bondholder and therefore, no Hungarian taxes are to be withheld or paid with respect to capital gains realised by individual non-Hungarian tax-resident Bondholders.

Taxation of Hungarian tax-resident Bondholders other than individuals

Under Act LXXXI of 1996 on Corporate Tax and Dividend Tax ("**Corporation Tax Act**"), Hungarian tax-resident taxpayers other than individuals are subject to full, all-inclusive corporate income tax liability. Tax-resident entities are those established under the laws of Hungary. Foreign entities having their place of management in Hungary are also considered to be Hungarian tax-residents. Taxable income is based on the pre-tax profit as shown in the financial statements calculated under Hungarian GAAP or IFRS Standards and adjusted by certain increasing and decreasing items set forth by tax legislation. Taxable income includes all types of income realised during the financial year, such as interest income and income from capital gains. The rate of Hungarian corporate income tax is 9 per cent.

Financial institutions, financial enterprises, insurance companies and investment enterprises may be subject to local business tax and innovation tax on the basis of the proceeds realised on the Bonds.

Taxation of individual Hungarian tax-resident Bondholders

Individual Hungarian tax-resident Bondholders are subject to tax on their worldwide income. Interest received with respect to debt securities, such as the Bonds, are treated as income. The tax withheld is personal income tax (at 15 per cent.).

Capital gains realised on such Bonds are subject to personal income tax at 15 per cent.

According to the Personal Income Tax Act, Individual Hungarian tax residents are:

(a) any citizen of Hungary (with the exception of dual citizens without a permanent home or habitual abode in Hungary);

(b) any individual whose stay in Hungary exceeds 183 days, including the day of entry and the day of exit;

(c) any individual who has permanent resident status, or is a stateless person; and

(d) any individual, other than those mentioned in points (a) to (c) above:

    (i) whose only permanent home is in Hungary;

    (ii) whose centre of vital interests (*létérdek központja*) is in Hungary if they have no permanent home in Hungary or if Hungary is not the only country where they have a permanent home;

    (iii) whose habitual abode is in Hungary if there is no permanent home in Hungary or if Hungary is not the only country where they have a permanent home, and if their centre of vital interests is unknown;

where "centre of vital interests" means the country to which the individual is most closely connected due to family ties and business relations.

An applicable treaty on the avoidance of double taxation may define tax residence prevailing over the domestic definition of tax residence.

The rules of the Personal Income Tax Act may in certain circumstances impose a requirement upon the Payor to deduct tax on the interest payments to individual Bondholders.

SUBSCRIPTION AND SALE

General information about the Offering

The Offering is addressed only to investors in Hungary who are **"**qualified investors" within the meaning of article 2(e) of Regulation (EU) 2017/1129, as amended (the "**Prospectus Regulation**") ("**Qualified Investors**"); and/or to less than 150 natural or legal persons, other than Qualified Investors per member state, and to such other investors in Hungary or such other member states of the European Economic Area where it is possible to do so, in reliance of Regulation S and without the need to publish a prospectus or undertake any other formalities whatsoever under applicable law in reliance on article 1(4) of the Prospectus Regulation, to the extent, and only provided that, an investment in the Bonds does not constitute a violation of any applicable law by such investors (the **"Eligible Investors"**). In addition, in the United Kingdom, the offering of the Bonds described herein is directed only at Qualified Investors (x) who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**") and Qualified Investors falling within article 49(2)(a) to (d) of the Financial Promotion Order and (y) to whom it may otherwise lawfully be directed.

Eligible Investors who intend to invest in the Bonds must be aware of, and comply with the laws, restrictions and limitations applicable to the Offering in their jurisdiction and the restrictions and limitations set out in "*General information*" below. By investing in the Bonds, investors undertake any liability arising in the event that such investment is deemed unlawful under their country of residence.

