

Inter-American Development Bank



Australian Dollar Medium Term Note Program Information Memorandum

Inter-American Development Bank (“**Issuer**”) has established a program (“**Program**”) for the issue of Australian dollar medium term notes (“**MTNs**”) on the terms and conditions described in this Information Memorandum (“**Terms and Conditions**”) and, in respect of each issue of MTNs, the Pricing Supplement prepared by the Issuer in relation to those MTNs (“**Pricing Supplement**”). The MTNs may be issued within and/or outside Australia. MTNs may be issued from time to time in an unlimited amount. The Issuer may also issue medium term notes under a separate United States Medium Term Note Program, a separate Euro Medium Term Note Program and/or such other program as the Issuer may adopt from time to time.

The Issuer is not a bank or authorised deposit-taking institution (“**ADI**”) which is authorised under the Banking Act 1959 of Australia (“**Banking Act**”). The MTNs are not the obligations of any government and, in particular, are not guaranteed by the Commonwealth of Australia.

Each offer to purchase or invitation to buy MTNs in Australia (a) will constitute an offer or invitation which does not require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act 2001 of Australia (“**Corporations Act**”) such that the amount payable by each person who subscribes for or purchases MTNs must be at least A\$500,000 (disregarding moneys lent by the offeror or its associates), and (b) and will comply with Banking (Exemption) Order No. 82 dated 23 September 1996 promulgated by the Assistant Treasurer of Australia under the Banking Act (“**Banking (Exemption) Order No. 82**”) as if it applied to the Issuer *mutatis mutandis*. Other restrictions on offering and transfers of MTNs are set out under “Selling Restrictions” on pages 38 to 42 of this Information Memorandum..

The MTNs have been rated AAA by Standard & Poor’s Ratings Group (a division of McGraw-Hill, Inc.) and Aaa by Moody’s Investors Service, Inc.

Arranger and Dealer

Westpac Banking Corporation
(ABN 33 007 457 141)

The date of this information memorandum is 18 December 2009

Contents

Important Notice	3
Documents Incorporated by Reference	7
Program Summary	8
Terms and Conditions of the MTNs	12
Pro-forma Pricing Supplement	29
Taxation	33
Selling Restrictions	38
Directory	43

Important Notice

This Information Memorandum relates solely to the Program and has been prepared by and issued with the authority of the Issuer. The Issuer accepts responsibility for it and confirms that the information contained in this Information Memorandum as of the date of this Information Memorandum is, in all material respects, true, complete, accurate and not misleading in the context in which it appears and, subject to the reservations set out in this Information Memorandum, assumes responsibility for such information. The Issuer has made all reasonable inquiries to ensure that the above declaration is correct.

Where the context so permits, references to “**this Information Memorandum**” include a reference to each document incorporated by reference in, and deemed to form part of, this Information Memorandum (see page 7 of this Information Memorandum).

This Information Memorandum replaces the Information Memorandum dated 16 July 1999.

Date and currency of this Information Memorandum

This Information Memorandum has been prepared by the Issuer as at the Preparation Date. “**Preparation Date**” means:

- in relation to this Information Memorandum, the date indicated on its face or, if this Information Memorandum has been amended or supplemented, the date indicated on the face of that amendment or supplement;
- in relation to financial statements incorporated by reference in, and deemed to form part of, this Information Memorandum, the date up to or as at the date on which the financial statements relate; and
- in relation to any other document or item of information incorporated by reference in, and deemed to form part of, this Information Memorandum, or which is to be read in conjunction with this Information Memorandum, the date indicated on its face as being its date of publication or release.

The delivery of this Information Memorandum at any time after the Preparation Date does not imply the information contained in it is accurate, timely and complete at any time subsequent to the Preparation Date. Accordingly, neither the delivery of this Information Memorandum, nor any offer or issue of MTNs, implies or should be relied upon as a representation or warranty that there has been no change (adverse or otherwise) since the Preparation Date in the affairs or financial condition of the Issuer or that the information contained in it is correct at any time after the Preparation Date.

Without limiting this general statement, the Issuer has given an undertaking in the Dealer Agreement dated 16 July 1999 relating to the Program, as amended from time to time (“**Dealer Agreement**”) that if at any time during the term of the Program it is aware of any fact, condition, matter or thing which renders anything contained in this Information Memorandum inaccurate, incomplete or misleading in any material respect, the Issuer will prepare a new Information Memorandum (or a supplement or amendment to it) for use in any subsequent offering of MTNs.

Limited responsibility for information

The only role of the Arranger, the Dealer, any Lead Manager, any Additional Dealers and the Registrar (each as defined in “Program Summary”) in the preparation of this Information Memorandum has been to confirm to the Issuer that, to the extent applicable, the information under their respective address details in the “Directory” is accurate as at the Preparation Date. Apart from the foregoing, none of the Arranger, the Dealer, any Lead Manager, any Additional Dealer and the Registrar make any representation or warranty, express or implied, as to and assume no responsibility or liability for the authenticity, origin, validity, accuracy or completeness of, or any errors or omissions in, any information, statement, opinion

or forecast contained in this Information Memorandum or in any accompanying, previous or subsequent material or presentation.

No other material authorised

The Issuer has not authorised any person to give any information or make any representations in connection with the offering of the MTNs other than those contained in this Information Memorandum. The Issuer makes no representation or warranty as to and assumes no responsibility for the authenticity, origin, validity, accuracy or completion of, or any errors or omissions in, any accompanying, previous or subsequent material or presentation, except as expressly set out or stated in such material or presentation. Any information or representation not contained in this Information Memorandum or as otherwise authorised in writing by the Issuer, must not be relied upon as having been authorised by or on behalf of the Issuer, the Arranger, the Dealer, any Lead Manager, any Additional Dealers or the Registrar.

Intending purchasers to make independent investment decision and obtain tax advice

This Information Memorandum contains only summary information concerning the MTNs and is not intended to provide the basis of any credit or other valuation. The information contained in this Information Memorandum should not be considered, or relied upon, as a recommendation or statement of opinion (or report of either of those things) by any of the Issuer, the Arranger, the Dealer, any Lead Manager, any Additional Dealer or the Registrar that any recipient of this Information Memorandum should subscribe for, purchase, deal or otherwise acquire MTNs or any rights in respect of MTNs. Intending purchasers should:

- make and rely upon (and shall be taken to have made and relied upon) their own independent investigation of the financial condition and affairs of, and their own appraisal of the creditworthiness of, the Issuer;
- determine for themselves the relevance of the information contained in this Information Memorandum and must base their investment decision solely upon such independent assessment and investigation as they consider necessary;
- consult their legal advisers regarding the legal requirements within Australia and their countries for the purchase or holding of MTNs and any foreign exchange restriction relating to the purchase or holding of MTNs or acceptance of the payments on MTNs in such country; and
- consult their own tax advisers concerning the application of any tax laws applicable to their particular situation.

The Arranger, the Dealer, any Lead Manager, any Additional Dealers and the Registrar do not undertake to review the financial condition or affairs of the Issuer at any time or to advise any MTN holder (as defined in the Terms and Conditions) of any information coming to their attention with respect to the Issuer.

Distribution and selling restrictions and arrangements

This Information Memorandum:

- has been prepared on a confidential basis for institutions whose ordinary business includes the buying or selling of securities;
- is not intended for and should not be distributed to any other person;
- may not be reproduced or used in whole or in part for any purpose other than in connection with the issue, purchase, dealing with or other acquisition of the MTNs nor furnished to any other person without the express written permission of the Issuer; and

- does not, and is not intended to, constitute an offer or an invitation by or on behalf of the Issuer, the Arranger, the Dealer, any Lead Manager, any Additional Dealer or the Registrar (or, without limitation, their respective subsidiaries, related bodies corporate, officers or employees) to subscribe for, purchase, or otherwise deal in, any MTNs.

Each offer to purchase or invitation to buy MTNs in Australia (a) will constitute an offer or invitation which does not require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act such that the amount payable by each person who subscribes for or purchases MTNs must be at least A\$500,000 (disregarding moneys lent by the offeror or its associates), and (b) and will comply with Banking (Exemption) Order No. 82 as if it applied to the Issuer *mutatis mutandis*. Accordingly, neither this Information Memorandum nor any other document in connection with the Program has been lodged with the Australian Securities and Investments Commission (“ASIC”). This Information Memorandum is not a prospectus or other disclosure document for the purposes of the Corporation Act.

The distribution and use of this Information Memorandum, and the offer or invitation for applications to issue, sell or purchase, and the issue, sale or purchase of MTNs, may be restricted by law in certain jurisdictions and is subject to the selling restrictions set out under “Selling Restrictions” on pages 38 to 42 of this Information Memorandum. Intending purchasers should inform themselves about them and observe any such restrictions.

The Issuer, the Arranger, the Dealer, any Lead Manager, any Additional Dealer and the Registrar do not represent that this document may be lawfully distributed, or that any MTNs may be lawfully offered for issue, sale or purchase, or issued, sold or purchased, or applications invited for the issue, sale or purchase of MTNs, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by any of those parties which would permit a public offering of any MTNs or possession or distribution of this Information Memorandum or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, no MTNs may be offered for issue, sale or purchase, or issued, sold or purchased or applications invited for the issue, sale or purchase, directly or indirectly, and neither this Information Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations and the Dealers have represented that the Dealers will comply with the laws of all applicable jurisdictions. Persons into whose possession this Information Memorandum or any MTNs come must inform themselves about, and observe, any such restrictions. In particular, a person may not (directly or indirectly) offer for issue, sale or purchase or invite applications for the issue, sale or purchase of MTNs, nor distribute this Information Memorandum except if the issue, sale or purchase complies with all applicable laws and regulations.

