

PRICING SUPPLEMENT

Inter-American Development Bank

Global Debt Program

Series No.: 635

Tranche No. 2

MXN 1,500,000,000 7.70 percent Notes due February 12, 2024 (the “Notes”) as from November 15, 2018 to be consolidated and form a single series with the Bank’s MXN 750,000,000 7.70 percent Notes due February 12, 2024, issued on February 12, 2018 (the “Series 635 Tranche 1 Notes”)

Issue Price: 98.76 percent plus 276 days’ accrued interest

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

Citigroup

The date of this Pricing Supplement is November 12, 2018.

PRICING SUPPLEMENT

*Inter-American Development Bank Global Debt Program Series No: 635, Tranche 2
MXN 1,500,000,000 7.70 percent Notes due February 12, 2024*

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “Conditions”) set forth in the Prospectus dated January 8, 2001 (the “Prospectus”) (which for the avoidance of doubt does not constitute a prospectus for the purposes of Part VI of the United Kingdom Financial Services and Markets Act 2000 or a base prospectus for the purposes of Directive 2003/71/EC of the European Parliament and of the Council). This Pricing Supplement must be read in conjunction with the Prospectus. This document is issued to give details of an issue by the Inter-American Development Bank (the “Bank”) under its Global Debt Program and to provide information supplemental to the Prospectus. Complete information in respect of the Bank and this offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Prospectus.

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

Terms and Conditions

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

1. (a) Series No.: 635
(b) Tranche 2
2. Aggregate Principal Amount: MXN 1,500,000,000

As from the Issue Date, the Notes will be consolidated and form a single series with the Series 635 Tranche 1 Notes.
3. Issue Price: MXN 1,568,736,986.30, which amount represents the sum of (a) 98.76 percent of the Aggregate Principal Amount *plus* (b) the amount of MXN 87,336,986.30 representing 276 days’ accrued interest, inclusive.
4. Issue Date: November 15, 2018
5. Form of Notes
(Condition 1(a)): Registered only, as further provided in paragraph 9(c) of “Other Relevant Terms” below.
6. Authorized Denomination(s)
(Condition 1(b)): MXN 10,000

7. Specified Currency
(Condition 1(d)): Mexican Peso ("MXN") (the lawful currency of the United Mexican States)
8. Specified Principal Payment
Currency
(Conditions 1(d) and 7(h)): MXN
9. Specified Interest Payment Currency
(Conditions 1(d) and 7(h)): MXN
10. Maturity Date
(Condition 6(a); Fixed Interest Rate): February 12, 2024
- The Maturity Date is subject to adjustment in accordance with the Following Business Day Convention with no adjustment to the amount of interest otherwise calculated.
11. Interest Basis
(Condition 5): Fixed Interest Rate (Condition 5(I))
12. Interest Commencement Date
(Condition 5(III)): February 12, 2018
13. Fixed Interest Rate (Condition 5(I)):
- (a) Interest Rate: 7.70 percent per annum
- (b) Fixed Rate Interest Payment
Date(s): Annually on February 12 in each year, commencing on February 12, 2019 and ending on the Maturity Date.
- Each Interest Payment Date is subject to adjustment in accordance with the Following Business Day Convention with no adjustment to the amount of interest otherwise calculated.
- (c) Fixed Rate Day Count
Fraction(s): Actual/Actual (ICMA)
14. Relevant Financial Center: London, Mexico City and New York
15. Relevant Business Day: London, Mexico City and New York

16. Issuer's Optional Redemption (Condition 6(e)): No
17. Redemption at the Option of the Noteholders (Condition 6(f)): No
18. Governing Law: New York
19. Selling Restrictions:
- (a) United States: Under the provisions of Section 11(a) of the Inter-American Development Bank Act, the Notes are exempted securities within the meaning of Section 3(a)(2) of the U.S. Securities Act of 1933, as amended, and Section 3(a)(12) of the U.S. Securities Exchange Act of 1934, as amended.
- (b) United Kingdom: The Dealer represents and agrees that it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 with respect to anything done by it in relation to such Notes in, from or otherwise involving the United Kingdom.
- (c) Mexico: The Dealer has agreed that it will not offer the Notes publicly in Mexico and will not distribute any offering materials in Mexico. The Notes have not been and will not be registered with the National Registry of Securities and may not be publicly offered in Mexico.
- (d) General: No action has been or will be taken by the Bank that would permit a public offering of the Notes, or possession or distribution of any offering material relating to the Notes in any jurisdiction where action for that purpose is required. Accordingly, the Dealer agrees that it will observe all applicable provisions of law in each jurisdiction in or from which it may offer or sell Notes or distribute any offering material.