Under section 45(1) of Act CXX of 2001 on the Capital Markets (the "**Capital Markets Act**") the public offering or listing on a regulated market of debt securities issued by international financial institutions specified in Schedule 23 of the Capital Markets Act and which has at least one member that is a member state of the European Union, such as the Issuer, requires the publication of an offering circular approved by the National Bank of Hungary (the "**NBH**"). Since the Issuer wishes to list the Bonds on the Regulated Market of the Budapest Stock Exchange (the "**BSE**"), it applied for the NBH to approve the publication of this offering circular (the "**Offering Circular**"). The publication of this Offering Circular has been approved by the NBH on 15 October 2019 in its resolution No. H-KE-III-619/2019. However, this Offering Circular constitutes neither a prospectus nor a base prospectus for the purposes of the Prospectus Regulation. Accordingly, this Offering Circular does not purport to meet the format and the disclosure requirements set forth under the Prospectus Regulation and Commission Delegated Regulation (EU) No 980/2019 supplementing the Prospectus Regulation, as amended, and it has not been and will not be submitted for approval to any competent authority, other than the NBH, within the meaning of the Prospectus Regulation.

No underwriting commitment (in Hungarian: "*jegyzési garanciavállalás*") is undertaken by any of the Managers with respect to the Offering.

Offering by Auction on the Budapest Stock Exchange

The Bonds will be offered through the MMTS1 auction facility of the BSE (the "**Auction**"). The rules applicable to the auction process are the "Rules of the Budapest Stock Exchange regarding auction trading on the auction board in the MMTS1 trading system" as approved by Resolution No. 340/2019 of the CEO of the BSE (the "**BSE Auction Rules**").

The Issuer appointed UniCredit to initiate the Auction (the "**Auctioneer**"). Pursuant to the BSE Auction Rules the Auctioneer elected Multiple-Price Trade-Matching Algorithm for the purposes of matching orders. The Auctioneer appointed OTP Bank and UniCredit to tender counter offers (i.e. the purchase offers of investors) (the "**Bidders**").

Investors shall make their purchase offers either by (i) using auction forms (the "**Auction Form**") in the form as Annex 1 of this Offering Circular; or (ii) (in case the Investor has a relevant framework agreement with any of the Bidders) submitting their purchase offer to any of the Bidders via Bloomberg.

In case investors make their purchase offers using the Auction Form they must duly complete the Auction Form and either

(i) duly sign the Auction Form and send it in original written form to the following address of any of the Bidders;

OTP Bank: 1131 Budapest, Babér utca 9.

UniCredit: 1054 Budapest, Szabadság tér 5-6.

(ii) or duly sign as an electronic document of the Auction Form with qualified electronic signature[3] and send it to OTP Bank using the email address.tre_kibocsatas@otpbank.hu

during a period commencing at 10:00 a.m. (Budapest time) on 16 October 2019 and ending at 12:00 (Budapest time) on 16 October 2019 (the "**Auction Period**"). Purchase offers received by the Bidders after the Auction Period shall be considered null and void. Investors must transfer the corresponding payment to the deposit account of UniCredit (IBAN HU98 1091 8001 0000 0001 2176 0007) or OTP Bank (IBAN HU75 1179 4008 2222 5555 0000 0000) not later than 12:00 (noon) (Budapest time) on 18 October 2019 (the "**Issue Date**"). A purchase offer will only be accepted by the Issuer if such offer is made by an Eligible Investor.

Since the Bonds are issued in dematerialised form, a purchase offer will only be accepted if the relevant investor has specified on the Auction Form (i) the details of the entity operating the securities account of the investor; (ii) the number of its securities account; and (iii) the number of its bank account.

The Issuer offers 1,500,000 Bonds in the Auction. However, it reserves the right to accept offers, in whole or in part, for a higher number of Bonds up to 2,250,000 Bonds or a lower number of Bonds or to cancel the Auction or the Offering completely.

Purchase offers will be accepted in increasing order of the yields specified in the respective purchase offers, starting with the purchase offer indicating the lowest yield (not exceeding the aggregate maximum number of Bonds offered as indicated in the previous paragraph). If more than one investor submit purchase offers indicating the same yield and these purchase offers cannot be accepted in full, the Bonds will be allotted pro-rata to the number of Bonds in respect of which the purchase offer was made in accordance with the BSE Action Rules by no later than 15:00 (Budapest time) on 16 October 2019.