The Issuer has agreed to pay the Registrar fees for undertaking its duties and reimburse the Registrar for certain of its expenses incurred in connection with the Program. The Issuer may also agree to pay the relevant Dealer(s) and/or Lead Manager(s) a commission in respect of the issue of MTNs, to reimburse the Dealer(s) or Lead Manager(s) for certain of their expenses incurred in connection with the Program and to indemnify the Dealer(s) or Lead Manager(s) against certain liabilities described in the Dealer Agreement.

References to ratings

There are references in this Information Memorandum to the credit rating of the MTNs. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency. Each credit rating should be evaluated independently of any other credit rating.

Disclosure of interest

The Arranger, the Dealer, any Lead Manager, any Additional Dealer and the Registrar discloses that it, its subsidiaries, related bodies corporate, officers and employees:

- may have pecuniary or other interests in the securities mentioned in this Information Memorandum, and may also have interests pursuant to other arrangements; and
- may receive fees, brokerage and commissions, and may act as principal in any dealings in the MTNs.

Currency references

In this Information Memorandum references to:

- “**A\$**” and “**Australian Dollars**” are to the lawful currency of Australia;
- “**US\$**” and “**United States Dollars**” are to the lawful currency of the United States of America;
- “**€**” are to the single currency introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended by the Treaty on European Union;
- “**NZ\$**” are to the lawful currency of New Zealand; and
- “**S\$**” are to the lawful currency of Singapore.

Documents Incorporated by Reference

Where the context so permits, the following documents are incorporated by reference in, and deemed to form part of, this Information Memorandum:

- all amendments and supplements to this Information Memorandum prepared by the Issuer from time to time;
- the most recent Annual report of the Issuer which is published on the Issuer's internet site at:

http://www.iadb.org/resources/investors/financial_info.cfm;

- the most recent Information Statement of the Issuer which describes the Issuer including its capital, operations and administration, the "Agreement Establishing the Inter-American Development Bank", as amended ("**Bank Agreement**"), the Issuer's legal status, its principal financial policies and contains the Issuer's audited financial statements which is also published on the Issuer's internet site at:

http://www.iadb.org/resources/investors/financial_info.cfm; and

- all documents issued by the Issuer and stated to be incorporated in this Information Memorandum by reference including, in the case of any series of MTNs, the relevant Pricing Supplement.

This Information Memorandum shall, unless otherwise expressly stated, be read and construed on the basis that such documents are so incorporated and form part of this Information Memorandum. Any statement contained in this Information Memorandum or in any of the documents incorporated by reference in, and forming part of this Information Memorandum, shall be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement.

The internet address referred to above is provided for investor reference only. The information which may be accessed on the Issuer's internet site may be amended and supplemented from time to time and does not constitute part of this Information Memorandum and is not incorporated by reference into, nor forms part of, this Information Memorandum.

Copies of other documents incorporated by reference are available for inspection from the Issuer and, on request (following reasonable written notice of such) from the Arranger and the Registrar, in each case, at their respective offices.

Program Summary

The following is a brief summary only and should be read in conjunction with the rest of this Information Memorandum, the relevant Pricing Supplement and, to the extent applicable, the Terms and Conditions of the MTNs. Unless otherwise defined in this Program Summary or the Important Notice, each capitalised term referred to in this Program Summary has the meaning given to it in the Terms and Conditions of the MTNs.

Issuer	Inter-American Development Bank.
Program:	An Australian non-underwritten revolving program for the issue of Australian dollar medium term notes.
Arranger and Dealer:	Westpac Banking Corporation
Additional Dealers and Lead Managers:	<p>Additional Dealers for the Program may be appointed from time to time and an updated list of Dealers for the Program may be obtained from the Issuer. Dealers for the Program may be removed, or may resign, upon 30 days notice from or to the Issuer.</p> <p>Lead Managers and Additional Dealers may also be appointed by the Issuer from time to time for particular issues of MTNs under the Program.</p>
Registrar:	Reserve Bank of Australia or such other registrar as may be appointed.
Program Limit:	Unlimited.
Status:	The MTNs of each series constitute unconditional, direct and unsecured obligations of the ordinary capital resources of the Issuer ranking <i>pari passu</i> without any preference among themselves equally with all other unsecured outstanding obligations of the ordinary capital resources (other than subordinated indebtedness) of the Issuer from time to time.
Negative Pledge:	The MTNs will have the benefit of a negative pledge as described in, and subject to the exceptions, set out under “Terms and Conditions of the MTNs” below.
Use of Proceeds:	The net proceeds of any issue of MTNs will be included by the Issuer in the ordinary capital resources of the Issuer and used in its ordinary operations.
Term:	The Program continues until terminated by the Issuer giving 30 day’s notice to the Dealers for the Program or earlier by agreement between the Issuer and the Dealers for the Program.
Stamp Duty:	<p>Any stamp duty incurred at the time of issue of the MTNs will be for the account of the Issuer. Any stamp duty incurred on a transfer of MTNs will be for the account of the relevant investors.</p> <p>As at the date of this Information Memorandum, no Australian stamp duty is payable on the issue of the MTNs, or the transfer of the MTNs, where that transfer occurs for full market value through the system operated by Austraclear Limited (ABN 94 002 060 773) (“Austraclear”) for holding securities and the electronic recording and settling of transactions in those securities between members of that system (“Austraclear System”).</p>

Investors are advised to seek independent legal and tax advice regarding any stamp duty or other taxes imposed by another jurisdiction upon the transfer of MTNs, or interests in MTNs, in any jurisdiction outside of Australia

Withholding Tax:

The MTNs and the interest thereon will not be exempt from taxation generally. Under the “Agreement Establishing the Inter-American Development Bank”:

- the Issuer is not under any obligation to withhold or pay any tax imposed by any member on the interest on the MTNs; and
- the MTNs and the interest thereon are not subject to any tax by a member country.

So long as the Issuer continues to be a non-resident of Australia and does not carry on business at or through a permanent establishment in Australia, payments of principal and interest made under the MTNs will not be subject to Australian interest withholding tax. See “Australian Taxation” on page 33 of this Information Memorandum.

Taxes:

Investors should obtain their own taxation advice regarding the taxation status of investing in MTNs. See also “Taxation” on pages 33 to 37 of this Information Memorandum.

Rating:

MTNs issued under the Program will not be separately rated, but will assume the credit rating of the Issuer: AAA by Standard & Poor’s Ratings Group (a division of McGraw-Hill, Inc.) and Aaa by Moody’s Investors Service, Inc.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating agency. Each credit rating should be evaluated independently of any other credit rating.

Form:

MTNs will be issued in inscribed form. They will be constituted by a Deed Poll made by the Issuer and dated 16 July 1999 as amended and restated on 18 December 2009 (together, the “**Deed Poll**”) and will take the form of entries on a register (“**Register**”) maintained by the Registrar.

No certificate or other evidence of title will be issued. The MTNs of any Series may be described as “MTNs”, “Notes”, “Bonds”, “Instruments” or by any other marketing name specified in the relevant Pricing Supplement. There is no trustee for the MTN Holders.

Issuance in Series:

MTNs will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates. The MTNs of each Series will all be subject to identical terms, except that:

- the issue date and the amount of the first payment of interest may be different in respect of different Tranches of a Series; and
- a Series may comprise MTNs in more than one denomination.

Title:

Entry of the name of a person in the Register in respect of an MTN constitutes the obtaining or passing of title to the MTN and is conclusive evidence that the person so entered is the owner of the MTN.

Clearing Systems:	<p>The Issuer, or a Lead Manager or Dealer on behalf of the Issuer, will apply to Austraclear for approval of the MTNs of each Series to be traded through the Austraclear System. Such approval of MTNs by Austraclear is not a recommendation or endorsement by Austraclear of the MTNs.</p> <p>If accepted for admission to the respective system, an interest in an MTN may be held through Euroclear Bank, S.A./N.V., as operator of the Euroclear System (“Euroclear”) or through Clearstream Banking, société anonyme (“Clearstream, Luxembourg”). In these circumstances, entitlements in respect of holdings of interests in MTNs in Euroclear would be held in the Austraclear System by a nominee of Euroclear (currently HSBC Custody Nominees (Australia) Limited) while entitlements in respect of holdings of interests in MTNs in Clearstream, Luxembourg would be held in the Austraclear System by a nominee of Clearstream, Luxembourg (currently ANZ Nominees Limited).</p> <p>The rights of a holder of interests in an MTN held through Euroclear or Clearstream, Luxembourg are subject to the respective rules and regulations for accountholders of Euroclear and Clearstream, Luxembourg, the terms and conditions of agreements between Euroclear and Clearstream, Luxembourg and their respective nominee and the rules and regulations of the Austraclear System. In addition, any transfer of interests in an MTN, which is held through Euroclear or Clearstream, Luxembourg will, to the extent such transfer will be recorded on the Austraclear System, be subject to the Corporations Act and the requirements for minimum consideration summarised in the section headed “Transfer Procedure” below.</p> <p>The Issuer will not be responsible for the operation of the clearing arrangements which is a matter for the clearing institutions, their nominees, their participants and the investors.</p>
Denominations:	MTNs will be issued in minimum denominations of A\$1,000 or such other amount specified in the relevant Pricing Supplement.
Tenor:	As specified in the relevant Pricing Supplement.
Issue Price:	MTNs may be issued at any price on a fully or partly paid basis, as specified in the relevant Pricing Supplement.
Settlement Price:	As specified in the relevant Pricing Supplement or as otherwise agreed between the parties. The Settlement Price is the Issue Price less any fees payable by the Issuer to the relevant Lead Managers and Dealers in respect of the MTNs plus accrued interest (if any, and in the case of a subsequent Tranche of MTNs in the same Series) and (if the Issue Date is postponed) an amount equal to any interest in respect of the MTNs which would have accrued from the original Issue Date until the new Issue Date.
Interest:	MTNs may be interest bearing or non-interest bearing. Interest (if any) may accrue at a fixed or variable rate and may vary during the life of a Series.
Interest Payment Dates:	Interest (if any) is payable on the dates specified in the relevant Pricing Supplement.
Transfer Procedure:	The minimum aggregate price payable on each transfer of MTNs (or any interest in them) which is subject to the Corporations Act must be at least A\$500,000 (disregarding moneys lent by the offeror or its associates) or the transfer must be otherwise effected in a manner which constitutes an offer or

invitation which does not require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act.