20. Amendment to Condition 7(a)(i): **Condition 7(a)(i)** is hereby amended by **deleting the first sentence** thereof and **replacing it** with the following: *“Payments of principal and interest in respect of Registered Notes shall be made to the person shown on the Register at the close of business on the business day before the due date for payment thereof (the “Record Date”).”*
21. Amendment to Condition 7(h): The following shall apply to Notes any payments in respect of which are payable in a Specified Currency other than United States Dollars:
- Condition 7(h)** is hereby amended by **deleting the words** *“the noon buying rate in U.S. dollars in the City of New York for cable transfers for such Specified Currency as published by the Federal Reserve Bank of New York on the second Business Day prior to such payment or, if such rate is not available on such second Business Day, on the basis of the rate most recently available prior to such second Business Day”* and **replacing them with the words** *“a U.S. dollar/Specified Currency exchange rate determined by the Calculation Agent as of the second Business Day prior to such payment, or, if the Calculation Agent determines that no such exchange rate is available as of such second Business Day, on the basis of the exchange rate most recently available prior to such second Business Day. In making such determinations, the Calculation Agent shall act in good faith and in a commercially reasonable manner having taken into account all available information that it shall deem relevant”*.
- If applicable and so appointed, and unless otherwise defined herein, the “Calculation Agent” referred to in amended Condition 7(h) shall be the Global Agent under the Bank’s Global Debt Program – namely, Citibank, N.A., London Branch, or its duly authorized successor.

Other Relevant Terms

1. Listing: Application has been made for the Notes to be admitted to the Official List of the United Kingdom Listing Authority and to trading on the London Stock Exchange plc's Regulated Market with effect from the Issue Date.
2. Details of Clearance System Approved by the Bank and the Global Agent and Clearance and Settlement Procedures: Euroclear Bank SA/NV and Clearstream, Luxembourg
3. Syndicated: No
4. Commissions and Concessions: No commissions or concessions are payable in respect of the Notes. An affiliate of the Dealer has arranged a swap with the Bank in connection with this transaction and will receive amounts thereunder that may comprise compensation.
5. Estimated Total Expenses: None. The Dealer has agreed to pay for all material expenses related to the issuance of the Notes.
6. Codes:
 - (a) Common Code: 176213566
 - (b) ISIN: XS1762135660
7. Identity of Dealer: Citigroup Global Markets Limited

8. Identity of Calculation Agent: The Global Agent, Citibank, N.A., London branch, will act as the Calculation Agent.
- All determinations of the Calculation Agent shall (in the absence of manifest error) be final and binding on all parties (including, but not limited to, the Bank and the Noteholders) and shall be made in its sole discretion in good faith and in a commercially reasonable manner in accordance with a calculation agent agreement between the Bank and the Calculation Agent.
9. Provisions for Registered Notes:
- (a) Individual Definitive Registered Notes Available on Issue Date: No
 - (b) DTC Note(s): No
 - (c) Other Registered Global Notes: Yes, issued in accordance with the Global Agency Agreement, dated January 8, 2001, as amended, among the Bank, Citibank, N.A. as Global Agent, and the other parties thereto.

General Information

Additional Information Regarding the Notes

1. Matters relating to MiFID II

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

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

(by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

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

2. United States Federal Income Tax Matters:

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

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

Because the Notes are denominated and payable in the Mexican Peso, a United States holder of the Notes will generally be subject to special United States federal income tax rules governing foreign currency transactions, as described in the Prospectus in the last four paragraphs of "—Payments of Interest" under the "United States Holders" section.

A United States holder will generally be taxed on interest on the Notes as ordinary income at the time such holder receives the interest or when it accrues, depending on the holder's method of accounting for tax purposes. However, the portion of the first interest payment on the Notes that represents a return of the 276 days of accrued interest that a United States holder paid as part of the Issue Price of the Notes will not be treated as an interest payment for United States federal income tax purposes, and will accordingly not be includible in income. If the U.S. dollar amount received in respect of such accrued interest differs from the U.S. dollar amount paid by the holder in respect of such interest, such difference should give rise to United State source foreign currency gain or loss.