The results of the Offering and the Auction will be sent to the National Bank of Hungary.

Listing on the Budapest Stock Exchange

After the completion of the **Offering**, the Issuer will apply for the listing of the Bonds on the Regulated Market of the Budapest Stock Exchange. Subject to the approval of the Budapest Stock Exchange, the first trading date of the Bonds is expected to occur on or about 24 October 2019.

The Issuer may apply for admission of the Bonds to trading on other regulated markets in the European Union.

Market Making Services

It is the Issuer's intention to enter into a market making agreement with OTP Bank and UniCredit (the "**Market Makers**") with the effective date of the first trading day of the Bonds on the Budapest Stock Exchange (the "**First Trading Day**").

Each Market Maker bilaterally would agree with the Issuer to provide market making services in relation to the Bonds on the Budapest Stock Exchange from the First Trading Day for a period ending on the day when the Bonds are redeemed (the "**Redemption Date**"), by undertaking the obligation to purchase Bonds from Bondholders and sell Bonds to investors (the "**BSE Market Making Services**"), on each day when the BSE is open for business ("**BSE Trading Day**"), subject to the following conditions:

- each Market Maker shall provide the BSE Market Making Services by simultaneously bidding to purchase, and offering to sell, the same number of Bonds with a bid-offer spread of 100 basis point in yield terms;

[3] Under section 50(3) of the Capital Markets Act "minősített elektronikus aláírással ellátott elektronikus okirat".

- each Market Maker shall bid to purchase Bonds in an aggregate principal amount of at least HUF 10,000,000, and offer to sell, Bonds in an aggregate principal amount of at least HUF 10,000,000 on each BSE Trading Day; and

- each Market Maker shall provide the BSE Market Making Services for a continuous period of 2 hours on each BSE Trading Day and shall ensure that the relevant price offered by it for the Bonds is displayed by the BSE during that period.

Each Market Maker bilaterally would agree with the Issuer to provide market making services in relation to the Bonds via Bloomberg Systems from the First Trading Day for a period ending on the Redemption Date, by showing indication of interest to purchase Bonds from Bondholders and to sell Bonds to investors (the "**Bloomberg Market Making Services**"), on each BSE Trading Day when the Bloomberg System is open ("**Bloomberg Business Day**"), subject to the following conditions:

- each Market Maker shall provide the Bloomberg Market Making Services by simultaneously bidding to purchase, and offering to sell, the same number of Bonds with a bid-offer spread of 50 basis point in yield terms;

- each Market Maker shall bid to purchase Bonds in an aggregate principal amount of at least HUF 100,000,000, and offer to sell Bonds in an aggregate principal amount of at least HUF 100,000,000 on each Bloomberg Business Day; and

- each Market Maker shall ensure that the relevant price offered by it for the Bonds is displayed by Bloomberg Systems.

Each Market Maker would have the right to suspend the Market Making Services in case of extreme volatility or market disruptions determined by the Market Maker unilaterally with consideration to market conditions, as evaluated by a prudent service provider.

Any of the parties would be able to terminate the market making agreement with a 30 days' notice.

SETTLEMENT

General

The Bonds are in dematerialised form. In accordance with section 7(2) of Act CXX of 2001 on the Capital Markets (the "**Capital Markets Act**"), the Issuer issues and deposits with KELER Központi Értéktár Zrt. (the "**Central Depository**") a document (the "**Document**"), which does not qualify as a security, with the particulars of the Bonds. The Document will remain to be deposited with the Central Depository, or (if applicable) the Central Depository's successor, until all claims of the Bondholders under the Bonds will be satisfied.

Should any Bonds be cancelled prior to their maturity by the Issuer, the Document will be cancelled and a new Document with the particulars of the outstanding number of Bonds will be issued and deposited with the Central Depository in order to reflect the change in the number of outstanding Bonds which arises due to such cancellation.