Each transfer of MTNs (or any interest in them) must also:

- comply with Banking (Exemption) Order No. 82 as if it applied to the Issuer *mutatis mutandis*; and
- be made in accordance with all applicable laws.

Interests in MTNs entered in the Austraclear System will be transferred only in accordance with the rules and regulations established by Austraclear (as amended or replaced from time to time) to govern the use of the Austraclear System (“**Austraclear Regulations**”).

Application for the transfer of MTNs not in the Austraclear System must be made by lodgement of a duly completed and (if applicable) stamped transfer and acceptance form with the Registrar. Transfer and acceptance forms are obtainable from the Registrar. A transfer takes effect upon the transferee’s name being entered in the Register.

Redemption: MTNs entered in the Austraclear System will be redeemed at maturity through Austraclear in accordance with the Austraclear Regulations.

Where MTNs are not entered in or have been removed from the Austraclear System, the MTNs will be redeemed at maturity with payment by electronic transfer or cheque made in accordance with the Terms and Conditions.

Payments: All payments will be made in Australian dollars. Payments of principal and interest under MTNs entered in the Austraclear System will be made in accordance with the Austraclear Regulations.

If an MTN is not entered in, or is removed from, the Austraclear System, payments of principal and interest under the MTNs will be made to the person whose name appears in the Register as an MTN Holder at the close of business on the eighth day before the relevant date for payment. Payments will be made by transfer to an account in Australia or by mailing a cheque to an address in Australia as specified by the MTN Holder in accordance with the latest payment instructions of that person received by the Registrar. For joint MTN Holders, payments will be made to the MTN Holders in their joint names unless otherwise requested.

Listing: Application may be made for one or more Tranches issued pursuant to the programme to be listed on the Australian Stock Exchange operated by ASX Limited (ABN 98 008 624 691). MTNs which are listed on the Australian Stock Exchange will not be transferred through or registered on the Clearing House Electronic Subregister System (“**CHESS**”) and will not be “Approved Financial Products” (as defined for the purposes of CHESS).

Selling Restrictions: The MTNs are subject to restrictions on their offering, sale and delivery (see “Selling Restrictions” on pages 38 to 43 of this Information Memorandum).

Governing Law: The law in force in New South Wales.

Terms and Conditions of the MTNs

The following are the Terms and Conditions of the MTNs which, as supplemented, modified or replaced in relation to any MTNs by the relevant Pricing Supplement, will be applicable to each Series of MTNs.

The MTNs will be unconditional, direct and unsecured obligations of the ordinary capital resources of the Issuer owing under the Deed Poll and will take the form of entries in the Register. A copy of the Deed Poll is available for inspection from the Issuer and, on request (following reasonable written notice of such) from the Arranger and the Registrar, in each case, at their respective offices during normal business hours.

Each Tranche will be the subject of a Pricing Supplement, copies of which are also available for inspection from the Issuer and, on request (following reasonable written notice of such) from the Registrar at its office during normal business hours.

The Issuer is not a bank or ADI which is authorised under the Banking Act. The MTNs are not the obligations of any government and, in particular, are not guaranteed by the Commonwealth of Australia.

Each MTN Holder and any person claiming through or under an MTN Holder is deemed to have notice of, and is bound by, these Terms and Conditions, the Deed Poll, this Information Memorandum and any other arrangements concerning the MTNs as are applicable to MTN Holders as specified in the relevant Pricing Supplement.

1 Interpretation

Definitions

1.1 The following words have these meanings in these terms and conditions unless the contrary intention appears or unless specifically provided in a Pricing Supplement:

Amortised Face Amount means in relation to an MTN, an amount equal to the sum of:

- (a) the Issue Price specified in the Pricing Supplement; and
- (b) the product of the Amortisation Yield specified in the Pricing Supplement (compounded annually) being applied to the Issue Price from (and including) the Issue Date specified in the Pricing Supplement to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the MTN becomes due and repayable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of the Day Count Fraction specified in the Pricing Supplement for the purposes of this definition.

Applicable Business Day Convention means the Business Day Convention specified in the Pricing Supplement as applicable to any date in respect of the MTN or, if none is specified, the Applicable Business Day Convention for such purpose is “Following”. Different Business Day Conventions may apply, or be specified in relation to, the Interest Payment Dates, Interest Period End Dates and any other date or dates in respect of any MTNs.

Austraclear means Austraclear Limited (ABN 94 002 060 773).

Austraclear Regulations means the regulations known as the “Austraclear Regulations”, together with any instructions or directions, established by Austraclear

(and as amended or replaced from time to time) to govern the use of the Austraclear System and binding on the participants in the Austraclear System.

Austraclear System means the system operated by Austraclear for holding securities and the electronic recording and settling of transactions in those securities between members of that system.

Banking (Exemption) Order No. 82 means the directive so entitled dated 23 September 1996 promulgated by the Assistant Treasurer of Australia under the Banking Act 1959 of Australia.

Business Day Convention means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, where specified in the Pricing Supplement in relation to any date applicable to any MTN, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that:

- (a) if “**Following**” is specified, that date will be the first following day that is a Business Day;
- (b) if “**Modified Following**” or “**Modified**” is specified, that date will be the first following day that is a Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a Business Day; and
- (c) if “**Preceding**” is specified, that date will be the first preceding day that is a Business Day.

Business Day means a day (other than a Saturday or Sunday) on which commercial banks are open for general banking business in such place(s) as may be specified in the relevant Pricing Supplement.

Calculation Agent means, in respect of a Series, the entity specified as such (if any) in the relevant Pricing Supplement.

CHESS means the Clearing House Electronic Subregister operated by ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532).

Condition means the correspondingly numbered condition in these Terms and Conditions.

“**Corporations Act**” means the Corporations Act 2001 of Australia.

“**Day Count Fraction**” means, in respect of the calculation of interest on an MTN for any period of time (“**Calculation Period**”), the day count fraction specified in the Pricing Supplement and:

- (a) if “**Actual/Actual (ICMA)**” is so specified, means:
 - (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period, and (2) the number of Regular Periods normally ending in any year; and
 - (ii) where the Calculation Period is longer than one Regular Period, the sum of:

- (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
 - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period, and (2) the number of Regular Periods normally ending in any year;
- (b) if “**Actual/Actual**” or “**Actual/Actual (ISDA)**” is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of:
- (i) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366; and
 - (ii) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (c) if “**Actual/365 (Fixed)**” is so specified, means the actual number of days in the Calculation Period divided by 365;
- (d) if “**Actual/360**” is so specified, means the actual number of days in the Calculation Period divided by 360;
- (e) if “**30/360**”, “**360/360**” or “an MTN” is specified in the relevant Pricing Supplement, the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

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

where:

- “**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;
- “**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- “**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;
- “**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;
- “**D₁**” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and
- “**D₂**” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

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

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

where:

“**Y₁**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y₂**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M₁**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“**M₂**” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

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

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

- (h) if “**RBA Bond Basis**” or “**Australian Bond Basis**” is so specified, means one divided by the number of Interest Payment Dates in a year; and
- (i) any other day count fraction specified in the Pricing Supplement;

Deed Poll means the deed poll made by the Issuer and dated 16 July 1999 as amended and restated on 18 December 2009.

Early Termination Amount means in relation to an MTN, the Outstanding Principal Amount or, if the MTN is non-interest bearing, the Amortised Face Amount or such other redemption amount as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement.

Event of Default has the meaning given to it in Condition 8.

Extraordinary Resolution has the meaning given to it in the Meeting Provisions.

Interest Accrual Period means, in respect of an Interest Period, each successive period beginning on (and including) an Interest Period End Date and ending on (but excluding) the next succeeding Interest Period End Date during that Interest Period, provided that the first Interest Accrual Period commences on (and includes) the Interest Commencement Date and the final Interest Accrual Period ends on (but excludes) the date of final maturity.

Interest Commencement Date means the date of issue of the MTNs as specified in the Pricing Supplement or such other date as may be specified as such in the Pricing Supplement.

Interest Payment Date means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement and adjusted, if necessary, in accordance with the Applicable Business Day Convention.

Interest Period End Date means the dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement as adjusted, if necessary, in accordance with the Applicable Business Day Convention or, if no date or dates are specified in the Pricing Supplement, means the dates which correspond with the Interest Payment Dates in respect of the MTNs.

Interest Period means each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date, provided that the first Interest Period commences on (and includes) the Interest Commencement Date and the final Interest Period ends on (but excludes) the date of final maturity.

Interest Rate means the rate or rates (expressed as a percentage per annum) or amount or amounts (expressed as a price per unit of relevant currency) of interest payable in respect of the MTNs specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

Issue Date means the issue date specified in or determined in accordance with the provisions of the Pricing Supplement.

Issue Price means the Issue Price specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

Issuer means Inter-American Development Bank, an international institution established under the “Agreement Establishing the Inter-American Development Bank” which became effective on 30 December 1959.

Maturity Date means the maturity date specified in, or determined in accordance with the provisions of, the Pricing Supplement.

Maturity Redemption Amount means, in relation to an MTN, the Outstanding Principal Amount or such other redemption amount as may be specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

Maximum Interest Rate means the Maximum Interest Rate specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

Member Countries means the countries which are members of the Issuer from time to time.

Meeting Provisions means the provisions for the convening of meetings of, and passing of resolutions by, MTN Holders set out in the schedule to the Deed Poll.

Minimum Interest Rate means the Minimum Interest Rate specified in, or calculated or determined in accordance with the provisions of, the Pricing Supplement.