Upon the sale, redemption or retirement of the Notes, a United States holder will generally recognize gain or loss equal to the difference, if any, between the U.S. dollar amount realized by such holder, excluding any amounts attributable to accrued but unpaid interest (which will be treated as interest payments), and such holder's tax basis in the Notes. A United States holder's adjusted tax basis in the Notes generally will equal the U.S. dollar cost of the Notes to the United State holder. Such gain or loss will be capital gain or loss except to the extent attributable to

changes in exchange rates which generally will be taxed as ordinary income or loss to the extent of the total gain or loss realized on the transaction. Capital gain of individual taxpayers from the sale, redemption or retirement of the Notes will generally be treated as long-term capital gain or loss to the extent the United States holder has held the Notes for more than one year. Long-term capital gain of individual taxpayers may be eligible for reduced rates of taxation. The deductibility of capital loss is subject to significant limitations.

The Notes will be issued with a de minimis amount of original issue discount (“OID”). While a United States holder is generally not required to include de minimis OID in income prior to the sale or maturity of the Notes, under recently enacted legislation, United States holders that maintain certain types of financial statements and that are subject to the accrual method of tax accounting may be required to include de minimis OID on the Notes in income no later than the time upon which they include such amounts in income on their financial statements. United States holders that maintain financial statements should consult their tax advisors regarding the tax consequences to them of this legislation.

Treasury Regulations Requiring Disclosure of Reportable Transactions. 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, because the Notes are denominated in a foreign currency, a United States holder that recognizes a loss with respect to the Notes that is characterized as an ordinary loss due to changes in currency exchange rates (under any of the rules discussed under the “Tax Matters” section of the Prospectus) would be required to report the loss on IRS Form 8886 (Reportable Transaction Statement) if the loss exceeds the thresholds set forth in the regulations. For individuals and trusts, this loss threshold is \$50,000 in any single taxable year. For other types of taxpayers and other types of losses, the thresholds are higher. Holders should consult with their tax advisors regarding any tax filing and reporting obligations that may apply in connection with acquiring, owning and disposing of notes.

Information with Respect to Foreign Financial Assets. Owners of “specified foreign financial assets” with an aggregate value in excess of U.S.\$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with their tax returns. “Specified foreign financial assets” may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts that have non-United States issuers or counterparties, and (iii) interests in foreign entities. Holders are urged to consult their tax advisors regarding the application of this reporting requirement to their ownership of the Notes.

Medicare Tax. A United States holder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax (the “Medicare tax”) on the lesser of (1) the United States holder’s “net investment income” (or “undistributed net investment income” in the case of an estate or trust) for the relevant taxable year and (2) the excess of the United States holder’s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between U.S.\$125,000 and U.S.\$250,000, depending on the individual’s circumstances). A holder’s net investment

income will generally include its interest income and its net gains from the disposition of Notes, unless such interest income or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). United States holders that are individuals, estates or trusts are urged to consult their tax advisors regarding the applicability of the Medicare tax to their income and gains in respect of their investment in the Notes.

3. Additional Investment Considerations:

There are risks associated with the Notes, including but not limited to possible exchange rate risk, price risk and liquidity risk. Investors should consult their own financial, legal, accounting and tax advisors about the risks associated with an investment in these Notes, the appropriate tools to analyze that investment, and the suitability of the investment in each investor's particular circumstances.

The Bank may hedge its obligations under the Notes by entering into a swap transaction with the Dealer or one of its affiliates as swap counterparty. Assuming no change in market conditions or any other relevant factors, the price, if any, at which the Dealer or another purchaser might be willing to purchase Notes in a secondary market transaction is expected to be lower, and could be substantially lower, than the original issue price of the Notes. This is due to a number of factors, including that (i) the potential profit to the secondary market purchaser of the Notes may be incorporated into any offered price and (ii) the cost of funding used to value the Notes in the secondary market is expected to be higher than our actual cost of funding incurred in connection with the issuance of the Notes. In addition, the original issue price of the Notes included, and secondary market prices are likely to exclude, any projected profit that our swap counterparty or its affiliates may realize in connection with this swap. Further, as a result of any dealer discounts, mark-ups or other transaction costs, any of which may be significant, the original issue price may differ from values determined by pricing models used by our swap counterparty or other potential purchasers of the Notes in secondary market transactions.