Title to the Bonds

In accordance with paragraph (6) of section 6:566 of Act V of 2013 on the Civil Code (the "**Civil Code**") and section 138(2) of the Capital Markets Act, any reference to a "**Bondholder**" or the "**Bondholders**" in relation to any Bonds shall mean the person or persons to whose securities account the Bonds are credited until the opposite is proven. A Bond will be transferred by debiting the transferor's securities account with the Bond and crediting the same to the transferee's securities account.

The holder of any Bond who acquired the Bonds in accordance with the paragraph above will (except as otherwise required by law) be deemed and treated as its absolute owner for all purposes (whether or not it is overdue) and no person will be liable for so treating the holder.

Payments

Payments of principal and interest in respect of the Bonds will be made through the Paying Agent in accordance with the rules and regulations of the Central Depository as effective from time to time, and taking into consideration the relevant laws on taxation, through those Participants (as defined below) whose securities account at the Central Depository such Bonds are credited to at the close of business on the reference date for that payment, as designated in the regulations of the Central Depository effective from time to time (the "**Reference Date**"). Pursuant to current rules and regulations of the Central Depository, the Reference Date is the day falling two Business Days immediately prior to the relevant Interest Payment Date. Payments shall be due to that person who is deemed to be the Bondholder on the Reference Date. "**Participant**" means any entity which has a securities accounts with the Central Depository.

GENERAL INFORMATION

Authorisations

The Issuer hereby confirms that, as of the Issue Date, it shall have obtained all consents, approvals and authorisations by its competent governance bodies in connection with the issue of the Bonds and the listing thereof on the Regulated Market of the Budapest Stock Exchange.

Listing and trading

The Issuer will apply for the listing of the Bonds on the Regulated Market of the Budapest Stock Exchange. However, no assurance can be given that the Bonds will be admitted to trading on the Budapest Stock Exchange.

The Issuer may also apply, if it so deems fit, for the admission of the Bonds to listing, trading and/or quotation on any other listing authorities, stock exchanges, regulated markets and/or quotation systems.

Paying Agent

As of the date of this Offering Circular, UniCredit Bank Hungary Zrt., with its registered seat at Szabadság tér 5-6., 1054, Budapest, Hungary, is appointed as Paying Agent.

Selling and transfer restrictions

The distribution of this Offering Circular and the offering, purchase or transfer of the Bonds in certain jurisdictions may be restricted by law and, therefore, persons into whose possession this Offering Circular comes or which otherwise intend to subscribe for, purchase or otherwise transfer the Bonds should inform themselves about and observe any restrictions, including those set out in the paragraphs which follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. By subscribing for or purchasing the Bonds, whether in this Offering or subsequently, investors assume any liability arising in the event that such subscription or purchase is deemed unlawful under the country of residence.

No action has been or will be taken in any country or jurisdiction, other than Hungary, that would permit a public trading of the Bonds or possession or distribution of this Offering Circular (or any other offering or publicity material relating to the Bonds) in any country or jurisdiction where action for that purpose is required or doing so may be restricted by law.

Accordingly, the Bonds may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the Bonds may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

This offering of the Bonds described herein is available only to investors in Hungary who are “qualified investors” within the meaning of article 2(e) of the Prospectus Regulation; and/or to less than 150 natural or legal persons, other than qualified investors per member state and to such other investors in Hungary or such other member states of the European Economic Area where it is possible to do so, in reliance of Regulation S and without the need to publish a prospectus or undertake any other formalities whatsoever under applicable law, in reliance on article 1(4) of the Prospectus Regulation, to the extent, and only provided that, an investment in the Bonds does not constitute a violation of any applicable law by such investors. In addition, in the United Kingdom, the offering of the Bonds described herein is directed only at Qualified Investors (x) who have professional experience in matters relating to investments falling within article 19(5) of the Financial Promotion Order and Qualified Investors falling within article 49(2)(a) to (d) of the Financial Promotion Order and (y) to whom it may otherwise lawfully be directed.

In particular, the Bonds have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction and, accordingly, may not be offered or sold within the United States.