MTN means medium term note being a debt obligation of the Issuer owing under the Deed Poll to an MTN Holder, the details of which are recorded in, and evidenced by, inscription in the Register.

MTN Holder means a person whose name is for the time being entered in the Register as the holder of an MTN or, where an MTN is owned jointly by one or more persons, the persons whose names appear in the Register as the joint owners of that MTN.

Ordinary Resolution has the meaning given to it in the Meeting Provisions.

Outstanding Principal Amount means, in relation to an MTN, the principal amount outstanding on that MTN from time to time.

Pricing Supplement means the Pricing Supplement prepared by the Issuer in relation to the MTNs of the relevant Tranche or Series.

Record Date means, in the case of payments of interest or principal, the eighth day before the relevant date for payment.

Register means, in respect of a Series, a register, including any branch register, of MTN Holders established and maintained by or on behalf of the Issuer in which is entered the names and addresses of MTN Holders whose MTNs are carried on that register, the amount of MTNs held by each such MTN Holder and the Tranche, Series and date of issue and transfer of those MTNs, and any other particulars which the Issuer sees fit.

Registrar means, in respect of a Series, the Reserve Bank of Australia or such other person appointed by the Issuer to establish and maintain the Register for that Series on the Issuer’s behalf from time to time.

Registry Services Agreement means, in respect of a Series, the agreement entitled “Registry Services Agreement” between the Issuer and the Registrar applicable to that Series, or any replacement of it, as amended from time to time.

Resolution means an Extraordinary Resolution or Ordinary Resolution, as the context requires.

Series means a Tranche or Tranches of MTNs which are identical, except that:

- (a) the Issue Date and the amount of the first payment of interest may be different in respect of different Tranches of a Series; and
- (b) a Series may comprise MTNs in more than one denomination.

Tranche means MTNs which are issued on the same Issue Date and the terms of which are identical in all respects (except that a Tranche may comprise MTNs in more than one denomination).

Interpretation

1.2 In these terms and conditions unless the contrary intention appears:

- (a) a reference to these terms and conditions is a reference to these terms and conditions as modified, supplemented or replaced by the Pricing Supplement;
- (b) a reference to “**Australian Dollars**”, “**A\$**” or “**dollars**” is a reference to the lawful currency of Australia;
- (c) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (d) the singular includes the plural and vice versa;
- (e) the word “person” includes a firm, body corporate, an unincorporated association or an authority;
- (f) a reference to a person includes a reference to the person’s executors, administrators, successors, substitutes (including, without limitation, persons taking by novation) and assigns; and
- (g) a reference to any thing (including, without limitation, any amount) is a reference to the whole and each part of it and a reference to a group of persons is a reference to all of them collectively and to each of them individually.

Headings

1.3 Headings are inserted for convenience and do not affect the interpretation of these terms and conditions.

2 Form, denomination and title

Constitution under Deed Poll

2.1 The MTNs are debt obligations of the Issuer owing under the Deed Poll and take the form of entries in the Register. Each entry in the Register constitutes a separate and individual acknowledgment to the relevant MTN Holder of the indebtedness of the Issuer to the relevant MTN Holder.

Independent obligations

- 2.2 The obligations of the Issuer in respect of each MTN constitute separate and independent obligations which the MTN Holder to whom those obligations are owed is entitled to enforce without having to join any other MTN Holder or any predecessor in title of an MTN Holder.

Denomination

- 2.3 Unless otherwise specified in the Pricing Supplement:
- (a) MTNs are issued in:
 - (i) the denomination specified in the relevant Pricing Supplement, provided that the consideration payable to the Issuer by the relevant MTN Holder is a minimum of A\$500,000; and
 - (ii) a manner which would not require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act and which complies with Banking (Exemption) Order No. 82 as if it applied to the Issuer *mutatis mutandis*; or
 - (b) where the issue is not subject to the Corporations Act, MTNs are issued in such denominations as will comply with all applicable laws.

Register conclusive

- 2.4 Entries in the Register in relation to an MTN constitute conclusive evidence that the person so entered is the registered owner of the MTN, subject only to rectification for fraud or error. No MTN will be registered in the name of more than 4 persons. An MTN registered in the name of more than one person is held by those persons as joint tenants. MTNs will be registered by name only without reference to any trusteeship. The person registered in the Register as an MTN Holder will be treated by the Issuer and the Registrar as absolute owner of that MTN and neither the Issuer nor the Registrar is, except as ordered by a court or required by statute, obliged to take notice of any other claim to an MTN.

MTN Holder absolutely entitled

- 2.5 Upon a person acquiring title to any MTN by virtue of becoming registered as the owner of that MTN, all rights and entitlements arising by virtue of the Deed Poll in respect of that MTN vest absolutely in the registered owner of the MTN, such that no person who has previously been registered as the owner of the MTN has or is entitled to assert against the Issuer or the Registrar any rights, benefits or entitlements in respect of the MTN.

Location of Register

- 2.6 The Register will be established and maintained in Sydney or such other city as the Issuer and the Registrar may agree.

Certificates

- 2.7 No certificate or other evidence of title will be issued by or on behalf of the Issuer to evidence title to an MTN, unless the Issuer determines that certificates should be made available or it is required to do so pursuant to any applicable law or regulation.

3 Transfers

Limit on transfer

- 3.1 An MTN may not be transferred in part. Unless otherwise specified in the Pricing Supplement, MTNs may only be transferred if the transfer is in compliance with the laws of the jurisdiction in which the transfer takes place and:
- (b) the transfer is made in a manner which does not require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act and which complies with Banking (Exemption) Order No. 82 as if it applied to the Issuer *mutatis mutandis*; or
 - (c) where the transfer is not subject to the Corporations Act, such transfer is made in accordance with all applicable laws.

MTNs entered in the Austraclear System will be transferable only in accordance with the Austraclear Regulations.

Transfer forms

- 3.2 Unless the MTNs are lodged in the Austraclear System, application for the transfer of MTNs must be made by the lodgement of a transfer form with the Registrar. Transfer forms are available from the Registrar. Each form must be accompanied by such evidence (if any) as the Registrar may require to prove the title of the transferor or the transferor's right to transfer the MTN and be signed by both the transferor and the transferee.

Marking

- 3.3 The Registrar will provide a marking service under which the Registrar will upon request mark transfers to evidence the transferor's title to MTNs in the principal amount and of the type shown in the transfer. Such marking of a transfer form will prohibit a dealing with the MTNs referred to on the transfer form in accordance with the details set out in the relevant marking notation for a period from the date of marking to the earliest of:
- (a) 42 days from the date of the marking;
 - (b) the stamping of the relevant marking notation on that transfer form with the Registrar's cancellation stamp; or
 - (c) the execution of the marked transfer form by the transferee, as and when notified to the Registrar.

Registration of transfer

- 3.4 The transferor of an MTN is deemed to remain the MTN Holder until the name of the transferee is entered in the Register in respect of that MTN. Transfers will not be registered later than 7 days prior to the Maturity Date of the MTNs.

No charge on transfer

- 3.5 Transfers will be registered without charge, provided all taxes, duties or other governmental charges (if any) imposed in relation to the transfer have been paid.

Estates

- 3.6 A person becoming entitled to an MTN as a consequence of the death or bankruptcy of an MTN Holder or of a vesting order or a person administering the estate of an MTN Holder may, upon producing such evidence as to that entitlement or status as the Registrar considers sufficient, transfer the MTN or, if so entitled, become registered as the MTN Holder.

Unincorporated associations

- 3.7 A transfer to an unincorporated association is not permitted and a purported transfer to an unincorporated association is not effective.

Transfer of unidentified MTNs

- 3.8 Where the transferor executes a transfer of less than all MTNs of the relevant Tranche or Series registered in its name, and the specific MTNs to be transferred are not identified, the Registrar may (subject to the limit on minimum holdings) register the transfer in respect of such of the MTNs of the relevant Tranche or Series registered in the name of the transferor as the Registrar thinks fit, provided the aggregate principal amount of the MTNs registered as having been transferred equals the aggregate principal amount of the MTNs expressed to be transferred in the transfer.

Registry

- 3.9 MTNs which are listed on the Australian Stock Exchange operated by ASX Limited (ABN 98 008 624 691) will not be transferred through or registered on CHES and will not be “Approved Financial Products” (as defined for the purposes of CHES).

4 Status

- 4.1 The MTNs of each Series constitute unconditional, direct and unsecured obligations of the ordinary capital resources of the Issuer ranking *pari passu* without any preference among themselves and equally with all other unsecured outstanding obligations of the ordinary capital resources (other than subordinated indebtedness) of the Issuer from time to time.
- 4.2 The MTNs are not the obligations of any government and, in particular, are not guaranteed by the Commonwealth of Australia.

5 Negative Pledge

So long as any of the MTNs shall remain outstanding, the Issuer will not create or permit to be created on any of its property or assets any mortgage, pledge or other lien or charge as security for any bonds, notes or other evidences of indebtedness heretofore or hereafter issued, assumed or guaranteed by the Issuer for money borrowed (other than purchase money mortgages, pledges or liens on property purchased by the Issuer as security for all or part of the purchase price thereof), unless the MTNs shall be secured by such mortgage, pledge or other lien or charge equally and rateably with such other bonds, notes or evidences of indebtedness.

6 Interest

- 6.1 MTNs may be interest bearing or non-interest bearing, as specified in the Pricing Supplement.

Interest-bearing MTNs

- 6.2 MTNs which are specified in the Pricing Supplement as being interest bearing bear interest from their Interest Commencement Date at the Interest Rate and such interest is payable in arrears on each Interest Payment Date.

Interest accrues from the Interest Commencement Date on the Outstanding Principal Amount. Interest will cease to accrue on the date of final maturity of an MTN unless payment of any principal amount is improperly withheld or refused or if default is otherwise made in respect of payment thereof in which case interest continues to accrue on such principal amount (as well after as before any demand or judgment) at the Interest Rate then applicable up to (but excluding) the date on which the relevant payment is made.

