

PRICING SUPPLEMENT

Inter-American Development Bank

Global Debt Program

Series No: 672

Tranche No. 2

TRY 250,000,000 Zero Coupon Notes due September 28, 2020 (the “Notes”) as from October 30, 2018 to be consolidated and form a single series with the Bank’s TRY 250,000,000 Zero Coupon Notes due September 28, 2020, issued on September 28, 2018 (the “Series 672 Tranche 1 Notes”)

Issue Price: 63.250 percent

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

J.P. Morgan Securities plc

The date of this Pricing Supplement is October 25, 2018

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*Inter-American Development Bank Global Debt Program Series No: 672, Tranche 2
TRY 250,000,000 Zero Coupon Notes due September 28, 2020*

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.: 672
(b) Tranche: 2
2. Aggregate Principal Amount: TRY 250,000,000

As from the Issue Date, the Notes will be consolidated and form a single series with the Series 672 Tranche 1 Notes.
3. Issue Price: TRY 158,125,000, which is 63.250 percent of the Aggregate Principal Amount
4. Issue Date: October 30, 2018
5. Form of Notes
(Condition 1(a)): Registered only, as further provided in paragraph 8(c) of “Other Relevant Terms” below.
6. Authorized Denomination(s)
(Condition 1(b)): TRY 1,000
7. Specified Currency
(Condition 1(d)): Turkish Lira (“TRY”)

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TRY 250,000,000 Zero Coupon Notes due September 28, 2020*

8. Specified Principal Payment Currency
(Conditions 1(d) and 7(h)): TRY
9. Specified Interest Payment Currency
(Conditions 1(d) and 7(h)): TRY
10. Maturity Date
(Condition 6(a); Zero Coupon): September 28, 2020

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): Zero Coupon (Condition 5(IV))
12. Zero Coupon (Conditions 5(IV) and 6(c)):
 - (a) Amortization Yield: 26.491 percent per annum
 - (b) Reference Price: Issue Price
 - (c) Basis: Compounded annually
 - (d) Fixed Rate Day Count Fraction(s) if not 30/360 basis: 30/360, unadjusted
13. Relevant Financial Center: Istanbul, London and New York
14. Relevant Business Days: Istanbul, London and New York
15. Redemption Amount (Condition 6(a)):
The Redemption Amount will be TRY 250,000,000, being 100.00 percent of the Aggregate Principal Amount.
16. Issuer's Optional Redemption
(Condition 6(e)): No
17. Redemption at the Option of the Noteholders (Condition 6(f)): No

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18. Early Redemption Amount (including accrued interest, if applicable) (Condition 9):
In the event of any Note becoming due and payable prior to the Maturity Date in accordance with Condition 9, the Early Redemption Amount will be an amount equal to the Amortized Face Amount of such Note (calculated in accordance with Condition 6(c))
19. Governing Law:
New York
20. 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 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) Turkey:
The Dealer acknowledges that the offering of the Notes is not approved by or registered with the Capital Markets Board ("CMB") under the Capital Markets Law (No. 6362) ("CML") and the Communiqué regarding Foreign Securities, Depository Receipts and Foreign Investment Funds Shares (Serial VII No: 128.4). Therefore no transaction that may be deemed as offering, marketing or sale of the Notes (or beneficial interests therein) in Turkey by way of private placement or public offering may be engaged in. Accordingly, the Dealer has represented and agreed that it has not and will not offer or sell the Notes to investors residing in the Republic of Turkey without applying to the CMB and, in the case of a public offering, without issuing a

prospectus and an offering circular approved by the CMB, except pursuant to an exemption from the prospectus and application requirements of or otherwise in compliance with the CML and any other applicable laws or regulations of the Republic of Turkey. In addition, the Dealer represents and agrees that it has not sold or caused to be sold and will not sell or cause to be sold outside the Republic of Turkey the Notes (or beneficial interests therein) to residents of the Republic of Turkey, unless such sale is authorised pursuant to Article 15(d)(ii) of Decree 32 (as amended from time to time) and the CMB regulations.

(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.

21. 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”).”*

22. 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

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|---|---|
| 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. |
| 2. Details of Clearance System Approved by the Bank and the Global Agent and Clearance and Settlement Procedures: | Euroclear Bank SA/NV and/or Clearstream Banking, Luxembourg |
| 3. Syndicated: | No |
| 4. Commissions and Concessions: | No commissions or concessions are payable in respect of the Notes. Affiliates of the Dealer have 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: 188324169
- (b) ISIN: XS1883241694
7. Identity of Dealer: J.P. Morgan Securities plc
8. Provisions for Registered Notes:
- (a) Individual Definitive Registered Notes Available on Issue Date: No
- (b) DTC Global Note(s): No
- (c) Other Registered Global Notes: Yes, issued in accordance with the Global Agency Agreement, dated January 8, 2001, 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. 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.