Each purchaser of the Bonds outside the United States, by accepting delivery of this Offering Circular, will be deemed to have represented, agreed and acknowledged that it complies with all applicable laws and regulations of the United States. The Issuer will not recognise any resale or other transfer, or attempted resale or other transfer, in respect of the Bonds made other than in compliance with the restrictions under any applicable laws and regulations of the United States.

ANNEX 1

Auction Form[4]

in relation to the purchase by way of an auction procedure of HUF 15,000,000,000 1.25 per cent. Fixed Rate bonds due 2022 (name: IIB 2022/II HUF Bond; short name: IIB2022/II; ISIN Code: HU0000359245) (the "**Bonds**")) to be issued by the International Investment Bank (H-1138 Váci út 188. Budapest, Hungary; LEI Code: 2534000PHLD27VN98Y03) (the "**Issuer**").

Capitalised terms used in this Auction Form have the same meaning given to them in the offering circular relating to the Bonds dated 8 October 2019 (the "**Offering Circular**"), unless the context indicates otherwise or there is an explicit reference to a different interpretation. The provisions of the Offering Circular apply to this Auction Form accordingly.

Name of the Bidder:	[OTP Bank][UniCredit]
Offeror's name (the **Offeror**):	……………………………………………………………..
Address / seat:	……………………………………………………………..
Classification[5]:	foreign currency resident legal entity / not foreign currency resident (name of the country)
Court Registry number / Registration number:	……………………………………………………………..
Tax number:	……………………………………………………………..
Offeror's Bank account keeping institution's name:	……………………………………………………………..
Offeror's Bank account keeping institution's account number:	……………………………………………………………..
Securities account number, account number at Central Depository:	……………………………………………………………..
Representative's / authorised representative's name, personal ID number / passport number:	……………………………………………………………..
Representative's / authorised representative's address / seat:	……………………………………………………………..
Telephone number:	……………………………………………………………..
E-mail address:	……………………………………………………………..

As Offeror, I make an irrevocable purchase offer in relation to:

_______________, that is _____________________ Bonds with a denomination of HUF 10,000 per Bond,

at the price of _______________ per cent. (rounded up to four decimals),

amount payable: HUF _______________.

I acknowledge that this offer may be accepted in part (up to a specified amount) and the corresponding payment must be made not later than 12:00 (noon) (Budapest time) on 18 October 2019 (the "**Issue Date**").

4 Please complete using capital letters.
5 To be underlined appropriately.

The Offeror acknowledges that the Offeror's bank account will be debited with the amount of the purchase price by [OTP Bank][UniCredit] as Bidder simultaneously with the Offeror's execution of this Auction Form, but in any event not later than 12:00 (noon) (Budapest time) on the Issue Date. Offerors may pay the purchase price by way of bank transfer from a bank other than the one held with the Bidder to the following separate deposit account of [UniCredit (IBAN HU98 1091 8001 0000 0001 2176 0007)][OTP Bank (IBAN HU75 1179 4008 2222 5555 0000 0000)]. In the event of a bank transfer, the purchase price must be credited to the above deposit account at no later than 12:00 (noon) (Budapest time) on the Issue Date.

The Offeror agrees not to make any claim against the Issuer or the Bidder (other than reclaiming amounts paid to the Bidder for Bonds which were not allocated to the Offeror), for the payment of interest or damages with respect to any part of this purchase offer which is not accepted by the Issuer or the Bidder.

The Offeror accepts, that the relevant business conditions of the Bidder apply in connection with the performance of the services provided under the Offering Circular and the present Auction Form.

By signing this Auction Form I acknowledge that I have the duty to become familiar with the contents of the Offering Circular and the relevant business conditions of the Bidder and I give my consent to the Bidder to transfer any data / personal data constituting securities secrets and set out in this Auction Form to the Issuer or its affiliates for the purposes of using such data by the Issuer or its affiliates in connection with any tasks related to the offering of the Bonds and further to the Bidder's consolidation, risk management activities and for the purpose of selling services to the necessary extent until the legal relationship exists and until the Bidder has claim towards me, to collect, record, store and share with any affiliates of the Bidder for the same purposes. This statement is made by me on the basis of my sole decision with full knowledge of the contents of the Offering Circular. I acknowledge that after having signed this Auction Form it cannot be amended or revoked by me.