Non-interest bearing MTNs

- 6.3 If any Maturity Redemption Amount in respect of any MTN which is non-interest bearing is not paid when due, interest shall accrue on the overdue amount at a rate per annum (expressed as a percentage per annum) equal to the Amortisation Yield specified in, or determined in accordance with the provisions of, the Pricing Supplement.

Calculations and adjustments

- 6.4 The amount of interest payable in respect of any MTN for any period is calculated by multiplying the product of the Interest Rate and the Outstanding Principal Amount by the Day Count Fraction, save that if the Pricing Supplement specifies an amount in respect of such period, the amount of interest payable in respect of such MTN for such period is equal to such specified amount. Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period is the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Pricing Supplement, then the Interest Rate will not in any event exceed the maximum or be less than the minimum so specified.

For the purposes of any calculations referred to in these terms and conditions and unless otherwise specified in these terms and conditions or the Pricing Supplement:

- (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundredth of a percentage point (with 0.005 per cent. being rounded up to 0.01 per cent.);
- (b) all Australian dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up).

Calculation Agent

- 6.5 As soon as practicable after the relevant time on such date as these Terms and Conditions or the relevant Pricing Supplement may require:
- (a) any Amortised Face Amount, Early Termination Amount, Maturity Redemption Amount or any other amount to be calculated; or
 - (b) any quote to be obtained or any determination or calculation to be made by the Calculation Agent,

if required by the relevant Pricing Supplement, the Calculation Agent will:

- (c) determine the Interest Rate in respect of each denomination of the MTNs for the relevant Interest Accrual Period, Interest Period or Interest Payment Date;
- (d) calculate the Amortised Face Amount, Early Termination Amount, Maturity Redemption Amount or other amount; or
- (e) obtain such quote or make such determination or calculation,

and cause the Interest Rate for each Interest Accrual Period, Interest Period or Interest Payment Date and, if required to be calculated, any Amortised Face Amount, Early Termination Amount, Maturity Redemption Amount or other amount, to be notified to the Registrar, the Issuer and (if the MTNs are listed on any stock exchange) any relevant stock exchange as soon as possible after their determination but in no event later than 5.00pm Australian Eastern Standard Time (or, if applicable, Australian Eastern Summer Time) on the Business Day on which such calculation is made.

The Calculation Agent must obtain relevant quotes from appropriate banks or reference agents or obtain information from such other sources as are specified in these Terms and Conditions or the Pricing Supplement or, failing which, as the Calculation Agent deems appropriate.

The calculations and determinations made by the Calculation Agent shall, in the absence of manifest error, be final and binding on the parties.

7 Redemption and purchase

Redemption on maturity

- 7.1 Unless previously redeemed, or purchased and cancelled (or unless such MTN is stated in the Pricing Supplement as having no fixed maturity date), each MTN shall be redeemed on maturity at its Maturity Redemption Amount.

Purchase of MTNs

- 7.2 The Issuer may at any time purchase MTNs in the open market or otherwise and at any price. All unmaturing MTNs purchased in accordance with this condition may be held, resold, re-issued or cancelled at the discretion of the Issuer subject to compliance with all legal and regulatory requirements.

8 Events of Default

If the Issuer shall default in the payment of the principal of, premium (if any) or interest on, or in the performance of any covenant in respect of a purchase fund or sinking fund in, any bonds or notes (including the MTNs) or similar present or future obligations which have been issued, assumed or guaranteed by the Issuer and such default shall continue for a period of (and in such case become an Event of Default):

- (a) 30 days in the case of a default in the payment of the principal of, premium (if any) or interest on the MTNs; or
- (b) 90 days in the case of a default in respect of any such other obligation referred to above,

then at any time after the occurrence of, and during the continuance of, an Event of Default, any MTN Holder may deliver or cause to be delivered to the Issuer at its Head Office in the City of Washington, District of Columbia, United States of America written notice that such MTN Holder elects to declare the Early Termination Amount (together with all accrued interest (if any)) applicable to each MTN held by the MTN Holder to be due and payable.

On the thirtieth day after the delivery of such notice to the Issuer such Early Termination Amount and such interest shall become due and payable, unless prior to that time all Events of Default shall have been remedied.

9 Payments

Record Date

- 9.1 Payments to MTN Holders will be made according to the particulars recorded in the Register at 5.00pm on the relevant Record Date.

Joint MTN Holders

- 9.2 When an MTN is held jointly, payment will be made to the MTN Holders in their joint names unless requested otherwise.

Payments to accounts

- 9.3 Payments in respect of each MTN will be made by crediting on the relevant Interest Payment Date, in the case of payments of interest, or on the due date for redemption or repayment, in the case of payments of principal, the amount then due to an account in Australia previously notified by the registered owner of the MTN to the Registrar.

If the registered owner of the MTN has not notified the Registrar of such an account by close of business on the relevant Record Date, payments in respect of the relevant MTN will be made by cheque drawn on a bank in Australia, mailed on the relevant Interest Payment Date, in the case of payments of interest, or on the due date for redemption or repayment, in the case of payments of principal, at the MTN Holder's risk to the registered owner (or to the first named of joint registered owners) of such MTN at the address appearing in the Register as at the Record Date.

Cheques to be despatched to the nominated address of an MTN Holder will in such cases be deemed to have been received by the MTN Holder on the relevant Interest Payment Date, in the case of payments of interest, or on the due date for redemption or repayment, in the case of payments of principal, and no further amount will be payable by the Issuer in respect of the relevant MTN as a result of payment not being received by the MTN Holder on the due date.

If a payment in respect of the relevant MTN is prohibited by law from being made in Australia, such payment will be made in an international financial centre for the account of the relevant payee, and on the basis that the relevant amounts are paid in immediately available funds, freely transferable at the order of the payee.

Payments to the Registrar

- 9.4 Unless otherwise agreed between the Issuer and the Registrar, the Issuer must pay amounts due under each MTN to a bank account in Sydney in the name of the Issuer operated by the Registrar.

Payment constitutes release

- 9.5 Any payment made by or on behalf of the Issuer to the Registrar for the account of a person whose name is, at the time such payment is made, inscribed in the Register as the MTN Holder constitutes for all purposes an absolute and unconditional release and discharge of the Issuer, to the extent of such payment, of all obligations and indebtedness in respect of the MTN in relation to which the payment was made.

Business Days

- 9.6 If a payment is due under an MTN on a day which is not a Business Day the MTN Holder is entitled to payment of such amount in accordance with the Applicable Business Day Convention and is not entitled to any interest or other payment in respect of any such delay.

Taxation

- 9.7 The MTNs and the interest thereon will not be exempt from taxation generally. Under the “Agreement Establishing the Inter-American Development Bank”, the Issuer is not under any obligation to withhold or pay any tax imposed by any member on the interest on the MTNs. Under the “Agreement Establishing the Inter-American Development Bank”, the MTNs and the interest thereon are not subject to any tax by a member country.

The relevant Pricing Supplement may set forth additional tax consequences to MTN Holders of MTNs of a particular series.

10 Further issues

The Issuer may from time to time, without the consent of any MTN Holder, issue further MTNs having the same terms and conditions as the MTNs of any Series in all respects (or in all respects except for the first payment of interest, if any, on them and/or their denomination) so that such further issue shall be consolidated and so form a single Series with the MTNs of that Series.

11 Time limit for claims

A claim against the Issuer for a payment under an MTN is void unless such claim is made within:

- (a) 5 years of the relevant Interest Payment Date in the case of a claim in respect of the payment of interest provided that if the Issuer has not made provision for full payment of such interest to be made on the relevant Interest Payment Date, such claim must be made within 5 years of such later date on which provision for full payment has been made by the Issuer; or
- (b) 10 years of the relevant Maturity Date in the case of a claim in respect of the payment of principal provided that if the Issuer has not made provision for full payment of such principal to be made on the relevant Maturity Date, such claim must be made within 10 years of such later date on which provision for full payment has been made by the Issuer.

12 Notices

To the Issuer and the Registrar

- 12.1 A notice or other communication in connection with an MTN to the Issuer or the Registrar must be in writing and may be given by prepaid post or delivery to the initial address of the addressee as specified below:

- (a) if to the Issuer, to:

Address: 1300 New York Avenue, N.W.,
Washington, D.C. 20577
USA

Facsimile No: (0015 1) 202 623 3523
Attention: Chief, Treasury Division

(b) if to the Registrar, to:

Address: 65 Martin Place,
Sydney NSW 2000

Facsimile No: (61 2) 9551 8007
Attention: The Registrar

or such other address as may be notified to the MTN Holders in accordance with Condition 12.2.

To MTN Holders

12.2 A notice or other communication in connection with an MTN to the MTN Holder must be in writing and may be given by:

- (a) an advertisement published in The Australian Financial Review or any other newspaper or newspapers circulating in Australia generally; or
- (b) prepaid post or delivery to the address of each MTN Holder or any relevant MTN Holder as shown in the Register at the close of business in Sydney 3 Business Days prior to the despatch of the relevant notice or communication.

Effective on receipt

12.3 Unless a later time is specified in it a notice, approval, consent or other communication takes effect from the time it is received, except that if it is received after 5.00pm in the place of receipt or on a non-business day in that place, it is to be taken to be received at 9.00am on the next succeeding Business Day in that place.

Proof of receipt

12.4 Subject to Condition 12.3, proof of posting of a letter, publication of a communication or delivery of a communication is proof of receipt:

- (a) in the case of a letter, on the third (seventh, if outside Australia) day after posting; and
- (b) in the case of a publication, on the date of such publication; and
- (c) in the case of a delivery, at the time of delivery to the relevant address.

13 Meetings of MTN Holders

Meetings of MTN Holders may be convened in accordance with the Meeting Provisions. Any such meeting may consider any matters affecting the interests of MTN Holders, including, without limitation, the variation of the terms of the MTNs by the Issuer and the granting of approvals, consents and waivers.

14 Amendments

The Terms and Conditions and the form of the Pricing Supplement may be amended by the Issuer, and the Registry Services Agreement may be amended by the parties thereto, in each case without the consent of any MTN Holder:

- (a) for the purposes of curing any ambiguity, or correcting or supplementing any defective or inconsistent provisions therein; or

- (b) in the case of the Terms and Conditions and the form of the Pricing Supplement, in any manner which the Issuer deems, or in the case of the Registry Services Agreement, in any other manner which the Issuer and the Registrar deem, necessary or desirable and which does not adversely affect the interests of the MTN Holders.

The Terms and Conditions, Pricing Supplement and Registry Services Agreement may otherwise be varied by the Issuer with the approval of the MTN Holders by Extraordinary Resolution and, in the case of the Registry Service Agreement, in accordance with that agreement. No other variation to the Terms and Conditions has effect in relation to the MTN Holders who hold MTNs at the date of any amending deed, unless they otherwise agree in writing. A variation will take effect in relation to all subsequent MTN Holders. A variation which effects only a particular Series or Tranche of MTNs may be approved solely by the MTN Holders of such Series or Tranche.

15 Registrar

Role of the Registrar

- 15.1 In acting under the Registry Services Agreement in connection with the MTNs, the Registrar acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the MTN Holders save insofar as that any funds received by the Registrar in accordance with the Registry Services Agreement shall, pending their application in accordance with the Registry Services Agreement, be held by it in a segregated account which shall be held for the benefit of the persons entitled to those funds.

Change of Registrar

- 15.2 The Issuer reserves the right at any time to terminate the appointment of the Registrar in accordance with the Registry Services Agreement and to appoint successor or additional registrars, provided, however, that the Issuer must at all times maintain the appointment of a registrar in respect of each Series with its specified office in Australia. Notice of any such termination of appointment will be given to the MTN Holders in accordance with Condition 12.

16 Governing law and jurisdiction

Governing law

- 16.1 The MTNs are governed by the law in force in New South Wales.

Jurisdiction

- 16.2 The Issuer irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales and courts of appeal from them. The Issuer waives any right it has to object to an action being brought in those courts, to claim that the action has been brought in an inconvenient forum, or to claim that those courts do not have jurisdiction.
- 16.3 Without preventing any other mode of service, any document in an action (including, without limitation, any writ of summons or other originating process or any third or other party notice) may be served on the Issuer by being delivered to or left for the Issuer with its process agent referred to in Condition 16.4.

Agent for service of process

- 16.4 The Issuer appoints Dabserv Corporate Services Pty Limited of Governor Phillip Tower, 1 Farrer Place, Sydney, NSW, 2000, Australia to receive any document referred to in

Condition 16.3. If for any reason that person ceases to be able to act as such, the Issuer must immediately appoint another person with an office located within Australia to receive any such document.

Pro-forma Pricing Supplement

The Pricing Supplement that will be issued in respect of each Tranche will be substantially in the form set out below.

Series No.: [●]

Tranche No.: [●]

Date: [●]

INTER-AMERICAN DEVELOPMENT BANK



Australian Dollar Medium Term Note Program

Issue of

*[Aggregate Principal Amount of Tranche]
[Title of MTNs] (“MTNs”)*

*[to be consolidated and form a single Series with the Issuer’s existing
[Aggregate Principal Amount of Tranche] [Title of MTNs] issued on [insert date(s)]]*

*The Program has been rated AAA by Standard & Poor’s Ratings Group (a division of
McGraw-Hill Inc.) and Aaa by Moody’s Investors Service, Inc.*

Each offer to purchase or invitation to buy MTNs in Australia (a) must constitute an offer or invitation which does not require disclosure to investors under Parts 6D.2 or 7.9 of the Corporations Act 2001 of Australia such that the amount payable by each person who subscribes for MTNs must be at least A\$500,000 (disregarding moneys lent by the offeror or its associates), and (b) must comply with Banking (Exemption) Order No. 82 dated 23 September 1996 promulgated by the Assistant Treasurer of Australia under the Banking Act 1959 of Australia (“Banking Act”) as if it applied to the Issuer mutatis mutandis. The sale of the MTNs is also subject to the other selling restrictions set out in the Information Memorandum dated 18 December 2009 and this Pricing Supplement.

The Issuer is not a bank or authorised deposit-taking institution which is authorised under the Banking Act. The MTNs are not the obligations of any government and, in particular, are not guaranteed by the Commonwealth of Australia.

This Pricing Supplement (as referred to in the Information Memorandum dated 18 December 2009 and Deed Poll dated 16 July 1999 as amended and restated on 18 December 2009 (together, the “Deed Poll”) in relation to the above Program) relates to the MTNs.

The Terms and Conditions of the MTNs are as set out on [pages 12 to 28 of the Information Memorandum¹ / pages 10 to 26 of the Information Memorandum dated 16 July 1999 (which apply in lieu of those set out on pages 12 to 28 of the Information Memorandum dated 18 December 2009)²], as amended and supplemented by this Pricing Supplement. The MTNs are constituted by the Deed Poll. Capitalised terms not defined in this Pricing Supplement shall have the meanings given in the Information Memorandum [dated 18 December 2009].

The particulars to be specified in relation to the MTNs are as follows:

- 1 Description of MTNs: [Fixed Rate / Floating Rate] [Notes] [MTNs] [Bonds] [Instruments]
- 2 Issuer: Inter-American Development Bank
- 3 Registrar: [Reserve Bank of Australia] [Other]
- 4 Type of Issue: [Underwritten / Non-Underwritten / Private Placement]
- 5 Lead Manager(s): [Name(s)]
- 6 Dealer(s): [Name(s)]
- 7 Currency:
 - of Denomination: Australian dollars
 - of Payment: [Specify]
- 8 Aggregate principal amount of Tranche: [Specify]
- 9 If interchangeable with existing Series: [Not applicable] [Yes - to be consolidated and form a single series with the Issuer’s [Aggregate Principal Amount of Tranche] [Title of MTNs] issued on [insert date(s)]]
- 10 Issue Date: [Specify]
- 11 Issue Price: [Specify, including any component of accrued interest]
- 12 Denomination(s): [A\$1,000, subject to the requirement that the amount payable by each person who subscribes for MTNs must be at least A\$500,000] [Other]

¹ Use the first alternative for the first Tranche of a new Series or a subsequent Tranche of a Series issued after the publication of the Information Memorandum dated 18 December 2009.

² Use the second alternative for a subsequent Tranche of a Series initially issued on the basis of the Information Memorandum dated 16 July 1999 and prior to the publication of the Information Memorandum dated 18 December 2009 and ensure that any changes to the Terms and Conditions made in previous Pricing Supplements for the Series are replicated in this Pricing Supplement.

- 13 Definition of Business Day: [A day (other than a Saturday or Sunday) on which commercial banks are open for general banking business in Sydney] [Other]
- 14 Interest:
- (a) If Interest bearing: *[If a paragraph does not apply insert "Not applicable"]*
- (i) Interest Rate: [Specify rate (if fixed) or full determination provisions (if floating) or formula or if Calculation Agent is appointed]
- (ii) Interest Amount: [Specify per MTN if fixed rate]
- (iii) Interest Payment Dates: [Specify] of each year, commencing on and from [specify] to, and including, the Maturity Date
- (iv) Interest Period End Dates: [Specify. If nothing is specified, Interest Period End Dates will correspond with Interest Payment Dates]
- (v) Applicable Business Day Convention: [Specify. If nothing is specified, "Following" will apply]
- for Interest Payment Dates: [Specify]
- for Maturity Date: [Specify]
- for Interest Period End Dates: [Specify]
- any other dates: [Specify]
- (vi) Day Count Fraction: [RBA Bond Basis] [Other]
- (vii) Interest Commencement Date (if different from the Issue Date): [Specify]
- (viii) Minimum Interest Rate: [Specify]
- (ix) Maximum Interest Rate: [Specify]
- (x) Issue Yield: [Specify]
- (b) If non-interest bearing:
- Amortisation Yield: [Not applicable] [Specify]
- 15 Maturity Date: [Specify date]
- 16 Maturity Redemption Amount: [Outstanding Principal Amount] [Other]

Taxation

Australian Taxation

The following is a summary of the Australian taxation treatment, as at the date of this Information Memorandum, of payments on the MTNs and certain other matters. It is a general guide and should be treated with appropriate caution. Prospective holders of MTNs who are in any doubt as to their tax position should consult their professional advisers on the tax implications of an investment in the MTNs for their particular circumstances.

1. Interest withholding tax

So long as the Issuer continues to be a non-resident of Australia and the MTNs issued by it are not attributable to a permanent establishment of the Issuer in Australia, payments of principal and interest made under MTNs issued by it should not be subject to Australian interest withholding tax.

2. Other tax matters

Under Australian laws as in effect as at the date of this Information Memorandum:

- (a) *death duties* - no MTNs will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;
- (b) *stamp duty and other taxes* - no ad valorem stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any MTNs;
- (c) *other withholding taxes on payments in respect of MTNs* - so long as the Issuer continues to be a non-resident of Australia and does not carry on business at or through a permanent establishment in Australia, the tax file number requirements of Part VA of the Australian Income Tax Assessment Act of 1936 and section 12-140 of Schedule 1 to the Taxation Administration Act 1953 of Australia ("**Taxation Administration Act**") should not apply in connection with MTNs issued by the Issuer;
- (d) *supply withholding tax* - payments in respect of the MTNs can be made free and clear of the "supply withholding tax" imposed under section 12-190 of Schedule 1 to the Taxation Administration Act; and
- (e) *goods and services tax (GST)* - neither the issue nor receipt of the MTNs will give rise to a liability for GST in Australia on the basis that the supply of MTNs will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by the Issuer, nor the disposal of the MTNs, would give rise to any GST liability in Australia.