The Offeror declares as being qualified as [professional client] [eligible counterparty] in accordance with MiFID regulations and Act CXXXVIII of 2007 on Investment Firms and Commodity Exchange Service Providers and the Rules of their Activities.

I declare that the information supplied by me in this Auction Form is accurate and acknowledge that the provision of any untrue information may result in this Auction Form becoming null and void.

Place: _______________, ________ (day) ________ (month) ________ (year)

____
(authorised) signature

ANNEX 2

INTERNATIONAL INVESTMENT BANK

IIB 2022/II HUF Bond (short name: IIB2022/II)

DEMATERIALIZED BOND DOCUMENT
(THIS DOCUMENT DOES NOT CONSTITUTE A SECURITY OR A BOND)

The Terms and Conditions of the Bond in the Offering Circular dated 8 October 2019 shall form part of this Document.

1. Details of the Issuer:

Complete name:	International Investment Bank
Abbreviated name:	IIB
Registered seat:	H-1138 Váci út 188. Budapest, Hungary
Registration number:	registered with the Secretariat of the United Nations on 1 December 1971 under number 11417
Name of the first signatory:	…
Authority (position):	…
Name of the second signatory:	…
Authority (position):	…

2. Details of the authority and decision for the issuance the Bonds

Type and date of the decision on the issuance by the Issuer:	The issue of the Bonds by the Issuer has been authorised pursuant to the resolution No. 30/2019 of the Issuer's Management Board on 12 September 2019.

3. Details of the Bonds

Name of the Bond:	IIB 2022/II HUF Bond (short name: IIB2022/II)
ISIN Code:	HU0000359245
Specified Currency:	HUF
Denomination (Nominal Value):	HUF 10,000
Number of Bonds issued:	…
The aggregate principal amount of the Bonds:	HUF …
Method of issuance:	Private placement
Issue Date:	18 October 2019
Effective date:	18 October 2019
Term of the Bonds:	The term of the Bonds is a three (3) years period commencing on 18

	October 2019 and ending on the Maturity Date.
Maturity Date:	18 October 2022
Interest provisions:	Fixed rate
Rate of interest:	1.25 per cent. per annum
Day count fraction for broken interest periods:	Actual/Actual
Interest Payment Dates:	The Bonds bear interest from and including 18 October 2019 at the rate of 1.25 per cent. per annum, payable annually in arrear on 18 October.
Schedule of Interest Payment Dates:	18 October 2020 18 October 2021 18 October 2022
Business Day Convention:	If the date for payment of any amount in respect of any Bond is not a Business Day, the Bondholder thereof shall not be entitled to payment until the next following Business Day and shall not be entitled to further interest, default interest or other payment in respect of such delay.
Business Day:	means a day which is both a day on which commercial banks settle payments and are open for general business in Budapest and a day on which KELER Központi Értéktár Zrt. effects payments and securities transfers.
Redemption:	The Bonds will be redeemed on the Maturity Date.
Transferability:	Transferability of the Bonds is not restricted.
Status of the Bonds:	The obligations under the Bonds will constitute direct, unsecured, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and as to the order of their satisfaction and at least *pari passu* to all other current and future direct, unsecured, unconditional and unsubordinated obligations of the Issuer, except for those obligations of the Issuer so identified by the mandatory provisions of law and provided, however, that the Issuer shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other obligations and, in particular, the Issuer shall have no obligation to pay other obligations at the same time or as a condition of paying sums due on the Bonds and/or applicable interest and *vice versa*.
Security for the performance of obligations under the Bonds:	The Bonds are unsecured.
Purpose of the issue of the Bonds:	The proceeds from the issue of the Bonds will be used to finance the existing loan portfolio of the Issuer and new lending to its EU Member States and for debt financing.

Budapest, 16 October 2019

International Investment Bank

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