* * * * *

United States Taxation

United States Internal Revenue Service Circular 230 Notice: To ensure compliance with Internal Revenue Service Circular 230, you are hereby notified that (a) any discussion of United States federal tax issues contained or referred to in this Information Memorandum or any document referred to herein is not intended or written to be used, and cannot be used, by you for the purpose of avoiding penalties that may be imposed on you under the United States Internal Revenue Code, (b) such discussion is written for use in connection with the promotion or marketing of the transactions or matters addressed herein, and (c) you should seek advice based on your particular circumstances from an independent tax advisor.

This section describes certain United States federal income tax consequences of owning the MTNs and certain provisions of the Bank Agreement concerning the taxation of the MTNs. It applies only to MTN Holders acquiring MTNs in the offering who hold such MTNs as capital assets for tax purposes. This section does not apply to an MTN Holder that is a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for its securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- a person that owns MTNs that are a hedge or that are hedged against interest rate or currency risks;
- a person that owns MTNs as part of a straddle or conversion transaction for tax purposes; or
- a United States holder, as defined below, whose functional currency for tax purposes is not the United States Dollar.

This section is based on the Internal Revenue Code of 1986, as amended (“**Code**”), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. *Notwithstanding any of the tax information provided in this Information Memorandum, which does not purport to be complete, all persons considering the purchase of the MTNs should consult their own tax advisor concerning the consequences of owning these MTNs in their particular circumstances under the Code and the laws of any other taxing jurisdiction.*

1. Tax Status – General

The MTNs and the interest thereon generally will be subject to taxation.

The Bank Agreement provides that the MTNs and the interest thereon are not subject to any tax by a member of the Issuer (a) which tax discriminates against the MTNs solely because they are issued by the Issuer, or (b) if the sole jurisdictional basis for the tax is the place or currency in which the MTNs are issued, made payable or paid, or the location of any office or place of business maintained by the Issuer. Also, under the Bank Agreement, the Issuer is not under any obligation to withhold or pay any tax on the MTNs. Accordingly, payments on the MTNs will be made to the Registrar without deduction in respect of any such tax.

The imposition of United States federal income tax in the manner described herein is not inconsistent with the provisions of the Bank Agreement.

2. Tax Status – United States

The United States Treasury Department has issued to the Issuer rulings dated May 4, 1988 and May 5, 1989 (“**Rulings**”) regarding certain United States tax consequences under the Code of the receipt of interest on securities issued by the Issuer. The Rulings provide that interest paid by the Issuer on such securities, including payments attributable to accrued original issue discount, constitutes income from sources outside the United States. The Rulings further determine that neither the Issuer nor an agent appointed by it as principal for the purpose of paying interest on securities issued by the Issuer is required to withhold tax on interest paid by the Issuer.

Under the Rulings, interest paid by the Issuer ordinarily would not be subject to United States federal income tax, including withholding tax, if paid to a non-resident alien individual (or foreign partnership, estate or trust) or to a foreign corporation, whether or not such person is engaged in trade or business in the United States. However, absent any special statutory or treaty exception, such interest would be subject to United States federal income tax in the following cases: (i) such interest is derived by such person in the active conduct of a banking, financing or

similar business within the United States and such interest is attributable to an office or other fixed place of business of such person within the United States, or (ii) such person is a foreign corporation taxable as an insurance company carrying on a United States insurance business and such interest is attributable to its United States business.

3. United States MTN Holders

This subsection describes the tax consequences to a United States MTN Holder. An MTN Holder is a United States holder if it is a beneficial owner of an MTN and is:

- a citizen or resident of the United States;
- a domestic corporation;
- an estate whose income is subject to United States federal income tax regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

This section does not apply to MTN Holders who are not United States holders.

4. Payments of Interest

MTN Holders will be taxed on any interest on their MTNs as ordinary income at the time such holder receives the interest or when it accrues, depending on such holder's method of accounting for tax purposes.

Cash Basis Taxpayers. If an MTN Holder is a taxpayer that uses the cash receipts and disbursements method of accounting for tax purposes, such MTN Holder must recognize income equal to the United States Dollar value of each Australian dollar interest payment received, based on the exchange rate in effect on the date of receipt, regardless of whether such MTN Holder actually converts such payment into United States Dollars.

Accrual Basis Taxpayers. If an MTN Holder is a taxpayer that uses an accrual method of accounting for tax purposes, such MTN Holder may determine the amount of income that such holder recognizes with respect to each Australian dollar interest payment using one of two methods. Under the first method, such MTN Holder will determine the amount of income accrued based on the average exchange rate in effect during the interest accrual period or, with respect to an accrual period that spans two taxable years, that part of the period within the taxable year.

If such MTN Holder elects the second method, such MTN Holder would determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period, or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, under this second method, if such MTN Holder receives a payment of interest within five business days of the last day of such MTN Holder's accrual period or taxable year, such MTN Holder may instead translate the interest accrued into United States Dollars at the exchange rate in effect on the day that such MTN Holder actually receives the interest payment. If such MTN Holder elects the second method it will apply to all debt instruments that such MTN Holder holds at the beginning of the first taxable year to which the election applies and to all debt instruments that such MTN Holder subsequently acquires. Such MTN Holders may not revoke this election without the consent of the Internal Revenue Service.

When such MTN Holders actually receive an interest payment, including a payment attributable to accrued but unpaid interest upon the sale or retirement of their MTNs, for which such MTN Holder accrued an amount of income, such MTN Holder will recognize ordinary income or loss measured by the difference, if any, between the exchange rate that such MTN Holder used to

accrue interest income and the exchange rate in effect on the date of receipt, regardless of whether such holder actually converts the payment into United States Dollars.

For foreign tax credit limitation purposes, interest paid by the Issuer on the MTNs will be income from sources outside the United States and will, depending on the MTN Holder's circumstances, be either "passive income" or "general income" for purposes of computing the foreign tax credit allowable to a United States holder.

5. Purchase, Sale and Retirement of the MTNs

A MTN Holder's tax basis in an MTN will generally be the United States Dollar cost, as defined below, of the MTN. If an MTN Holder purchases an MTN with Australian dollars, the United States Dollar cost of the MTN will generally be the United States Dollar value of the purchase price on the date of purchase. However, if such MTN Holder is a cash basis taxpayer, or an accrual basis taxpayer if such MTN Holder so elects, and the MTN is traded on an established securities market, as defined in the applicable Treasury regulations, the United States Dollar cost of the MTN will be the United States Dollar value of the purchase price on the settlement date of the purchase.

An MTN Holder will generally recognize gain or loss on the sale or retirement of the MTN equal to the difference between the amount such MTN Holder realizes on the sale or retirement and such MTN Holder's tax basis in the MTN. If the MTN is sold or retired for an amount in Australian dollars, the amount realized will be the United States Dollar value of such amount on:

- the date payment is received, if the MTN Holder is a cash basis taxpayer and the MTNs are not traded on an established securities market, as defined in the applicable Treasury regulations;
- the date of disposition, if the MTN Holder is an accrual basis taxpayer; or
- the settlement date for the sale, if the MTN Holder is a cash basis taxpayer, or an accrual basis taxpayer that so elects, and the MTNs are traded on an established securities market, as defined in the applicable Treasury regulations.

An MTN Holder will recognize capital gain or loss when such MTN Holder sells or retires the MTNs, except to the extent:

- attributable to accrued but unpaid interest; or
- attributable to changes in exchange rates as described below.

Capital gain of a non-corporate United States MTN Holder is generally taxed at a maximum rate of 15% where the property is held more than one year.

An MTN Holder must treat any portion of the gain or loss that such MTN Holder recognizes on the sale or retirement of an MTN as ordinary income or loss to the extent attributable to changes in exchange rates. However, such MTN Holder takes exchange gain or loss into account only to the extent of the total gain or loss realized on the transaction.

6. Exchange of Amounts in Other Than United States Dollars

If an MTN Holder receives Australian dollars as interest on an MTN or on the sale or retirement of an MTN, such holder's tax basis in Australian dollars will equal its United States Dollar value when the interest is received or at the time of the sale or retirement. If such MTN Holder purchases Australian dollars, such MTN Holder generally will have a tax basis equal to the United States Dollar value of the Australian dollars on the date of the purchase. If such MTN Holder sells or disposes of Australian dollars, including if such MTN Holder uses it to purchase MTNs or exchange it for United States Dollars, any gain or loss recognized generally will be ordinary income or loss.

7. Treasury Regulations Requiring Disclosure of Reportable Transactions

United States Treasury regulations require United States taxpayers to report certain transactions that give rise to a loss in excess of certain thresholds (a “**Reportable Transaction**”). Under these regulations, if the MTNs are denominated in a foreign currency, a United States MTN Holder (or a United States alien MTN Holder that holds the notes in connection with a United States trade or business) that recognizes a loss with respect to the MTNs that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed above) would be required to report the loss on Internal Revenue Service Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is US\$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. You should consult with your tax advisor regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of MTNs.

8. Backup Withholding and Information Reporting

The Issuer is not subject to the reporting requirements that are imposed by United States law with respect to certain payments of interest or principal on debt obligations, nor is it subject to backup withholding tax imposed, in certain circumstances, by United States law with respect to such payments. While regulations issued by the Internal Revenue Service confirm that the backup withholding requirements do not apply to the Registrar with respect to the MTNs, the Registrar may file information returns with the Internal Revenue Service with respect to payments on MTNs made within the United States to certain United States persons as if such returns were required of it. Under the book-entry system as operated by the Federal Reserve Bank of New York, no such information returns will be filed by the Registrar with respect to book-entry MTNs.

Brokers, trustees, custodians and other intermediaries within the United States are subject to the reporting and backup withholding requirements with respect to certain payments on the MTNs received by them for the account of certain United States persons, and foreign persons receiving payments on the MTNs within the United States may be required by such intermediaries to establish their status in order to avoid information reporting and backup withholding of tax by such intermediaries in respect of such payments. Foreign persons receiving payments on the MTNs outside the United States through foreign brokers, trustees, custodians or other intermediaries (including Austraclear, Euroclear and Clearstream participants) generally are not required to establish their status as foreign persons in order to avoid information reporting and backup withholding of tax. If, however, such broker, trustee, custodian or other intermediary is (i) a controlled foreign corporation for United States tax purposes, (ii) a foreign person 50% or more of whose gross income is effectively connected with a United States trade or business for a specified three-year period, or (iii) a foreign partnership, if at any time during its tax year, one or more of its partners are U.S. persons (as defined in United States Treasury regulations) who in the aggregate hold more than 50% of the income or capital interest in the partnership or if, at any time during its tax year, such foreign partnership is engaged in a United States trade or business, information reporting (but not backup withholding) may apply to such payments.

Selling Restrictions

Subject to the terms and on the conditions contained in the Dealer Agreement, the Issuer may from time to time agree with one or more Dealers to issue MTNs on an underwritten or non-underwritten basis or by way of a private placement. Except as otherwise agreed with the relevant Dealer(s), the MTNs will be transacted through the Austraclear System. If accepted for admission to the respective systems, an interest in an MTN may be held through Euroclear or Clearstream, Luxembourg (see “Program Summary - Clearing Systems” on page 10 of this Information Memorandum).

General restrictions

No action has been or will be taken in any jurisdiction that would permit a public offering of any of the MTNs, or possession or distribution of this Information Memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, no person may, directly or indirectly, offer or sell any MTNs or distribute or publish this Information Memorandum or any other offering material in any country or jurisdiction, except in compliance with any applicable laws and regulations.

Without prejudice to the generality of the paragraph above the Issuer shall not have any responsibility for any consent, approval or permission for the subscription, offer or sale of MTNs required by any other person under the laws and regulations in force in any jurisdiction to which such person is subject or in or from which it makes any such subscription, offer or sale. No person may make any representation or use any information in connection with the issue, offering or sale of any of the MTNs other than as contained in, or which is consistent with, this Information Memorandum

Persons in whose hands this Information Memorandum comes are required to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver MTNs or have in their possession or distribute such offering material and to obtain any consent, approval or permission required by them for the purchase, offer, sale or delivery by them of any MTNs under the law and regulations in force in any jurisdiction to which they are subject or in which they make such purchases, offers, sales or deliveries, in all cases at their own expense, and neither Issuer, the Arranger, the Dealer, any Additional Dealer or the Registrar shall have responsibility therefor, except as expressly agreed in writing by such person. In accordance with the above, any MTNs purchased by any person which it wishes to offer for sale or resale may not be offered in any jurisdiction in circumstances which would result in the Issuer being obliged to register any prospectus, disclosure document, registration statement or similar offering document relating to the MTNs in such jurisdiction.

1 Australia

No prospectus or other disclosure document (as defined in the Corporations Act) in relation to the Program or the MTNs has been lodged with ASIC. Each Dealer will represent to, and agree with the Issuer, that it (a) has not (directly or indirectly) offered or invited applications, and will not offer or invite applications, for the issue, sale or purchase of the MTNs within, to or from Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, this Information Memorandum or any other prospectus, disclosure document, offering material or advertisement relating to the MTNs in Australia,

unless:

(i) the minimum aggregate consideration payable by each offeree is A\$500,000 (or its equivalent in another currency, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act;

- (ii) such action complies with:
 - (A) Banking (Exemption) Order No. 82 as if it applied to the Issuer *mutatis mutandis*, which as at the date of this Information Memorandum requires all offers and transfers to be for a consideration of at least A\$500,000; and
 - (B) any other applicable laws, regulations or directives (including that the offer or invitation is not made to a person who is a “retail client” within the meaning of section 761G of the Corporations Act); and
- (iii) such action does not require any document to be lodged with ASIC.

2 United States

Under the provisions of Section 11(a) of the Inter-American Development Bank Act, the MTNs are exempted securities within the meaning of Section 3(a)(2) of the United States Securities Act of 1933, as amended, and Section 3(a)(12) of the United States Securities Exchange Act of 1934, as amended.

3 European Economic Area

In relation to each Member State of the European Economic Area (“**EEA State**”) which has implemented the Prospectus Directive (each, a “**Relevant EEA State**”), each Dealer will represent to, and agree with the Issuer, that, unless an applicable Pricing Supplement (or another supplement to this Information Memorandum) otherwise provides, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant EEA State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of MTNs which are the subject of the offering contemplated by this Information Memorandum as completed by the Pricing Supplement in relation to those MTNs to the public in that Relevant EEA State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such MTNs to the public in that Relevant EEA State:

- (a) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000, and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (c) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer;
- (d) at any time if the denomination per Debt Instrument being offered amounts to at least €50,000; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of MTNs referred to in paragraphs (a) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of MTNs to the public**” in relation to any MTNs in any Relevant EEA State means the communication in any form and by any means

of sufficient information on the terms of the offer and the MTNs to be offered so as to enable an investor to decide to purchase or subscribe the MTNs, as the same may be varied in that Relevant EEA State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “**Prospectus Directive**” means EU Prospectus Directive (2003/71/EC) and includes any relevant implementing measure in each Relevant EEA State.

4 United Kingdom

Each Dealer will represent to, and agree with the Issuer, that:

- (a) it has only communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended) (“**FSMA**”)) received by it in connection with the issue or sale of any MTNs in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the MTNs in, from or otherwise involving the United Kingdom.

5 Hong Kong

Each Dealer will represent to, and agree with the Issuer, that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any MTNs other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) (as amended) of Hong Kong (“**SFO**”) and any rules made under the SFO, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) (as amended) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued, or had in its possession for the purpose of issue, and will not issue, or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation, prospectus or other offering material or other document relating to the MTNs, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to MTNs which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

6 Japan

The MTNs have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (“**Financial Instruments and Exchange Law**”) and, accordingly, each Dealer will be required to represent to, and agree with the Issuer, that it will not offer or sell any MTNs, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to a Japanese Person, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan. For the purposes of this paragraph, “**Japanese Person**” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

7 New Zealand

Each Dealer will represent to, and agree with the Issuer, that:

- (a) it has not offered or sold, and will not offer or sell, directly or indirectly, any MTNs; and
- (b) it has not distributed and will not distribute, directly or indirectly, any offering materials or advertisement in relation to any offer of MTNs,

in each case in New Zealand other than:

- (i) to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- (ii) to persons who in all the circumstances can properly be regarded as having been selected otherwise than as members of the public; or
- (iii) to persons who are each required to pay a minimum subscription price of at least NZ\$500,000 for the MTNs before the allotment of those MTNs (disregarding any amounts payable, or paid, out of money lent by the relevant Issuer or any associated person of the relevant Issuer); or
- (iv) in other circumstances where there is no contravention of the Securities Act 1978 of New Zealand (or any statutory modification or re-enactment of, or statutory substitution for, the Securities Act 1978 of New Zealand).

8 Singapore

This Information Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore, as amended ("**Securities and Futures Act**"). Each Dealer will represent to, and agree with the Issuer, that the MTNs may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Information Memorandum or any other document or material in connection with the offer or sale or invitation for subscription or purchase of any MTNs be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act, (b) to a relevant person pursuant to Section 275(1) of the Securities and Futures Act, or any person pursuant to Section 275(1A) of the Securities and Futures Act, and in accordance with the conditions specified in Section 275 of the Securities and Futures Act, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Securities and Futures Act.

Each of the following relevant persons specified in Section 275 of the Securities and Futures Act which has subscribed or purchased MTNs, namely a person who is:

- (a) a corporation (which is not an accredited investor) (as defined in Section 4A of the Securities and Futures Act) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor,

should note that shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest however described in that trust shall not be transferable for six months after that corporation or that trust has acquired the MTNs under Section 275 of the Securities and Futures Act except:

- (i) to an institutional investor (for corporations) under Section 274 of the Securities and Futures Act or to a relevant person, or to any person pursuant to an offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid in cash or by exchange of securities or other assets and in accordance with the conditions, specified in Section 275 of the Securities and Futures Act;
- (ii) where no consideration is given for the transfer; or
- (iii) where the transfer is by operation of law.

9 Further restrictions

If the Issuer reasonably determines that additional country specific selling restrictions are required or the selling restrictions set out above require amendment or variation to ensure compliance with any law, treaty or official directive or request (whether or not having the force of law, but if not having the force of law compliance with which is in accordance with the practice of responsible financial institutions in the country concerned), the Issuer may by notice to each Dealer notify new selling restrictions which shall take effect as if set out in this schedule from 30 days' after the date of the notice or such earlier date specified in such notice which is necessary to comply with the relevant law, treaty or official directive or request. However, this provision does not limit the general obligation of each Dealer to comply with all applicable laws.

ISSUER

Principal Office

Inter-American Development Bank

1300 New York Avenue, N.W.

Washington, D.C. 20577

Attention: Chief, Treasury Division

Telephone: (0011 1 202) 623 1310

Fax: (0015 1 202) 623 3523

ARRANGER AND DEALER

Westpac Banking Corporation

(ARN 33 007 457 141 and AFSL 233714)

Level 2, Westpac Place

275 Kent Street

Sydney NSW 2000

Attention: Executive Director, Debt Syndicate

Telephone: (61 2) 8253 4571

Fax: (61 2) 8254 6930

REGISTRAR

Reserve Bank of Australia

65 Martin Place

Sydney NSW 2000

Attention: The Registrar

Telephone: (61 2) 9551 9820

Fax: (61 2) 9551 8007